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Application Proof of

SINOGOLD Resources Holdings Group Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

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SINOGOLD

SINOGOLD RESOURCES HOLDINGS GROUP CO., LTD.
中金资源控股集团股份有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total number of [REDACTED] under the [REDACTED]	:	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	:	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
[REDACTED] (subject to a [REDACTED])	:	**Not more than [REDACTED] per [REDACTED], and expected to be not less than [REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% (payable in full at the maximum [REDACTED] on application in Hong Kong dollars and subject to refund) (If the [REDACTED] [REDACTED] range after making a [REDACTED], the [REDACTED] will be [REDACTED] per [REDACTED])**
Nominal value	:	**HK$0.01 per Share**
[REDACTED]	:	**[●]**

Sole Sponsor

Innovax Capital

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The [REDACTED] is expected to be determined by agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company on or around [REDACTED] or such later time as may be agreed between the parties and, in any event, not later than [REDACTED]. The [REDACTED] will be not more than [REDACTED] per [REDACTED] and is currently expected to be not less than [REDACTED] per [REDACTED] (subject to a [REDACTED]), unless otherwise announced. [REDACTED] applying for [REDACTED] must pay, on application, the maximum indicative [REDACTED] of [REDACTED] for each [REDACTED] together with brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%, subject to refund if the [REDACTED] is lower than HK$[REDACTED] per [REDACTED].

The [REDACTED] (for itself and on behalf of the [REDACTED]), may, with the consent of our Company, reduce the indicative [REDACTED] range and/or the number of [REDACTED] being [REDACTED] under the [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.sinogoldresources.com** as soon as possible but in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED].

If, for any reason, the final [REDACTED] is not agreed between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) on or before 5:00 p.m. on [REDACTED], the [REDACTED] will not proceed and will lapse immediately.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all the information set out in this document, including the risk factors set out in the section headed "Risk factors" in this document.

Prospective [REDACTED] of the [REDACTED] should note that under the [REDACTED] in respect of the [REDACTED] the [REDACTED] (for itself and on behalf of the [REDACTED]) is entitled to terminate the [REDACTED] by giving a notice in writing to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED] (which is expected to be on [REDACTED]) upon the occurrence of the events set out under the section headed "[REDACTED] — [REDACTED] arrangements and expenses — [REDACTED] — Grounds for termination" in this document. Should the [REDACTED] (for itself and on behalf of the [REDACTED]) terminate the [REDACTED], the [REDACTED] will not proceed and will lapse.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law of the United States and may not be [REDACTED], sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons, except that the [REDACTED] may be [REDACTED], sold or delivered in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

No information on any website forms part of this document.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

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

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

OVERVIEW

We are a gold exploration, mining and processing company established in 2005 and strategically located in Yantai city of the Shandong Province in China. We sell gold bullion derived from gold concentrate processed by us. According to the F&S Report, we were the fifth largest gold mining company in the Shandong Province in 2021 with a market share of 1.6% in terms of mine production volume. Further, Shandong Province is the largest gold producing province in the PRC with gold mine production volume of approximately 40.3 tonnes, which accounted for approximately 14.9% of the total gold mine production volume in China in 2021, while Yantai city accounted for approximately 90% of the gold mine production of the Shandong Province in 2021. We believe we enjoy growth opportunities attributable to our strategic location in Yantai city.

According to the SRK Report, we had total Probable Mineral Reserves, Indicated Mineral Resources and Inferred Mineral Resources amounted to approximately 24.5 Mt, 37.0 Mt and 40.1 Mt, respectively, as at 31 December 2021. We operate two operating gold mines, namely, the Songjiagou Open-Pit Mine and the Songjiagou Underground Mine, both are located at Songjiagou, the Muping-Rushan gold metallogenic belt, which is one of the three major gold metallogenic belts in Yantai, and are in close proximity of around 400 metres from each other. We operate an ore processing plant within 4 km from our mines with an annual ore processing capacity of approximately 2.0 Mt. Our mining assets and ore processing plant are well supported by upstream and downstream gold supply chain industries in the Yantai city, and are easily accessible by highway.

We have the track records to develop greenfield mining assets and related facilities and have successfully turned them into actual mining and gold producing assets as both of our mining assets, ore processing plant and related facilities such as tailings dam were developed by us. Both our management and operations teams are led by professionals who have extensive industry experience. Our management team is led by our Chairman, executive Director and chief executive officer, Dr. Shao, who held a doctor of philosophy degree in mineral processing and has extensive experience in ore processing, mining-related finance and investment management. Leveraging on our strong technical team of four mining operations engineers and six geologists, many of whom previously worked at SRK, and headed by Mr. Huang Yong, a recipient of China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) in 2006, we have recorded high operational efficiency with an average production cost of approximately RMB186.8 per gram in FY2021, which is below the industry average of RMB239.9 per gram in 2021 as stated in the F&S Report. We accredited this achievement to our effective gold grade control and production management implemented by our technical team as part of our mining methodology which, before drilling and blasting activities to be carried out with respect of our mining works, incorporates geostatistics into a mix of mining methods (such as drilling, blasting, loading and transportation method for Songjiagou Open-Pit Mine and shrinkage stope and cut-and-fill mining method for Songjiagou Underground Mine) to help select and identify higher gold content orebody (i.e. ore with higher gold grade) to be extracted based on ground and mining site conditions to improve our resource quality while controlling the stripping volume so that we can ensure a stable grade of ore is being fed into our ore processing plant for our ore processing operations. Our Directors believe that our streamlined business model enables us to focus on our core mining and ore processing operations while keeping our operation costs low, thereby enhancing Shareholders' value in the long run.

We carry out substantially all of our mining works comprising demolition, blasting, drilling and excavation works ourselves but outsource all the refining and logistics works to qualified third-party subcontractors, in line with common practice in the mining industry. However, we take safety seriously and have training programmes in place for our third-party subcontractors. All third-party subcontractors are required to possess the requisite qualifications to undertake the commissioned works and carry out their works according to our design plans and under our supervisions and inspections. We were awarded the Advanced Unit in Production Safety at the District Level from the government authority of Muping District in Yantai city. As at the Latest Practicable Date, our staff force reached around 402. During the Track Record Period, our revenue amounted to approximately RMB229.2 million, RMB361.0 million and RMB247.9 million, respectively, while our net profit amounted to approximately RMB27.2 million, RMB114.4 million and RMB58.7 million, respectively.

COMPETITIVE STRENGTHS

We believe that our success is attributed to, among other things, the following competitive strengths which distinguish us from our competitors: (i) our gold mines' strategic location in Yantai city, which is a gold rich area with well-established gold supply chain industry; (ii) our strong technical team which is instrumental to our high operational efficiency at production costs lower than industry average; (iii) our ability to develop greenfield mining assets and our existing operating mining assets can support our next phase of growth strategies; (iv) our commitment to safety and environmental management; and (v) our distinguished integrated management team. Please refer to the section headed "Business — Competitive strengths" in this document for further details.

BUSINESS STRATEGIES

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

OUR MINERAL ASSETS AND RESERVES

As at the Latest Practicable Date, we had a complete set of portfolio of mining assets and related infrastructure within close proximity with each other, which include (i) one open-pit gold mine, namely our Songjiagou Open-Pit Mine, with a permitted annual mine production volume of 900 kt and LoM of approximately nine years; (ii) one underground gold mine, namely our Songjiagou Underground Mine, with a permitted annual mine production volume of 90 kt and LoM of approximately eight years; (iii) an ore processing plant with an annual ore processing capacity of approximately 2.0 Mt; and (iv) a tailings dam with a total storage capacity of approximately 42.2 million m^3. Please see paragraphs headed "Business — Our mineral assets and reserves — Our two gold mines", "Business — Our operations — Our ore processing facilities" and "Business — Our operations — Tailings" for further details.

The following table sets forth the information on our Mineral Resources and Mineral Reserves as at 31 December 2021 under the NI 43-101 Code, based on the SRK Report.

	Mineral Resources				**Mineral Reserves**			
Asset	**NI 43-101 Code Resource category**	**Tonnes** *(Mt)*	**Gold grade** *(g/t)*	**Gold content** *(koz)*	**NI 43-101 Code Reserve category**	**Tonnes** *(Mt)*	**Gold grade** *(g/t)*	**Gold content** *(koz)*
Songjiagou	Indicated	35.3	1.10	1,250.0	Proved	—	—	—
Open-Pit Mine	Inferred	37.0	0.95	1,129.0	Probable	23.8	1.16	887
	Total	**72.3**	**—**	**2,379.0**	**Total**	**23.8**	**—**	**887**
Songjiagou	Indicated	1.7	1.39	77.0	Proved	—	—	—
Underground	Inferred	3.1	1.24	122.0	Probable	0.7	1.41	29.8
Mine	**Total**	**4.8**	**—**	**199.0**	**Total**	**0.7**	**—**	**29.8**

MINING LICENCES

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

Gold mine	Licence name	Licence holder	Area *(sq.km.)*	Type of natural resources	Permitted annual mine production volume *(kt)*	Licence number	Validity period of licence From	To	Status
Songjiagou Open-Pit Mine	Mining licence	Yantai Zhongjia	0.5937	Gold	900	C37000020090 44110010983	17 May 2020	17 May 2031	Valid
Songjiagou Underground Mine	Mining licence	Yantai Zhongjia	0.4140	Gold	90	C37000020160 24210141314	18 February 2021	18 February 2031	Valid

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

OUR PRODUCTION PROCESS

Our production process involves three major steps: (i) mining (both open-pit and underground mining); (ii) ore processing, which in turn includes crushing, grinding and flotation; and (iii) gold refining, which we outsource the refining of gold concentrate into gold bullion of Au99.95 to Independent Third Party smelters.

OUR CUSTOMERS

Our principal product is gold bullion of Au99.95. As we are not a member of the Shanghai Gold Exchange, we engage two Independent Third Party gold smelters, namely Shandong Guoda and Shandong Humon, to refine our gold concentrate into gold bullion of Au99.95 and sell to them (or their subsidiaries) such gold bullion at the fixed price determined by us with reference to prevailing gold spot price as quoted on the Shanghai Gold Exchange for their subsequent sales on the Shanghai Gold Exchange during the Track Record Period, which is in line with industry practice according to the F&S Report. For FY2019, FY2020 and FY2021, our sales to Shandong Guoda amounted to approximately RMB167.6 million, RMB335.8 million and RMB247.9 million (accounted for approximately 73.1%, 93.0% and 100.0% of our total revenue) respectively, and our sales to Shandong Humon amounted to approximately RMB61.6 million, RMB25.2 million and nil (accounted for approximately 26.9%, 7.0% and nil of our total revenue) respectively. Despite such customer concentration, our executive Directors considered that we are not materially reliant on Shandong Guoda and/or Shandong Humon and are capable of maintaining our revenue in the future. For further details, please refer to the section headed "Business — Sales and customers — Our relationships with Shandong Guoda and Shandong Humon" in this document. Further, both of these customers are also our subcontractors during the Track Record Period. For further details, please refer to the section headed "Business — Sales and customers — Major customers who are also our subcontractors" in this document.

OUR SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers and subcontractors of goods and services in the PRC principally included: (i) suppliers of raw materials and consumables such as explosives, steel grinding balls and chemical reagents used during our ore processing operation; (ii) suppliers of utilities such as electricity; (iii) suppliers of parts and replacements of machinery; (iv) our subcontractors for carrying out mining works comprising demolition, blasting, drilling and excavation works, for our Songjiagou Open-Pit Mine and Songjiagou Underground Mine prior to February 2021; (v) our subcontractors for carrying out smelting work to refine our gold concentrate into gold bullion of Au99.95; and (vi) subcontractors of logistic services for transportation of ore. A number of our suppliers and subcontractors during the Track Record Period were individuals, which is common in the industry according to the F&S Report. During the Track Record Period, purchases from our five largest suppliers amounted to approximately RMB42.7 million, RMB45.5 million and RMB29.7 million, respectively, accounted for approximately 50.4%, 51.8% and 53.1% of our total purchases. Purchases from our largest supplier amounted to approximately RMB29.5 million, RMB29.6 million and RMB19.2 million, respectively, for the same periods, accounted for approximately 34.8%, 33.7% and 34.3% of our total purchases. During the Track Record Period, purchases from our five largest subcontractors amounted to approximately RMB25.5 million, RMB19.7 million and RMB8.0 million, respectively, accounted for approximately 30.0%, 22.4% and 14.4% of our total purchases. Purchases from our largest subcontractor amounted to approximately RMB10.1 million, RMB9.0 million and RMB4.1 million, respectively, for the same periods, accounted for approximately 11.9%, 10.2% and 7.3% of our total purchases. For further details, please refer to the section headed "Business — Suppliers and subcontractors" in this document.

COMPETITIVE LANDSCAPE

According to the F&S Report, the gold mining industry in the PRC is relatively fragmented as it is dominated by small and medium-sized gold mines. However, the gold mining industry in the Shandong Province is concentrated to five largest gold mining companies. Shandong Province is the largest gold producing province in the PRC with gold mine production volume of approximately 40.3 tonnes, which accounted for approximately 14.9% of the total gold mine production volume in China in 2021, while Yantai city accounted for approximately 90% of the gold mine production of the Shandong Province in 2021. The top ten PRC gold companies by domestic gold mine production volume collectively accounted for approximately 51.2% of the total gold mine production volume in the PRC in 2021 while the top five gold producers in Shandong Province by gold mine production volume accounted for approximately 89.9% of the total gold mine production in Shandong Province in 2021. According to the F&S Report, our annual gold mine production volume was approximately 0.6 tonnes in 2021, making us the fifth largest gold mining company in the Shandong Province with a market share of 1.6% in terms of mine production volume. As we do not face competition in terms of price differentiation, we primarily compete with nationwide leading gold producers and regional large and medium-sized gold producers in the PRC in terms of our ability to obtain more gold resources and reserves, which is dependent on our financial conditions, technical ability, equipment and machinery and management experience. Please refer to the section headed "Industry overview" in this document for further details.

SUMMARY FINANCIAL INFORMATION

The following tables summarise our consolidated financial information for FY2019, FY2020 and FY2021, which should be read in conjunction with our financial information included in the Accountants' Report set forth in Appendix I to this document, including the notes thereto.

Highlight of consolidated statements of profit or loss and other comprehensive income

	FY2019	**FY2020**	**FY2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	229,202	360,999	247,872
Gross profit	70,739	194,986	140,105
Profit before income tax	47,271	169,313	87,210
Profit for the year	27,198	114,423	58,716

During the Track Record Period, we recorded revenue of approximately RMB229.2 million, RMB361.0 million and RMB247.9 million, respectively. The increase in our revenue in FY2020 was primarily due to the increase in our gold sales volume by approximately 24.1% from approximately 795.5 kg (or 25,575.9 ounces) in FY2019 to approximately 987.4 kg (or 31,745.6 ounces) in FY2020 and the increase in the average selling price of gold from approximately RMB288.1 per gram in FY2019 to approximately RMB365.6 per gram in FY2020. The decrease in our revenue in FY2021 was primarily due to the decrease in our gold sales volume by approximately 34.6% from approximately 987.4 kg (or 31,745.6 ounces) in FY2020 to approximately 645.5 kg (or 20,753.3 ounces) in FY2021, which was partially offset by the increase in the average selling price of our gold from approximately RMB365.6 per gram in FY2020 to approximately RMB384.0 per gram in FY2021. The decrease in our gold sales volume in FY2021 was mainly due to the decrease in our gold production volume caused by the temporary suspension of our mining operation from February 2021 to August 2021 for safety inspection in accordance with the requirements of the local authorities. Our selling price of gold bullion was determined with reference to the prevailing gold spot price quoted on the Shanghai Gold Exchange. During the Track Record Period, the monthly average gold spot price generally exhibited an upward trend despite the fact that price drops occurred in the fourth quarter of FY2020 and first quarter of FY2021.

Our gross profit increased from approximately RMB70.7 million in FY2019 to approximately RMB195.0 million in FY2020 due mainly to the increase in revenue and the increase in our gross profit margin from approximately 30.9% in FY2019 to approximately 54.0% in FY2020. The increase in gross profit was mainly due to the increase in average gold selling price of approximately 26.9% and the lesser increase in cost of sales in response to the increase in gold production and sales volume, primarily due to the fact that certain components in the cost of sales were semi-variable costs which did not increase directly proportional to the increase in gold production and sales volume. In addition, we also adopted certain measures aiming at reducing our operating costs, including terminating the mining subcontracting arrangements and conducting mining activities by ourselves, as well as monitoring the refining charges of the smelters. Our gross profit decreased to approximately RMB140.1 million in FY2021 due mainly to the decrease in our revenue of approximately 31.3% in FY2021. Our gross profit margin further increased to approximately 56.5% in FY2021 mainly because of the increase in average gold selling price of approximately 5.0% and the decrease in mining subcontracting costs as we carry out substantially all the mining works ourselves since February 2021. Our profit for the year during the Track Record Period was approximately RMB27.2 million, RMB114.4 million and RMB58.7 million, respectively, and our net profit margin was approximately 11.9%, 31.7% and 23.7%, respectively.

Highlight of consolidated statements of financial position

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	467,421	560,177	552,394
Current assets	185,358	248,973	223,195
Current liabilities	514,930	226,021	181,295
Net current (liabilities)/assets	(329,572)	22,952	41,900
Non-current liabilities	30,339	37,128	64,749
Net assets	107,510	546,001	529,545

We recorded net current liabilities of approximately RMB329.6 million as at 31 December 2019, which were mainly due to the amounts due to related parties, being Majestic Gold and Dahedong, relating to shareholders' advances and financial assistance provides to our Group, which were fully waived or to be settled, as the case maybe, in June 2020 and before [REDACTED], respectively.

Highlight of consolidated statements of cash flows

	FY2019	FY2020	FY2021
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	63,051	186,756	113,955
Net cash flows (used in) investing activities	(6,854)	(60,906)	(55,940)
Net cash flows (used in) financing activities	(397)	(58,055)	(76,987)
Net increase (decrease) in cash and cash equivalents	55,800	67,795	(18,972)
Cash and cash equivalents at the beginning of year	77,979	134,696	202,907
Effect of foreign exchange rate changes, net	917	416	(1,537)
Cash and cash equivalents at end of year	134,696	202,907	182,398

Our net cash flows generated from operating activities during the Track Record Period amounted to approximately RMB63.1 million, RMB186.8 million and RMB114.0 million, respectively. Our net cash generated from operating activities increased from approximately RMB63.1 million for FY2019 to approximately RMB186.8 million for FY2020, was mainly due to (i) the increase in profit before tax after adjustments for non-cash items of approximately RMB113.2 million; (ii) changes in working capital of approximately RMB29.6 million; and partially offset by (iii) the increase in income tax paid of approximately RMB19.1 million. Our net cash generated from operating activities decreased from approximately RMB186.8 million for FY2020 to approximately RMB114.0 million for FY2021, was mainly due to (i) the decrease in profit before tax after adjustments for non-cash items of approximately RMB93.0 million; (ii) changes in working capital of approximately RMB6.1 million; and partially offset by (iii) the decrease in income tax paid of approximately RMB26.3 million. Our net cash flows used in investing activities during the Track Record Period amounted to approximately RMB6.9 million, RMB60.9 million and RMB55.9 million, respectively, represented mainly cash used in purchase of properties, plant and equipments and additions of mining rights. Our net cash flows used in financing activities during the Track Record Period amounted to approximately RMB397,000, RMB58.1 million and RMB77.0 million, respectively, represented mainly net repayment of bank loans, and dividends and interests paid.

Key financial ratios

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

	FY or as at 31 December		
	2019	2020	2021
Return on equity (%)	25.3	21.0	11.1
Return on assets (%)	4.2	14.1	7.6
Interest coverage (times)	10.0	42.7	34.0
Current ratio (times)	0.4	1.1	1.2
Quick ratio (times)	0.3	0.9	1.0
Gearing ratio (%)	83.7	5.5	5.7
Net debt to equity ratio (%)	NA	NA	NA

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

CASH OPERATING COSTS

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

		Historical			Forecast				
Cost item	**Unit**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026**
Workforce employment	RMB/gram	24.51	20.35	23.49	24.25	18.58	15.35	12.99	12.70
Consumables	RMB/gram	59.28	49.50	36.14	27.41	26.26	31.09	30.28	29.61
Fuel, electricity, water and other services	RMB/gram	55.56	44.92	66.67	24.88	23.43	19.93	17.34	17.01
On and off-site administration	RMB/gram	3.19	6.30	9.87	1.05	0.80	0.66	0.56	0.55
Environmental protection and monitoring	RMB/gram	0.00	0.04	0.00	0.01	0.01	0.01	0.01	0.01
Transportation of workforce	RMB/gram	1.14	0.66	0.72	0.49	0.38	0.31	0.26	0.26
Product marketing and support	RMB/gram	—	—	—	—	—	—	—	—
Non-income taxes, royalties and other government charges	RMB/gram	13.44	15.59	17.58	16.57	15.44	14.88	14.38	14.01
Contingency allowances	RMB/gram	4.67	7.86	9.35	3.74	2.86	2.37	2.00	1.96
Total	RMB/gram	161.79	145.22	163.85	98.40	87.76	84.60	77.82	76.11

Please refer to the section headed "19. Capital investment and operating costs" in the SRK Report as set out in Appendix III to this document for details of the cash operating costs and the relevant assumptions.

[REDACTED]

Assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the [REDACTED]) and the [REDACTED] is not exercised, the aggregate commissions and fees, together with the Stock Exchange [REDACTED] fee, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee, legal and other professional fees, printing and other expenses in relation to the [REDACTED], which are payable by us are estimated to be approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. [REDACTED] charged to profit or loss for FY2019, FY2020 and FY2021 were approximately HK$[REDACTED], HK$[REDACTED] and HK$[REDACTED] (equivalent to approximately RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED]), respectively. We expect to charge the remaining estimated [REDACTED] of approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) to profit or loss in the period subsequent to the Track Record Period and upon [REDACTED] and to capitalise approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) upon [REDACTED]. The recognition of the [REDACTED] is expected to materially affect our financial results for the year ending 31 December 2022.

IMPACTS OF THE TEMPORARY SUSPENSION OF MINING OPERATIONS IN FY2021

Due to mine accidents that occurred in Yantai City in early 2021, all mines (including our mines) in the Yantai City were required by the local government to suspend operation. In view of the above, both our Songjiagou Open-Pit Mine and Songjiagou Underground Mine have suspended mining operations from February to August 2021 and February to November 2021, respectively while our ore processing plant was required to suspend operation from March to August 2021 (except for certain test runs in April and May 2021) for the government authority to carry out safety inspection. During this period, the utilisation rate of our ore processing plant fell by approximately 28.6% to approximately 51.7% in FY2021 as compared to approximately 80.3% in FY2020. In addition, our gold production volume during FY2021 decreased by approximately 414.5 kg or 41.8% as compared to FY2020, which led to the decreases in our revenue of approximately 31.3% and our profit for the year by approximately 48.7% in FY2021 as compared to FY2020. Further, the local government introduced safety requirements on strengthening the management of subcontracting works on mining activities, among others, mining activities shall be performed and/or managed by the mine owner or a main contractor and prohibiting further outsourcing to subcontractors without proper qualification. Since we had already terminated substantially all of our mining works subcontractors for the Songjiagou Open-pit Mine in September 2020 and the Songjiagou Underground Mine in January 2021 and we substantially carried out all the mining works ourselves, there has been no material impact on the introduction of the safety requirements to our business operation and we have complied with such requirements to ensure safety of our mines. For further details, please see section headed "Business — Impacts of the temporary suspension of mining operations in FY2021" in this document.

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

We have maintained a sound business performance during most of the time when there was an outbreak of the COVID-19 pandemic in the PRC in 2020. Other than the temporary two-weeks suspension of our back office administrative functions after the Chinese New Year holidays in February 2020 during the initial stage of COVID-19 pandemic in the PRC, none of these measures implemented by the PRC government had negatively affected our business operations subsequently. In 2020, our monthly revenue continued to remain stable at approximately RMB26.7 million to RMB33.9 million from March to December 2020, and we achieved a 57.5% year-on-year growth in our annual revenue for FY2020 as compared to FY2019.

Throughout the pandemic, to reduce the risk of transmission of COVID-19 among our employees, we have implemented hygiene measures which requires our employees to carry out social distancing in our work place, measure their body temperature before entering our offices and mining sites, wear masks within our offices and mining sites and regularly sanitise public areas within our premises. We have policy and guideline in place to handle situations of infections among our employees, receiving of medical care and disinfection of workplace. Our cost for implementing the hygiene measures is approximately RMB1,580 per month, mainly spent on the purchase of sanitary masks, hand cleansing gel, and alcohol disinfectant.

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

RECENT DEVELOPMENT

Our business model, revenue and cost structure remain unchanged after the Track Record Period and hence our business remained stable which was in line with the past trends and our expectations. Since 1 January 2022 and up to the Latest Practicable Date:

- according to the F&S Report, the average global gold spot price increased from approximately US$1,798.9 per ounce in 2021 to US$1,816.8 per ounce in January 2022 and the global spot price further increased to US$1,915.3 per ounce as at the Latest Practicable Date; and the average gold spot price in the PRC decreased from approximately RMB374.3 per gram in 2021 to RMB372.6 per gram in January 2022 and the gold spot price in the PRC increased to RMB395.5 per gram as at the Latest Practicable Date; and
- Based on the unaudited consolidated financial information of our Group for the one month ended 31 January 2022, our revenue during the period was relatively higher than the monthly average revenue we recorded in FY2021, and our gross profit margin during the period was comparable to the overall gross profit margin in FY2021.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirmed that, up to the date of this document, save for the recent developments as described above and the impact of the [REDACTED] on the financial performance of our Group for the year ending 31 December 2022, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since 31 December 2021, being the end date of the periods reported in the Accountant's Report set out in Appendix I, and there is no event since 31 December 2021 that would materially affect the information shown in the Accountant's Report set out in Appendix I.

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED], after [REDACTED] [REDACTED] of 10%	Based on the [REDACTED] [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on the [REDACTED] [REDACTED] of HK$[REDACTED] per [REDACTED]
Market capitalisation of our Shares *(Note 1)*	HK$[REDACTED]	HK$[REDACTED]	HK$[REDACTED]
Unaudited pro forma adjusted net tangible assets per Share *(Note 2)*	HK$[REDACTED]	HK$[REDACTED]	HK$[REDACTED]

Notes:

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

2. The unaudited pro forma adjusted net tangible assets per Share as at 31 December 2021 is calculated after the adjustments referred to in Appendix II to this document and on the basis that [REDACTED] Shares are expected to be in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue but does not take into account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] and options which may be granted under the Share Option Scheme.

FUTURE PLANS AND [REDACTED]

The aggregate [REDACTED] from the [REDACTED], after deducting [REDACTED] fees and other estimated expenses in connection with the [REDACTED], assuming that the [REDACTED] is not exercised and an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the [REDACTED] [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]) will be approximately HK$[REDACTED], which will be applied as follows:

Use of [REDACTED] from the [REDACTED]	Amount of [REDACTED] from the [REDACTED] *HK$ million*	Amount of [REDACTED] from the [REDACTED] *RMB million*	Percentage of [REDACTED] from the [REDACTED] *%*
Further construction of mining infrastructure	[REDACTED]	[REDACTED]	[REDACTED]
Upgrade of gold reserves	[REDACTED]	[REDACTED]	[REDACTED]
Selective acquisitions	[REDACTED]	[REDACTED]	[REDACTED]
Repayment of existing bank loans	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[100.0]

Please refer to the section headed "Future plans and [REDACTED]" in this document for details.

DIVIDEND

For FY2020 and FY2021, our Group declared and paid dividends of RMB5.0 million and RMB73.9 million, respectively, and all these dividends had been paid as at the Latest Practicable Date. As at the Latest Practicable Date, no other dividends have been declared and paid by the companies now comprising our Group to their then shareholders. Our Company does not have a dividend policy or any pre-determined dividend distribution ratio. The declaration of dividends is subject to the discretion of our Board. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment of the dividends will be subject to the Articles of Association and the laws of the Cayman Islands. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. Any dividends declared will be in RMB with respect to our Shares on a per share basis, and our Company will pay such dividends in RMB.

SHAREHOLDER INFORMATION

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

RISK FACTORS

Our business is subject to a number of risks. Material risks we face include: (i) fluctuations in the market price of gold; (ii) failure to achieve our production estimates; (iii) unable to obtain, retain or renew government approvals, licences and permits necessary for our business operations; (iv) we rely on third-party subcontractors to conduct substantially all of our mining activities and all refining and logistics works; and (v) our business requires significant and continuous capital investment. You should carefully consider the risk factors set out in this document before you make a decision to [REDACTED] in the Shares. For further information and other risks that we face, please refer to the section headed "Risk factors" in this document.

NON-COMPLIANCES

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

In this document, unless the context otherwise requires, the following terms shall have the following meanings:

"Accountants' Report"	the accountants' report included in Appendix I to this document
"affiliate(s)"	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company, conditionally adopted on [●] 2022, which will take effect on the [REDACTED], as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this document, and as amended from time to time
"associate(s) or "close associates"	has the same meanings ascribed thereto under the Listing Rules
"Baiheng"	煙台市百恒金礦有限公司 (Yantai Baiheng Gold Mine Co. Ltd.*), a limited liability company established in the PRC on 2 June 1984 and is a connected person. As at the Latest Practicable Date, Baiheng was wholly-owned by SDZJ
"Board", "Board of Directors" or "our Board"	the board of Directors
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licenced banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
[REDACTED]	[REDACTED]
"Cayman Companies Act" or "Companies Act"	the Companies Act (As Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
[REDACTED]	[REDACTED]

DEFINITIONS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Companies (Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Company" or "our Company", "us" or "we"	SINOGOLD Resources Holdings Group Co., Ltd. (中金資源控股集團股份有限公司) (formerly known as Majestic Yantai Gold Ltd. from 21 May 2019 to 25 July 2019), an exempted company incorporated in the Cayman Islands with limited liability on 21 May 2019 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 11 November 2019
"Competent Person" or "SRK" or "SRK Consulting"	has the same meaning ascribed thereto under Rule 18.01 of the Listing Rules and, in the context of this document, means SRK Consulting China Ltd, an independent mining and geological consultant, which is an Independent Third Party
"connected person(s)" or "core connected person(s)	has the same meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the same meaning ascribed thereto under the Listing Rules
"Controlling Shareholder"	has the same meaning ascribed thereto under the Listing Rules and, in the context of this document, means Majestic Gold
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"Criminal Law"	the Criminal Law of the PRC (《中華人民共和國刑法》), as amended, supplemented or otherwise modified from time to time
"CAD"	Canadian dollars, the lawful currency of Canada
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Dahedong"	煙台市大河東選礦有限公司 (Yantai City Dahedong Mineral Processing Co. Ltd.*), a limited liability company established in the PRC on 14 December 2009, a minority shareholder of Yantai Zhongjia which held 25% of the entire equity interest in Yantai Zhongjia, and is a connected person. As at the Latest Practicable Date, Dahedong was owned as to 50% by Mr. Kong Fanbo, and the remaining equity interests held in equal share of approximately 16.67% by each of (i) Mr. Kong Fanzhong; (ii) Mr. Wang Lei; and (iii) SDZJ

DEFINITIONS

"Deed of Indemnity"	the deed of indemnity dated [●] 2022 and entered into by the Controlling Shareholder (as indemnifier) in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the section headed "Statutory and general information — E. Other information — 1. Estate duty, tax and other indemnity" in Appendix V to this document
"Deed of Non-competition"	the deed of non-competition undertaking dated [●] 2022 executed by the Controlling Shareholder in favour of our Company (for ourselves and as trustee for of each of our subsidiaries), particulars of which are set out in the section headed "Relationship with our Controlling Shareholder — Deed of Non-competition" in this document
"Director(s)" or "our Director(s)"	the director(s) of our Company
[REDACTED]	[REDACTED]
"Dr. Shao"	Dr. Shao Xuxin (邵緒新), an Executive Director, the chairman of our Board and our chief executive officer
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"EIT Regulation"	the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), as amended, supplemented or otherwise modified from time to time
"Executive Director(s)"	the executive Director(s)
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"F&S" or "Frost & Sullivan"	Frost & Sullivan International Limited, a market industry consultant engaged by our Company to prepare the F&S Report and an Independent Third Party

"F&S Report"	the industry report prepared by Frost & Sullivan and commissioned by our Company, the content of which is set out in the section headed "Industry Overview" of this document
"FRC"	Financial Reporting Council
"FY2019"	the financial year ended 31 December 2019
"FY2020"	the financial year ended 31 December 2020
"FY2021"	the financial year ended 31 December 2021
"GDP"	gross domestic product
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context otherwise requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were our subsidiaries at the relevant time, and the businesses carried on by them or their predecessors (as the case may be)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	[REDACTED]

DEFINITIONS

"Hong Kong dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standards Board, IFRS includes IAS and interpretation
"Independent Non-Executive Director(s)"	our independent non-executive Director(s)
"Independent Third Party(ies)"	individual(s) or company(ies) who or which is or are independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive, or substantial shareholders of our Company or our subsidiaries or any of their respective associates

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Issue Mandate"	the general unconditional mandate given to our Board by the Shareholders relating to allot, issue and deal with Shares, a summary of which is contained in the section headed "Statutory and general information — A. Further information about our Group — 6. Written resolutions of our Shareholders passed on [●]" in Appendix V to this document
"Land Administration Law"	the Land Administration Law of the PRC (《中華人民共和國土地管理法》), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

"Latest Practicable Date"	[REDACTED], being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"M&A Rules"	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Majestic Gold"	Majestic Gold Corp. (formerly known as (i) Byron Resources Inc. from 30 October 1986 to 2 September 1992 and (ii) Select Ventures Inc. from 3 September 1992 to 2 December 1996), a company incorporated under the laws of the province of British Columbia, Canada with limited liability by shares on 30 October 1986 and listed on the TSX Venture Exchange (stock code: MJS.V). As at the Latest Practicable Date, Majestic Gold has no ultimate controlling shareholder and was owned as to approximately 80.01% by public shareholders who were Independent Third Parties, approximately 16.34% by Mr. Kong Fanzhong and his child, Mr. Kong Ning (孔寧) collectively, approximately and 3.64% by Mr. Wang Lei and approximately 0.01% by Mr. Mackie James Thomas, an Executive Director. Majestic Gold is the Controlling Shareholder of our Company

"Majestic Yantai BVI"	Majestic Yantai Gold Ltd., a company incorporated under the laws of the BVI with limited liability on 1 July 2004 and a direct wholly-owned subsidiary of our Company
"MEE"	the Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部), the successor of the former Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)
"MEM"	the Ministry of Emergency Management of the PRC (中華人民共和國應急管理部), the successor of the former State Administration of Work Safety (國家安全生產監督管理總局)
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company approved and adopted on [●] 2022, which will take effect on the [REDACTED], a summary of which is set out in the paragraph headed "1. Memorandum of Association" in Appendix IV to this document, and as amended from time to time
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MNR"	the Ministry of Natural Resources of the PRC (中華人民共和國自然資源部), the successor of the former Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源社會保障部)
"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"Mr. Kong Fanbo"	Mr. Kong Fanbo (孔凡波), a director of Yantai Zhongjia, the major shareholder of Dahedong, an indirect shareholder of SDZJ and Baiheng, the brother of Mr. Kong Fanzhong and the brother-in-law of Mr. Wang Lei

"Mr. Kong Fanzhong"	Mr. Kong Fanzhong (孔凡忠), a former director of Yantai Zhongjia, the indirect major shareholder of SDZJ and Baiheng, the brother of Mr. Kong Fanbo and the brother-in-law of Mr. Wang Lei. As at the Latest Practicable Date, Mr. Kong Fanzhong and his child, Mr. Kong Ning (孔寧) held an aggregate of approximately 16.34% equity interest in Majestic Gold
"Mr. Wang Lei"	Mr. Wang Lei (王磊), the deputy general manager of Yantai Zhongjia, a shareholder of Dahedong and the brother-in-law of Mr. Kong Fanbo and Mr. Kong Fanzhong. As at the Latest Practicable Date, Mr. Wang Lei held approximately 3.64% equity interest in Majestic Gold
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NI 43-101 Code"	National Instrument 43-101 — Standards of Disclosure for Mineral Projects, the primary rule governing mineral property disclosure under Canadian securities laws, which was initially enacted in February 2001 and most recently revised in June 2011
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

DEFINITIONS

[REDACTED]	[REDACTED]
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of China
"PRC" or "China"	the People's Republic of China, and for the purpose of this document, and unless otherwise indicated, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	Jincheng Tongda & Neal Law Firm Shenzhen Office, being the legal advisers to our Company as to the PRC law
"PRC Mineral Resources Law"	the Mineral Resources Law of the PRC (中華人民共和國礦產資源法), as amended, supplemented or otherwise modified from time to time
"PRC Negotiable Instruments Law"	the Negotiable Instruments Law of the PRC (中華人民共和國票據法), as amended, supplemented or otherwise modified from time to time
[REDACTED]	[REDACTED]

DEFINITIONS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Qingjia"	煙台慶佳建材有限公司 (Yantai Qingjia Construction Materials Co., Ltd*), a limited liability company established in the PRC on 13 September 2017, and is a connected person. As at the Latest Practicable Date, Qingjia was wholly-owned by Mr. Kong Fanqiang (孔凡強), who is the brother of Mr. Kong Fanbo and Mr. Kong Fanzhong and the brother-in-law of Mr. Wang Lei
"Regulation S"	Regulation S under the U.S. Securities Act
"Remaining Group"	Majestic Gold and its subsidiaries after completion of the [REDACTED], which excludes our Group
"Reorganisation"	the corporate reorganisation arrangement undergone by our Group in preparation for the [REDACTED], details of which are set out in the section headed "History, Reorganisation and corporate structure — Reorganisation" of this document
"Repurchase Mandate"	the general unconditional mandate given to our Board by the Shareholders relating to the repurchase of Shares, a summary of which is contained in the section headed "Statutory and general information — A. Further information about our Group — 6. Written resolutions of our Shareholders passed on [●]" in Appendix V to this document
"Richard's Resource"	Richard's Resource Technologies Inc. (formerly known as Double Gain Investment Limited), a company incorporated under the laws of the BVI with limited liability on 18 March 1999, an existing Shareholder which will hold approximately 4.5% interest in our Company upon the completion of the Reorganisation, the Capitalisation Issue and the [REDACTED] (assuming the [REDACTED] is not exercised). As at the Latest Practicable Date, Richard's Resource is wholly-owned by Ms. Cheung Yuen Man, Rosa
"RMB"	Renminbi, the lawful currency of the PRC

[REDACTED]	[REDACTED]
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), the successor of the former State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"SDZJ"	山東中嘉礦業集團有限公司 (Shandong Zhongjia Mining Group Co., Ltd.*) (formerly known as 山東中嘉礦業有限公司 (Shandong Zhongjia Mining Co., Ltd.*) (from 23 April 2021 to 28 February 2022), a limited liability company established in the PRC on 23 April 2021, and is a connected person. As at the Latest Practicable Date, SDZJ was owned by (i) 山東文豐和投資有限公司, a company wholly-owned by Mr. Kong Fanzhong, as to approximately 67.9%; (ii) 烟臺鑫山投資有限公司, a company wholly-owned by Mr. Kong Fanbo, as to approximately 29.1%; and (iii) 山東招金集團招遠黃金冶煉有限公司 (Shandong Zhaojin Group Zhaoyuan Gold Smelting Co., Ltd.*), a company indirectly wholly-owned by Zhaoyuan Municipal People's Government, as to approximately 3.0%
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong Guoda"	a group of companies comprises 山東國大黃金股份有限公司 (Shandong Guoda Gold Co., Ltd*) and its wholly-owned subsidiary, 煙台國大貴金屬冶煉有限公司 (Yantai Guoda Precious Metal Smelting Co., Ltd*), both of which are established in the PRC in January 1999 and October 2004, respectively. Shandong Guoda is one of our major customers and five largest subcontractors during the Track Record Period, and is an Independent Third Party

"Shandong Humon"	山東恒邦冶煉股份有限公司 (Shandong Humon Smelting Co., Ltd*), a company established in the PRC in February 1994, one of our major customers and five largest subcontractors during the Track Record Period, and is an Independent Third Party
"Shanghai Gold Exchange"	Shanghai Gold Exchange (上海黃金交易所), approved by the State Council and founded by the PBOC, which organises gold transactions in China and performs regulated functions as stipulated by the applicable PRC rules and regulations, as amended from time to time
"Share(s)"	ordinary share(s) with a nominal or par value of HK$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on [●] 2022, the principal terms of which are summarised in the paragraph headed "Statutory and general information — D. Share option scheme" in Appendix V to this document
"Shareholder(s)"	holder(s) of the Share(s) from time to time
[REDACTED]	[REDACTED]
"Sole Sponsor" or "Innovax Capital"	Innovax Capital Limited, a corporation licenced to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed as the sole sponsor to the [REDACTED]
"Songjiagou Open-Pit Mine"	an open-pit gold mine located in the Muping District on the Jiaodong Peninsula of the Shandong Province, the PRC in which our Group holds the entire interest through our 75%-owned indirect subsidiary, Yantai Zhongjia, the details of which are set out in the SRK Report in Appendix III to this document
"Songjiagou Underground Mine"	an underground gold mine located in the Muping District on the Jiaodong Peninsula of the Shandong Province, the PRC, in which our Group holds the entire interest through our 75%-owned indirect subsidiary, Yantai Zhongjia, the details of which are set out in the SRK Report in Appendix III to this document

DEFINITIONS

"SRK Report" or "Competent Person's Report"	the Competent Person's report prepared by SRK on the Songjiagou Open-Pit Mine and the Songjiagou Underground Mine, the effective date of which is 31 December 2021 and details of which are set out in the section headed "SRK Report" in Appendix III to this document
[REDACTED]	[REDACTED]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
[REDACTED]	[REDACTED]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended 31 December 2021
[REDACTED]	[REDACTED]
"TSX" or "Toronto Stock Exchange"	the Toronto Stock Exchange
"TSXV" or "TSX Venture Exchange"	the TSX Venture Exchange, one of the two national stock exchanges of Canada, focusing on micro, small cap and emerging growth companies that do not satisfy the listing criteria of the TSX
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"United States" or "U.S." or "USA"	the United States of America

"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
[REDACTED]	[REDACTED]
"World Gold Council"	a market development organisation for the gold industry based in the United Kingdom. Its members include many leading gold mining companies in the world
"Yantai Zhongjia"	煙台中嘉礦業有限公司 (Yantai Zhongjia Mining Co. Ltd*), a limited liability company established in the PRC on 17 March 2005, our indirect 75%-owned subsidiary held through Majestic Yantai BVI, and the remaining 25% equity interest is owned by Dahedong
"%"	per cent.

* *The English names of the PRC entities mentioned in this document are translations from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.*

Unless otherwise stated or the context requires otherwise in this document:

- *all dates and times refer to Hong Kong time;*
- *all information is as at the Latest Practicable Date; and*
- *certain monetary amount and percentage figures have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with our Group's business and operations. These terms and their meanings may not correspond to the standard industry meanings or usage of those terms.

"adit"	a horizontal tunnel or drive from the surface into a mine
"ASL"	above sea level
"Au"	is the symbol for the chemical element of gold
"Au99.99, Au99.95, Au99.9, Au99.5"	the common standard for denoting gold purity adopted by Shanghai Gold Exchange to conform with international practice, in which Au99.99 and Au99.95 gold denotes gold contents of 99.99% and 99.95% or above, respectively, while Au99.9 and Au99.5 gold denote gold contents of 99.9% and 99.5% or above, respectively
"concentrate" or "gold concentrate"	a powdery or wet product containing an upgraded mineral content resulting from initial processing of mined ore to remove some waste materials. A concentrate is an intermediary product, which would still be subject to further processing, such as smelting, to effect recovery of metal
"crude gold"	unrefined gold produced at mine site or other gold sources before sending to a smelter where the gold is refined to commercial-grade gold product
"crusher"	a machine for crushing rocks to smaller grain size
"cut-and-fill"	a method of stoping in which ore is removed in slices, or lifts, with the excavation subsequently filled with rock or other waste material (backfill), before the next slice is extracted
"cut-off grade"	the grade threshold above which a mineral is considered economic to mine
"deposit"	a natural occurrence of a useful mineral, or an ore, sufficient in extent and degree of concentration to invite exploitation
"dilution"	the reduction of grade for mined ore due to the inclusion of waste material in the mined ore
"drilling"	the use of a machine to create holes for exploration or for loading with explosives
"exploration"	activity to prove the location, volume and quality of an orebody

"feed grade"	in respect of mineral processing, the relative content of gold compared to the full content including gold and other substances in the ore fed at the processing mill, with reference to the mass with gold in the total mass of the ore and expressed in g/t Au
"floatation"	a process by which some mineral particles are induced to become attached to bubbles of froth and float, and others to sink, so that the valuable minerals are concentrated and separated from the remaining rock or mineral material
"GFA"	gross floor area
"g"	gram
"g/t"	grams per metric tonne - metal concentration
"gold bullion"	refined gold in the form of bars
"gold mine production volume"	production volume of gold that is mined from gold mines and as by-products from non-ferrous metal ores
"gold recovery rate"	the percentage of gold produced compared to the amount of gold contained in the feed ore in the context of a processing plant, or the percentage of gold produced compared to the amount of gold contained in the feed concentrates in the context of a smelting plant
"gold refining" or "refining"	the final stage of the metallurgical process of refining crude gold to a pure or very pure end-product (or 99.99% pure)
"grade"	the relative amount of valuable elements or minerals contained in a parcel of ore material. For gold, grade is commonly expressed in grams per tonne of milled ore (g/t Au)
"ha"	hectare
"Indicated Mineral Resource(s)" or "Indicated Resource(s)"	see the definition under the NI 43-101 Code in the section headed "Summary of the NI 43-101 Code" in this document

"Inferred Mineral Resource(s)" or "Inferred Resource(s)"	see the definition under the NI 43-101 Code in the section headed "Summary of the NI 43-101 Code" in this document
"kg"	kilogram(s), the basic unit of mass in the international system of units
"km"	kilometre(s), a metric unit measure of distance
"kt"	thousand tonnes, a metric unit of weight
"koz"	thousand ounces, a unit of weight
"kV"	kilovolt
"kW"	kilowatt
"LoM"	life of mine
"large-scale mine"	a gold mine consisting of over 20 tonnes of the combination of Measured Mineral Resources, Indicated Mineral Resources and Inferred Mineral Resources, according to specifications for hardrock gold exploration issued by the Ministry of Natural Resources of the PRC (DZ/T0205-2002)
"Measured Mineral Resource(s)" or "Measured Resource(s)"	see the definition under the NI 43-101 Code in the section headed "Summary of the NI 43-101 Code" in this document
"Mineral Reserve(s)" or "Reserve(s)"	the economically mineable part of a Measured Mineral Resource and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of modifying factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Furthermore, Mineral Reserves are those portions of Mineral Resources that, after the application of all modifying factors, result in an estimated tonnage and grade which, in the opinion of the Competent Person making the estimates, can be the basis of a technically and economically viable project, after taking account of material relevant modifying factors. Mineral Reserves are sub-divided into proved and probable categories

GLOSSARY OF TECHNICAL TERMS

"Mineral Resource(s)" or "Resource(s)"	a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling
"mineralisation"	an area with continuous distribution belts of mineralisation, including the occurrence of deposits, mine sites and alteration of waste rock, as exploration indicators and under control of same geology conditions. It is a key zone for estimation and further planning of exploration of minerals
"mining loss"	that part of a mineral reserve which is not recovered during the mining process
"mining rights"	the rights to mine mineral resources and obtain mineral products in areas where mining activities are licenced
"Mt"	million metric tonnes
"Mtpa"	million tonnes per annum
"mu"	the traditional Chinese unit of area (畝), one mu is equivalent to approximately 666.67 sq.m.
"open-pit mining"	mining of a deposit from a pit open to surface and usually carried out by stripping of overburden materials
"ore"	mineral bearing rock which can be mined and treated profitably under current or immediately foreseeable economic conditions
"orebody"	natural mineral accumulations which can be extracted for use under existing economic conditions and using existing extraction techniques
"ore processing" or "processing"	the process which in general refers to the extraction of usable portions of ores by using physical and chemical methods
"ounce(s)" or "oz"	a unit of weight for precious metals, and one kilogram equals 32.1507 troy ounce
"Probable Mineral Reserve(s)" or "Probable Reserve(s)"	see the definition under the section headed "Summary of the NI 43-101 Code" in this document

"Proved Mineral Reserve(s)" or "Proved Reserve(s)"	see the definition under the section headed "Summary of the NI 43-101 Code" in this document
"rehabilitation"	in the context of mining, the process of returning the land to another productive use or the restoration of land and environmental values to a mine site after the mining has been completed
"ROM"	run-of-mine, of or relating to ore that is in its natural and unprocessed state produced from a mine
"small-scale mine"	a gold mine consisting of less than 5 tonnes of the combination of Measured Mineral Resources, Indicated Mineral Resources and Inferred Mineral Resources, according to specifications for hard-rock gold exploration issued by the Ministry of Natural Resources of the PRC (DZ/T0205-2002)
"smelting"	a pyro metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed
"sq.km."	square kilometre(s)
"sq.m." or "m^2"	square metre(s)
"standard gold"	gold bullion which satisfies both standard content requirements (Au99.99, Au99.95, Au99.9, Au99.5) and standard weight requirements (50g, 100g, 1kg, 3kg, 12.5kg) set by Shanghai Gold Exchange
"stope"	an underground excavation from which ore is being extracted
"stoping"	removal of the ore from an underground mine leaving behind an open space known as a stope
"tailings"	the waste materials (residue) produced by the processing plant after extraction of valuable minerals
"tailings dam"	a storage facility for tailings
"tonne" or "t"	metric tonne, a metric unit of weight
"tpd"	tonnes of ore per day
"underground mine"	openings in the earth accessed via shafts and adits below the land surface to extract minerals
"vein"	sheet-like body of minerals formed by fracture filling or replacement of host rock

SUMMARY OF THE NI 43-101 CODE

In this document, we have used a number of terms defined in the National Instrument 43-101 Standards of Disclosure for Mineral Projects (the "**NI 43-101 Code**"). The NI 43-101 Code is an internationally accepted mineral resource or reserve classification system which became effective on 30 June 2011. The NI 43-101 Code is used by the Competent Persons to report the Mineral Resources and Reserves of our gold mines in this document.

NI 43-101 Code incorporates, by reference, the definitions for "Mineral Resource(s)" or "Resource(s)" provided in the section headed "Glossary of technical terms" in this document. Mineral Resources are sub-divided in order of the increasing geological confidence of the estimate into the following categories:

- ***Inferred Mineral Resource or Inferred Resource*** — that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

- ***Indicated Mineral Resource or Indicated Resource*** — that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

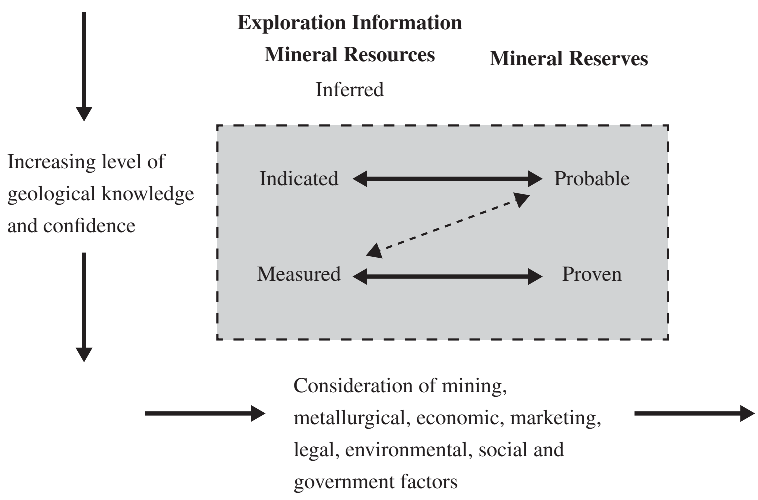
- ***Measured Mineral Resource or Measured Resource*** — that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

The NI 43-101 Code definition of "Mineral Reserve(s)" or "Reserve(s)" is provided in the section headed "Glossary of technical terms" in this document. The NI 43-101 Code provides for a direct relationship between Indicated Mineral Resources and Probable Mineral Reserves, and between Measured Mineral Resources and Proven Mineral Reserves. Mineral Reserves are the economically mineable parts of measured and indicated Mineral Resources after a consideration of the relevant modifying factors, which include mining, metallurgical, economic, marketing, legal, environmental, social and governmental considerations. These assessments demonstrate at the time of reporting that economic extraction could reasonably be justified. In certain situations, Measured Mineral Resources could convert to Probable Mineral Reserves because of uncertainties associated with the modifying factors that are taken into account in the conversion from Mineral Resources to Mineral Reserves. The NI 43-101 Code deems Inferred Mineral Resources to be too poorly delineated to be transferred into a Mineral Reserve category. Mineral Reserve figures incorporate mining dilution and mining losses and are based on an appropriate level of mine planning, design and scheduling. Mineral Reserves are sub-divided into the following categories:

- ***Probable Mineral Reserve or Probable Reserve*** — is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

- ***Proven Mineral Reserve or Proved Reserve*** — is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

The following diagram summarises the general relationships between exploration results, Mineral Resources and Mineral Reserves under the NI 43-101 Code.



Mineral Reserves are generally quoted as comprising a portion of total Mineral Resources rather than the Mineral Resources being additional to the Mineral Reserves quoted. Under the NI 43-101 Code, either procedure is acceptable, provided the method adopted is clearly identified. The SRK Reports in this document report all Mineral Reserves as part of Mineral Resources.

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS DOCUMENT MAY NOT MATERIALISE

We have included in this document forward-looking statements that are not historical facts, but relate to our intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections headed "Summary", "Risk factors", "Industry overview", "Business", "Financial information" and "Future plans and [REDACTED]", which are, by their nature, subject to risks and uncertainties. These forward-looking statements include, without limitation, statements relating to our business objectives, strategies and plan of operation, our capital expenditure plans, financial sources, the amount and nature of, and potential for, future development of our business, our operations and business prospects, our dividend payment, the regulatory environment of our industry in general, future development in our industry, and general economic and political trends in the PRC.

In some cases, we use the words "aim", "anticipate", "believe", "can", "consider", "continue", "could", "estimate", "expect", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" or similar expressions or the negative of these words or other similar expressions or statements to identify forward-looking statements, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on various assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the following:

- our business prospects, business strategies and plan of operation;
- realisation of the benefits or our future plans and strategies;
- our future debt levels and capital needs;
- our production, research and development and capital expenditure plans;
- our ability to control or reduce costs;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our dividend policy;

- future development of our business, expansion, consolidation, trends and conditions in the industry and markets in which we operate;
- the regulatory environment of our industry in general and restrictions that may affect the industry in which we operate;
- the general industry outlook, competition for our business activities and future development in our industry;
- macroeconomic measures taken by the PRC Government or governments of other relevant countries or territories in which we may operate our business to manage economic growth and general economic trends;
- changes in general political and economic conditions in the PRC and other relevant countries or territories that may be detrimental to the industry in which we operate;
- our overall financial condition and performance;
- the actions of and developments affecting our competitors;
- capital market developments;
- other statements in this document that are not historical facts; and
- other factors beyond our Group's control.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and we have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholder, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any other party involved in the [REDACTED] or their respective directors, officers, employees, advisers or agents, and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed "Risk factors" and elsewhere in this document.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. Our Company cautions prospective [REDACTED] that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, prospective [REDACTED] should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to these cautionary statements set out in this section.

In this document, statements of or references to our intentions or those of any of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

Prospective [REDACTED] should consider carefully all the information set out in this document and including the risks and uncertainties described below before making an [REDACTED] in the [REDACTED]. Prospective [REDACTED] 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 [REDACTED] may lose all or part of their [REDACTED].

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 PRC gold 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$1,393.5 per ounce in 2019 to approximately US$1,765.4 per ounce in 2020 and further increased to approximately US$1,798.9 per ounce in 2021. The average gold spot price in the PRC in 2019, 2020 and 2021 was approximately RMB312.40 per gram, RMB387.1 per gram and RMB374.3 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 document.

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; (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. If the gold price should fall below or remain below our cost of production for any sustained period, 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 31 December 2021 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.

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 17 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 document, 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 (栖霞市笏山金礦) 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 not owned by our Group. 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 document could reduce, disrupt or halt our operations, which in turn could materially and adversely affect 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 31 December 2021 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 31 December 2021, the net present value of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine in aggregate amounted to approximately RMB3,162 million, which indicated that our gold mines are economically viable with positive net cash flow from 2022 to 2030. 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 "20. Economic analysis" of the SRK Report as set out in Appendix III to this document.

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. As at 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, as at 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 and FY2021, 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 the NI 43-101 Code. 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 document. 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 document 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 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 31 December 2021 was based on a gold price assumption of RMB310 per gram over an estimated LoM of approximately nine years for our Songjiagou Open-Pit Mine and approximately eight years for our Songjiagou Underground Mine. The aforementioned gold price assumption is set with reference to historical average gold price between January 2017 and December 2021, which was approximately RMB310 per gram. According to the SRK Report, if gold price decreases from RMB400 per gram to RMB260 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 11.2% from approximately 26.7 Mt to approximately 23.7 Mt and 32.5% from approximately 872 kt to approximately 589 kt, respectively. For more details on the impact of different gold prices and other assumptions on Mineral Reserves estimates, please see the section headed "13. Mineral Reserve estimation" of the SRK Report as set out in Appendix III to this document.

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 document (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 business expansion plan may not achieve the intended economic benefits.

According to the SRK Report, the estimated mine lives of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine are approximately nine years and eight 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. 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. However, we may not be able to successfully implement our expansion plan, which may 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.

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. 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 document. 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 design plans 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 extend LoM through additional exploration activities and expand business through selective acquisition. We will require significant additional capital to 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 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. 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 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, 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. In addition, 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 2019 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 (a) a PRC commercial bank pursuant to the bank acceptance bills agreements entered into between that bank and Yantai Zhongjia for the purchases of ore which did not proceed; and (b) the purchases of bank acceptance bills with cash for the equivalent amount. Subsequently, Yantai Zhongjia used such bank acceptance bills (i) 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; (ii) to settle amounts due to Baiheng supported by actual debt transactions, which was in compliance with the PRC Negotiable Instruments Law; and (iii) to sell for cash, which was not in compliance with the PRC Negotiable Instruments Law. For details, please refer to the section headed "Business — Compliance with laws and regulations — Non-compliant bill arrangements" in this document.

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 the carrying value of our mining right may incur impairments due to material decreases in the amount of our Mineral Reserves, either of which may adversely affect our results of operations.

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. For further details, please see note 15 to the Accountants' report set out in Appendix I to this document. According to the SRK Report, the LoM of our gold mines is nine and eight years for Songjiagou Open-Pit Mine and Songjiangou Underground Mine respectively based on their gold reserve estimates as at 31 December 2021. For the three years ended 31 December 2021, our amortisation expenses related to our mining rights amounted to approximately RMB1.7 million, RMB2.5 million and RMB3.3 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. 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, 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.

Our existing mining operations have a finite life and 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 nine years and eight years, respectively. 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.

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.

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 its 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 document.

As at the Latest Practicable Date, Yantai Zhongjia leased 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 document.

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 document. 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 document. 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 favour of a financial institution, for the repayment obligation under such loan arrangement. Please see the section headed "Business — Litigation" in this document 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 recent outbreak of COVID-19, which may have first appeared in late 2019, continues to spread globally. 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, including the repeated triggering of stock market "circuit breakers" in the U.S. and many other countries. As of the Latest Practicable Date, the virus had spread across China and to over 200 countries and territories globally.

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 are uncertain as to when the COVID-19 pandemic will be contained in China and globally, and we also 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 document. 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.

We recorded net current liabilities during the Track Record Period, which might expose us to certain liquidity risks and could constrain our operational flexibility.

We incurred net current liabilities of approximately RMB329.6 million as at 31 December 2019. For details of the reasons for our net current liabilities, please see the section headed "Financial information — Principal components of our current assets and current liabilities — Working capital" in this document. We cannot assure you that we will not experience net current liabilities in the future. Our future liquidity, ability to make necessary capital expenditures as well as the payment of trade and other payables, as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. Our ability to generate adequate cash inflows from operating activities may be affected by our future operating performance, prevailing market prices of gold, macro-economic and political conditions and other factors, many of which are beyond our control. In addition, we may not be able to obtain loans and borrowings or secure additional external financing on a timely basis or on acceptable terms, or at all. The occurrence of any of the foregoing may cause us to have insufficient cash inflow to fund our operating costs and constrain our operational flexibility and, in that event, our business, financial condition and results of operations could be 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 document for further details. As at 31 December 2019, 2020 and 2021, the carrying value of our deferred tax assets was approximately RMB5.0 million, RMB5.4 million and RMB5.4 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 "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 2019, 2020 and 2021, the proportion of raw materials to our Group's total inventories was approximately 17.9%, 20.7% and 37.0%, 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.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We face industry competition.

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.

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 [REDACTED]. 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 [REDACTED].

Upon the [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED]

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 [REDACTED], there has been no public market for our Shares. The [REDACTED] range has been determined through negotiation between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) and the final [REDACTED] may not be indicative of the price at which our Shares will be traded following the completion of the [REDACTED]. 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 [REDACTED], or that the trading price of the Shares will not decline below the [REDACTED].

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 [REDACTED]' 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 and FY2021, our Group declared and paid dividends of RMB5.0 million and RMB73.9 million, 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 [REDACTED]

Prospective [REDACTED] should note that the [REDACTED] are entitled to terminate their obligations under the [REDACTED] by the [REDACTED] (for itself and on behalf of the [REDACTED]) giving written notice to our Company upon the occurrence of any of the events stated in the paragraph headed "Grounds for termination" under the "[REDACTED]" section of this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. 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 [REDACTED] (for itself and on behalf of the [REDACTED]) exercises its rights and terminate the [REDACTED], the [REDACTED] 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.

[REDACTED] may not enjoy the same shareholders' rights as the laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where [REDACTED] 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 [REDACTED] 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 document.

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 [REDACTED] (but without taking into account of Shares that may be allotted and issued upon the exercise of the [REDACTED] and options that may be granted under the Share Option Scheme), our Controlling Shareholder will own [REDACTED]% 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.

[REDACTED] from the [REDACTED] may be 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 [REDACTED] from the [REDACTED] will be denominated in HK dollars. Further, the presentation currency of our Group's financial statements is in RMB. During the Track Record Period, the foreign exchange rate of RMB and HK$ had fluctuated from RMB1.00 to HK$1.0870 to RMB1.00 to HK$1.2280. 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 [REDACTED] from the [REDACTED] and the financial performance of our Group.

RISKS RELATING TO INFORMATION CONTAINED IN THIS DOCUMENT

[REDACTED] should not place undue reliance on facts, statistics and data contained in this document with respect to the economies and our industry

Certain facts, statistics and data in this document 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 [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] 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 document 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, [REDACTED] 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 document and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the [REDACTED]

There may be press and media coverage regarding us or the [REDACTED], which may include certain events, financial information, financial projections and other information about us that do not appear in this document. We have not authorised the disclosure of any other information not contained in this document. We do not accept any responsibility for any such press or media coverage and we make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for them. Accordingly, prospective [REDACTED] should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase our Shares, you should rely only on the financial, operational and other information included in this document.

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

This document 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. [REDACTED] 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 document should not be regarded as representations by our Company that our plans or objectives will be achieved and [REDACTED] 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 document for further details.

Possible setting of the [REDACTED] after making a [REDACTED]

We have the flexibility to make a [REDACTED] to set the final [REDACTED] [REDACTED] range per [REDACTED]. It is therefore possible that the final [REDACTED] will be set at HK$[REDACTED] per [REDACTED] upon the making of a full [REDACTED]. In such a situation, the [REDACTED] will proceed and the [REDACTED] will not apply.

If the final [REDACTED] is set at HK$[REDACTED], the estimated [REDACTED] we will receive from the [REDACTED] will be reduced to HK$[REDACTED], assuming that the [REDACTED] is not exercised and that such reduced [REDACTED] will be used as described in the section headed "Future plans and [REDACTED]" in this document.

In preparation for the [REDACTED], we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our Group's business and operations has been and will continue to be located, managed and conducted primarily in the PRC.

With the exception of (i) Mr. Lo Cheuk Kwong Raymond, who is our Executive Director, chief financial officer and company secretary; and (ii) Mr. Xu Zhaotong, our head of investment and investors relationship, who is a member of the senior management, who are ordinary residents in Hong Kong, all of our Executive Directors and senior management members are and will continue to be ordinarily based in the PRC and/or Canada. Our Company does not and, in the foreseeable future, will not have sufficient management presence in Hong Kong, for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, an application has been made to the Stock Exchange for a waiver from strict compliance with the requirement to have a sufficient management presence in Hong Kong under Rule 8.12 of the Listing Rules and such waiver [has been granted] by the Stock Exchange. The arrangements proposed by our Company for maintaining at all times regular, adequate and effective communication with the Stock Exchange for the purpose of Rule 8.12 of the Listing Rules are as follows:

(a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely Mr. Lo Cheuk Kwong Raymond, our Executive Director, and Dr. Shao Xuxin, our Executive Director. Mr. Lo Cheuk Kwong Raymond is ordinarily resident in Hong Kong, and will act as our Company's principal channel of communication with the Stock Exchange and will ensure that our Group complies with the Listing Rules at all times. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) our Company shall promptly inform the Stock Exchange if there is any change to the authorised representatives;

(c) each of the authorised representatives has means to contact all members of our Board (including independent non-executive Directors) or the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a number of policies whereby (a) each Director will provide his mobile phone numbers, residential phone numbers, office phone numbers, facsimile numbers (if applicable) and email addresses to the authorised representatives; (b) in the event that any Director expects to travel and be out of office, he will provide the phone number of the place of his accommodation to the authorised representatives; and (c) each Director and authorised representative of our Company will provide his mobile phone number, office phone number, facsimile number (if applicable) and email address to the Stock Exchange;

(d) if circumstances require, meeting of our Board can be convened and held in such manner as permitted under the Articles at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;

(e) each of our Directors has confirmed that he possesses or can apply for valid travelling documents to visit Hong Kong to meet with the Stock Exchange upon reasonable short notice, when required; and

(f) our Company has appointed Innovax Capital as compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide our Company with professional advice on continuing obligations under the Listing Rules, who will also act at all times, in addition to the two authorised representatives of our Company, as the principal channel of communication between our Company and the Stock Exchange, from the [REDACTED] to the date when our Company published its annual report for the first full financial year immediately after the [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Dr. Shao Xuxin (邵緒新博士) *(Chairman and chief executive officer)*	3309 13th Avenue West Vancouver British Columbia V6R 2R8 Canada	Canadian
Mr. Mackie James Thomas	17338 0A Avenue Surrey British Columbia V3Z 9P3 Canada	Canadian
Mr. Lo Cheuk Kwong Raymond (盧卓光先生) *(Chief financial officer and company secretary)*	Flat H, 31/F Blk 25 Dover Court South Horizons Ap Lei Chau Hong Kong	British
Mr. Chen Shaohui (陳紹惠先生)	Room 204, 1st floor No. 12 Guoyuan First Road Xiling District Yichang City Hubei Province PRC	Chinese
Independent Non-Executive Directors		
Dr. Malaihollo Jeffrey Francis A	Home Cottage 22 Stoneleigh Road Limpsfield RH8 0TR United Kingdom	American
Mr. Chan Ngai Fan (陳毅奮先生)	Flat C, 10/F Boundary Crest 177–177A Boundary Street Kowloon City, Kowloon Hong Kong	Chinese
Dr. Zeng Ming (曾鳴博士)	Flat 2104, 2nd Floor Western District, Ding No. 11 Xueyuan Road Haidian District Beijing PRC	Chinese

Further information of the profile and background of our Directors can be found in the section headed "Directors and senior management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Innovax Capital Limited** *(A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)* Room 2002, 20/F, Chinachem Century Tower 178 Gloucester Road Wan Chai Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Legal advisers to our Company	*As to Hong Kong laws* **Li & Partners** *Solicitors, Hong Kong* 22nd Floor, World-Wide House 19 Des Voeux Road Central Hong Kong *As to PRC laws* **Jincheng Tongda & Neal Law Firm Shenzhen Office** *PRC attorneys-at-law* 5th Floor, Investment Bank Building No. 115 of 1st Fuhua Road Futian District Shenzhen PRC

	As to Cayman Islands laws **Maples and Calder (Hong Kong) LLP** *Cayman Islands attorneys-at-laws* 26th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
Legal advisers to the Sole Sponsor, [REDACTED]	*As to Hong Kong laws* **Howse Williams** *Solicitors, Hong Kong* 27th Floor, Alexandra House 18 Chater Road Central Hong Kong *As to PRC laws* **Beijing Dentons Law Offices, LLP (Guangzhou)** *PRC attorneys-at-law* 14/F, 15/F (Unit 7–12), CTF Finance Centre No. 6 Zhujiang East Road Zhujiang New Town Guangzhou PRC
Competent Person	**SRK Consulting China Ltd** B315 COFCO Plaza No. 8 Jianguomennei Avenue Dongcheng District Beijing China
Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

Independent industry consultant	**Frost & Sullivan International Limited** 1706, One Exchange Square 8 Connaught Place Central, Hong Kong
Internal control consultant	**Avista PRO-WIS Risk Advisory Limited** 23rd Floor, Siu On Centre No. 188 Lockhart Road Wan Chai Hong Kong
Compliance adviser	**Innovax Capital Limited** *(A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)* Room 2002, 20/F, Chinachem Century Tower 178 Gloucester Road Wan Chai Hong Kong
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Registered office	P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Headquarters and principal place of business in the PRC	Qiansongjiao Village Wanggezhuang Town Muping District Yantai city Shandong PRC
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Level 20, Infinitus Plaza 199 Des Voeux Road Central Hong Kong
Company website	**www.sinogoldresources.com** *(the information contained on the website do not form part of this document)*
Company secretary	Mr. Lo Cheuk Kwong Raymond *(FCPA, CPA (Aust.))* Flat H, 31/F, Blk 25 Dover Court South Horizons Ap Lei Chau Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Lo Cheuk Kwong Raymond *(FCPA, CPA (Aust.))* Flat H, 31/F, Blk 25 Dover Court South Horizons Ap Lei Chau Hong Kong Dr. Shao Xuxin 3309 13th Avenue West Vancouver British Columbia V6R 2R8 Canada

CORPORATE INFORMATION

Audit committee	Mr. Chan Ngai Fan *(Chairman)* Dr. Malaihollo Jeffrey Francis A Dr. Zeng Ming
Remuneration committee	Dr. Zeng Ming *(Chairman)* Dr. Malaihollo Jeffrey Francis A Mr. Chan Ngai Fan Dr. Shao Xuxin
Nomination committee	Dr. Shao Xuxin *(Chairman)* Dr. Malaihollo Jeffrey Francis A Mr. Chan Ngai Fan Dr. Zeng Ming
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Principal Banks	**Huaxia Bank Co., Ltd.** **Yantai Branch** No. 123 South Street Zhifu District Yantai Shandong PRC **Yantai Bank Co., Ltd.** **Muping Branch** No. 608 Ninghai Street Muping District Yantai Shandong PRC

Yantai Rural Commercial Bank Co., Ltd.
Muping Branch
No. 383 Zhengyang Road
Muping District
Yantai
Shandong
PRC

Yantai Rural Commercial Bank Co., Ltd.
Wanggezhuang Branch
No. 5 Tongda Street
Wanggezhuang
Muping District
Yantai
Shandong
PRC

Bank of China Limited
Laishan Branch
No. 139 Yingchun Avenue
Laishan District
Yantai
Shandong
PRC

The information and statistics set forth in this section and elsewhere in this document have been derived from an industry report, commissioned by us and independently prepared by Frost & Sullivan, in connection with the [REDACTED], or the F&S Report. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organisations, market data providers, communications with various PRC government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the F&S Report which may qualify, contradict or adversely impact the quality of the information in this section. None of our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED], except Frost & Sullivan, or their respective directors, advisers and affiliates has independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct an analysis of the global and China's gold industry. We have agreed to pay a fee of approximately RMB1.1 million for the F&S Report, which will be paid prior to the [REDACTED]. Our Directors are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the F&S Report.

Frost & Sullivan is an independent global market research and consulting firm founded in 1961 and based in the United States. It offers industry research and market strategies and provides growth consulting and corporate training. The F&S Report includes both historical and forecast information on global and China's gold mining markets and other economic data. To prepare the F&S Report, Frost & Sullivan undertook both primary and secondary independent research through various resources within global and China's gold mining markets. Primary research includes interviewing industry insiders, competitors, downstream customers and recognised third-party industry associations. Secondary research includes reviewing corporate annual reports, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades. Frost & Sullivan has adopted the following primary assumptions while compiling and preparing the F&S Report: (i) government policies on gold and gold mining industries in China and major overseas countries will remain consistent during the forecast period; and (ii) the gold and gold mining market in mainland China and the globe will be driven by market drivers stated in the report. Frost & Sullivan has also obtained the figures for the estimated total market size from historical data analysis plotted against the macroeconomic data as well as the industry key drivers. Our Directors confirm that, after making reasonable enquiries, there have not been any material adverse changes to the market information set out in the F&S Report since the date of such report which may qualify, contradict or have an impact on the information contained in this section.

THE GLOBAL GOLD INDUSTRY

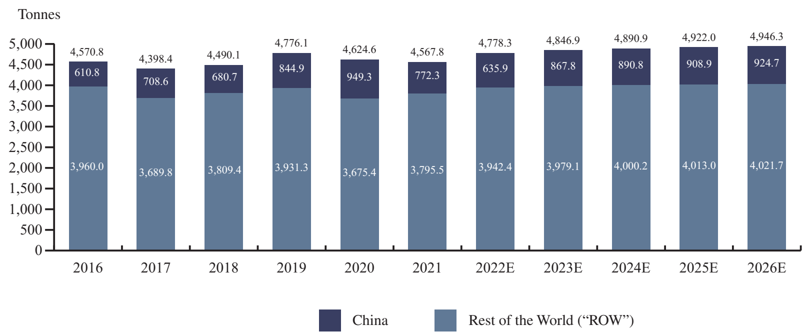
Global gold supply

Generally, gold supply is positively correlated to gold price, as gold miners are motivated to produce more gold when gold price goes up. Globally, countries such as China, Australia, Russia and the U.S. are major gold supply countries. China is the world largest gold mine production country since 2007 and accounted for more than 15% of gold supply. Global gold supply remain almost unchanged from 2016 to 2021, gold supply decreases in 2020 due to the pandemic and declined continuously in 2021, considering the global economy recovered slowly under the context of regional resurgence of

COVID variants and gold recycle activities are affected. Moving onwards, assuming no severe recurrence of infection worldwide and global economy recovery taking place, global gold supply is expected to grow at CAGR of 1.6% during 2021 to 2026, driven by gold price upward trend and exploitation and exploration technology advancement. As for China gold supply, due to the safety accidents occurred in Shandong province, gold mining companies were required to temporally suspend production activities to comply with safety check requirement, which as a consequence, affected China's gold production in 2021, with a decrease of around 20% compared with 2020 supply level. Such decrease is considered to be temporary, and it is noted that the leading gold mining companies in Shandong Province have already started to resume production in their gold mines. Going forward, China's gold supply is expected to grow at approximately 3.7% from 2021 to 2026 which is faster than that of the world growth of approximately 1.6% during the same forecast period, on the basis that (i) China's gold mining activities have resumed earlier than the rest of the world, which is mainly due to the prompt and effective measures and control of COVID-19 in China; and (ii) the continuous improvement in gold production, such as replacing low-efficient and ecologically unfriendly production capacities with innovative technologies and equipment.

Gold Supply, Global and China, 2016–2026E

	Global	China
CAGR 16-21	0.0%	4.8%
CAGR 21-26E	1.6%	3.7%



Note: Gold Supply includes mining production and recycled gold.

Source: *World Gold Council, China Gold Association and Frost & Sullivan*

Global gold demand

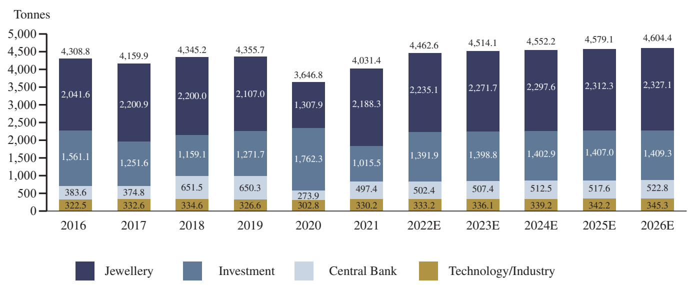
Gold is mainly demanded for the purpose of jewellery fabrication, investment, technology/industry and central banks reserves, with jewellery and investment as the key drivers for gold demand.

Consumers' purchase of jewelleries is closely associated with gold price fluctuation and purchasing power, as well as political environment change. During 2016 to 2020, there was a decline in gold demand from jewelleries, mainly due to (i) the imposition of import tariff on gold by the Indian government since 2016 which caused an increase in local gold price; and (ii) the weak demand for gold in China due to economic slowdown and tightened credit policy in 2016. Due to the government mandatory lockdown policy, rising gold price and economic recession, demand for gold jewellery fell drastically in 2020. Driven by an effective COVID-19 vaccine rollout, improved consumer sentiment and economic recovery, jewellery demand realised a rebound in 2021, with an increase of more than 60% compared with 2020. Going forward, global demand for gold jewellery is anticipated to have a further increase, considering the steady recovery from the pandemic and resumption of gold jewellery retailing activities, as well as the continuous rise of people's income level and consumption upgrade.

Investments include purchase of gold bars and coins as well as exchange traded fund ("**ETF**") which is linked to gold price. Historically gold investment exhibits a growing trend during 2016 to 2020, which was mainly attributed to ETF as a result of increase in gold price and consumers' purchase of bars and coins for value preservation. In 2020, due to the turbulence in global financial market caused by pandemic crisis and the upward trend of gold price, gold investment demand especially gold ETF hit its historically high point since 2015, indicating market concerns on global politics and economy uncertainties. In 2021, gold investment decreased by more than 40% compared with 2020 level, which was mainly caused by decrease in gold investment by ETF. In 2021, as the world is stepping into recovery phase, ETF gold investment cooled down and funds were flowing into other investment products such as equity. In the foreseeable future, considering the uncertainties of the possible new COVID-19 variants, and the long drawn fight and negotiation between China and the United States on bilateral trade matter, gold investment is expected to exhibit a growth of CAGR of approximately 6.8% during 2021 to 2026.

Gold Demand, Global, 2016–2026E

	Jewellery	Investment	Central Bank	Technology/ Industry	Total
CAGR 16-21	1.4%	–8.2%	5.3%	0.5%	–1.3%
CAGR 21-26E	1.2%	6.8%	1.0%	0.9%	2.7%



Source: World Gold Council and Frost & Sullivan

GOLD INDUSTRY IN CHINA AND SHANDONG

Gold demand in China

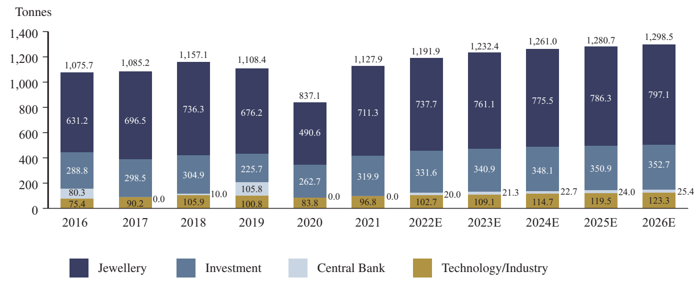
China's gold demand has increased to approximately 1,127 tonnes in 2021, representing an increase of a more than 30% compared with 2020, which was mainly attributed to the growth in gold demand for jewellery and investment. Driven by improved economic environment due to the rollout of vaccine, and improved consumer sentiment, jewellery demand showed a rebound from 2020. Moreover, investors are putting more emphasis on gold investment, resulting in the increase in gold investment such as gold bar and coins.

During 2016 to 2021, China witnessed a steady increase in jewellry gold demand. In 2021, driven by improved economic environment due to the rollout of vaccine, and improved consumer sentiment, jewellery demand, gold jewellery demand increased from approximately 631.2 tonnes in 2016 to approximately 711.3 tonnes in 2021. Going forward, consumption of gold jewellery is expected to have a continuous growth, considering the effective control of pandemic in China and resumption of gold jewellery retailing activities, as well as the continuous rise of people's income level and consumption upgrade.

Gold investment increased slightly from approximately 288.8 tonnes in 2016 to approximately 319.9 tonnes in 2021, with a CAGR of approximately 2.1%. In the foreseeable future, an upward trend in gold investment in China is anticipated, driven by increasing demand on gold to hedge future uncertainties in financial markets and expected gold price increase.

Gold Demand, China, 2016–2026E

	Jewellery	Investment	Central Bank	Technology/ Industry	Total
CAGR 16–21	2.4%	2.1%	–100.0%	5.1%	1.0%
CAGR 21–26E	2.3%	2.0%	N.A.	5.0%	2.8%



Note: Gold Demand in China does not include gold needed by gold smelting companies, banks or others for portfolio allocation, trade turnover, leasing and inter-bank lending.

Source: China Gold Association and Frost & Sullivan

Gold price

Average gold spot price in China is closely associated with global average gold spot price so as to prevent the arbitrage profits. The difference in between the two prices is primarily coming from the foreign exchange rate fluctuation of RMB/USD as well as the gold import and export control imposed by Chinese government. The gold price is predominantly impacted by global political and economic situations, and when there exists instabilities in political or economic environment or turbulence in stock market, gold is usually treated as one of the risk-hedging tools, and its price will typically exhibit upward trend. Moreover, monetary policies by central banks (e.g. fluctuation in currency exchange rate) and macroeconomic factors (e.g. interest rate and inflation expectation) are also important influential factors of gold price. Shanghai Gold Exchange ("**SGE**") was established by the People's Bank of China upon approval by the State Council. SGE provides trading, clearing, delivery and vaulting services of gold, silver and platinum. In terms of gold traded in SGE, there are different categories and respective gold prices according to types of standard gold (e.g. Au99.99, Au99.95, Au 99.5).

Gold spot price in China increased from approximately RMB224.8 per gram on 4 January 2016 to approximately RMB390.0 per gram on 30 December 2020, and further back to RMB373.8 per gram on 31 December 2021, which is generally in line with global gold price change. Average gold spot prices in China increased by approximately 39.6% from RMB268.1 per gram in 2016 to RMB374.3 per gram in 2021, a slight decrease of 3.3% is noted for RMB gold price compared with 2020 average of RMB 387.1 per gram.

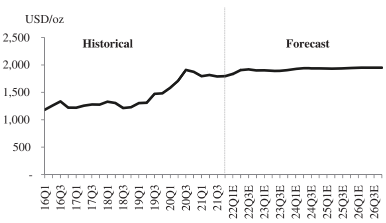
Average global gold spot price increased from approximately US$1,082.3 per ounce on 4 January 2016 to approximately US$1,820.1 per ounce on 31 December 2021. Average global gold spot price increased by approximately 43.9% from US$1,250.0 per ounce in 2016 to US$1,798.9 per ounce in 2021.

The gold spot price in China is generally in line with the global gold spot price, except for the fact that while the average global spot price in 2018 was higher than that in 2017, the average gold spot price in China decreased in 2018 as compared with that in 2017, mainly due to depreciation of USD against RMB. The increasing trend of average global gold spot price and the average gold spot price in China during the period between 2016 to 2021 was mainly due to the increasing demand on gold to diversify investment as gold-linked financial instrument develops, as well as to hedge risks due to the worries on global economic and political environment uncertainties and economic slow down as caused by lockdowns to stop the spread of COVID-19. In 2020, average global spot price and average gold spot price in China both exhibited upward trend, as investment sentiment are in favour of gold when facing the economic downturn risks caused by pandemic, and US government implements low interest rate policy to stimulate US economy. In 2021, average global spot price and average gold spot price in China slighted dropped, due to the appreciation of RMB against USD and investment sentiment cooling down towards gold in the slow economic recovery era.

Gold was one of the star performers throughout much of 2020, and countries have introduced fiscal and monetary policies stimuli to fight against highly-likely economy recession. Coming to 2021, the world is slowly and steadily recovering from COVID-19 pandemic influence, investment in gold gradually cooled down with market sentiment back towards normal. Overall, a slight increase of 1.9% was noted for USD gold price of 2021, compared with 2020. In the forecast period, global gold spot price will maintain the upward trend, considering of the uncertainty and possible resurgence of the COVID variants, and the trend of diversifying investment portfolios.

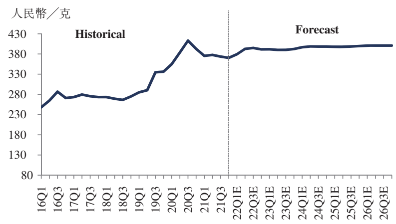
Gold Spot Price (Quarterly Averages), Global, 2016–2026E

Annual Average of Gold Spot Price	
CAGR 16–21	7.6%
CAGR 21–26E	1.6%



Gold Spot Price (Quarterly Averages) China, 2016–2026E

Annual Average of Gold Spot Price	
CAGR 16–21	6.9%
CAGR 21–26E	1.4%



Note: Global gold spot price is set as quarterly averaged gold spot price of London Bullion Market, and is set in USD per fine troy ounce, which is a troy ounce (equals approximately 31.1 grams) of 99.5% pure gold.

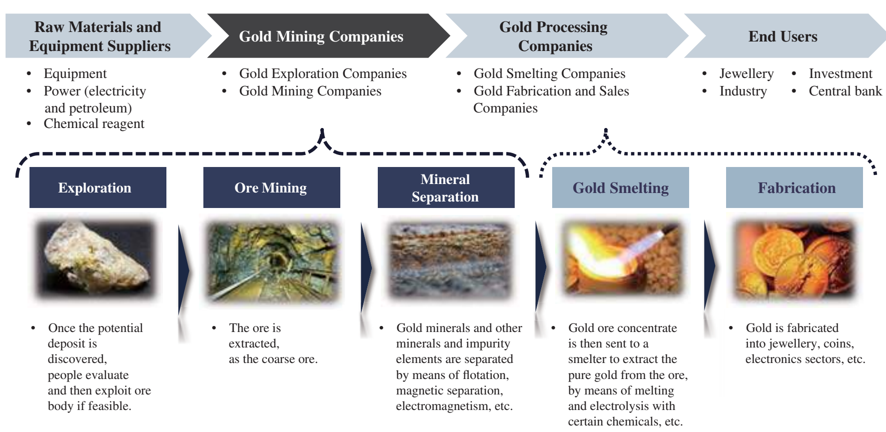
China gold spot price refers to the closing price of Au99.95 traded in Shanghai Gold Exchange.

Source: London Bullion Market Association, Shanghai Gold Exchange, Frost & Sullivan

GOLD MINING INDUSTRY IN CHINA AND SHANDONG

Value chain

Value Chain of Gold Production



Source: Frost & Sullivan

In China, it is a common industry practice for gold mining and processing companies to outsource the refining process to gold smelting companies and sell the finished gold bullion to the same gold smelting companies. Since the cost of obtaining the operating licence as a smelting company is high, the number of smelting companies in China is limited. The gold smelting industry is of a high concentration. In 2020, the top ten gold smelting companies by gold production volume in China accounted for approximately 82.8% of China's total gold smelting volume. There are about 27 smelting companies in Shandong province and the top five gold smelting companies in Shandong accounted for approximately 92.7% of Shandong's total gold smelting volume. Some large gold mining enterprises extend their business to gold smelting to pursue higher profits and stronger competitiveness. Further, only mining and/or smelting companies with registered membership in the Shanghai Gold Exchange are qualified to sell gold bullion in the Shanghai Gold Exchange, the only one exchange platform of gold bullion in China. For mining and/or smelting companies without membership in the Shanghai Gold Exchange mainly due to the limit on the total number of membership, they can only sell the refined gold to registered members of the Shanghai Gold Exchange to sell their refined gold.

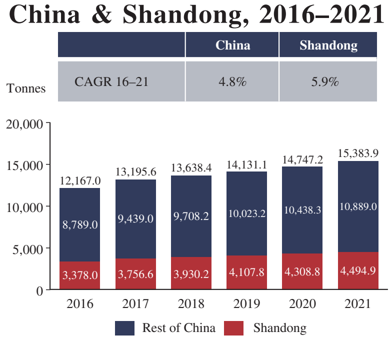
Gold Mineral Resources

The total gold resources of China has experienced a continuously growth for more than a decade and for the first time the number has surpassed 10,000 tonnes in 2015. At the end of 2021, China's total gold resources was approximately 15,383.9 tonnes, representing a CAGR of approximately 4.8% from 2016.

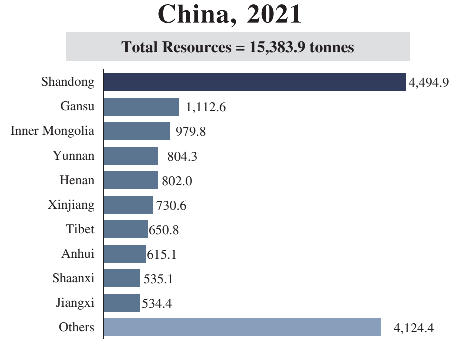
Shandong is the province with the largest amount of gold identified resources in China (4,494.9 tonnes, approximately 29.2% of total gold identified resources in China). The gold identified resources in Shandong increased from approximately 3,378.0 tonnes in 2016 to approximately 4,494.9 tonnes in 2021, representing a CAGR of approximately 5.9%. Shandong has abundant gold resource and well-established supply chain in gold mining industry in China.

Shandong accounts for five of top ten gold mines in China, including Jiaojia gold mine, Sanshandao gold mine, Linglong gold mine, Xincheng gold mine and Xiadian gold mine. Most of Shandong's gold reserves are concentrated in Zhaoyuan and Laizhou.

Gold Identified Resources, China & Shandong, 2016–2021



Gold Identified Resources by Provinces, China, 2021



Source: China Gold Association and Frost & Sullivan

Gold production

China has been the largest gold mine producer in the world since 2007. China gold market experienced a gloomy market consumption for gold (e.g. gold jewellery) and a tightened regulatory control in 2017 which has affected its gold supply since then. Central government issued a series of policies including Acceleration of Constructing Green Mines《關於加快建設綠色礦山的實施意見》and Guidance on Promoting Gold Industry Upgrade and Transformation《關於推進黃金行業轉型升級的指導意見》, emphasising the importance of environmental protection and requiring the new mines to meet the environmental protection standards.

In July 2017, the Ministry of Nature Resources issued the Work Plan for the Clearance of Mining Rights in Natural Reserves《自然保護區內礦業權清理工作方案》, which requires comprehensive investigation and gradual cancellation of existing mining rights in nature reserves, resulting in the shutdown of gold mines in several provinces. China's gold production declined since 2017. In addition, the national policies required the mining industry to speed up green mining and phase out mining projects with outdated technology. The gold mining enterprises are facing great pressure of environmental protection and technological upgrading, which also caused the decline of gold production.

Through the analysis of the gold production of key gold mines in China, it is found that the annual prospecting amount and production scale of most mines exceed the amount specified in the mining licence of the mining companies. That means the gold production will be largely determined by the capacity of major players, instead of mining licence.

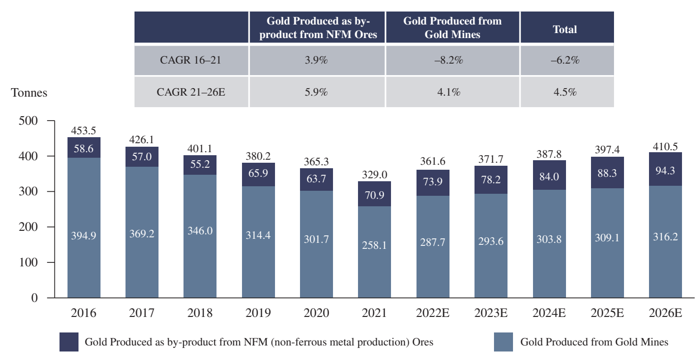
The impact of the COVID-19 pandemic on gold mining industry in 2020 was mainly on the reduced working days and the supply of raw materials and products, such as the explosives, support materials and filling materials. Besides, the production of most gold mining companies were delayed for weeks. Further, the transportation of raw materials and products was affected due to the traffic control caused by the COVID-19 pandemic.

The COVID-19 pandemic is increasing the downward pressure on the China's economy. In addition, the gradual spread of the pandemic in the world caused panic in international markets and raised concerns about the international economy, which drove the gold price going upward. And gold mining companies were incentivized to increase production in order to capture the high price and profit after the resumption of production.

Shandong is the largest source of gold produced from gold mines in China. However, from February to September 2021, non-coal mines in Shandong Province, including gold mines, stopped production for safety inspection. This had a huge negative impact on the gold production in the province. As a result, total gold production in China decreased a lot, from approximately 365.3 tonnes in 2020 to approximately 329.0 tonnes in 2021. And the overall CAGR from 2016 to 2021 was approximately -6.2%.

As the safety inspection towards gold mines in Shandong Province ended in September 2021, it is expected that the gold produced from gold mines in Shandong will largely increase in 2022. Together with other positive factors such as the increasing demand for gold and rising gold price, China's gold production is expected to grow steadily to approximately 410.5 tonnes in 2026, representing a CAGR of approximately 4.5% from 2021 to 2026. Such demand is expected to be supported by the supply driven by the accelerated automation and mechanisation in gold mining industry under the context of "Made in China 2025", and the gold recycling activity from the electronics manufacturing sector.

Gold Production, China, 2016–2026E

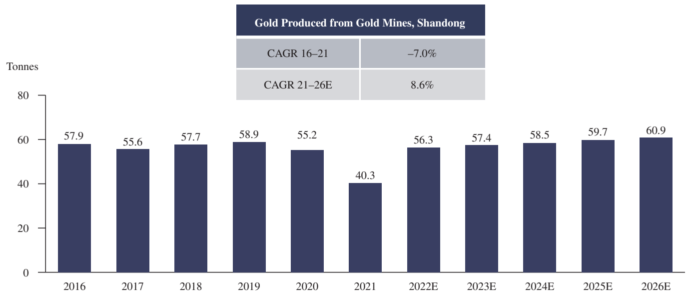


Source: China Gold Association and Frost & Sullivan

The gold produced from gold mines in Shandong declined from approximately 57.9 tonnes in 2016 to approximately 40.3 tonnes in 2021, at a CAGR of approximately -7.0%. Besides the negative impact of the COVID-19 pandemic on the production, another main reason for the decline is the strict safety and environmental policies. From February to September 2021, non-coal mines in Shandong Province, including gold mines, stopped production for safety inspection. This had a huge negative impact on the gold production in the province.

As the safety inspection towards gold mines in Shandong Province ended in September 2021, it is expected that the gold produced from gold mines in Shandong will largely increase to approximately 56.3 tonnes in 2022, and eventually reach approximately 60.9 tonnes in 2026, representing a CAGR of approximately 8.6% from 2021 to 2026. Other main growth drivers are expected to be the increasing gold demand, rising gold price, and technology advances.

Gold Produced from Gold Mines, Shandong, 2016–2026E



Source: China Gold Association and Frost & Sullivan

Market drivers

Increasing Demand The increasing demand for gold will stimulate gold mining companies to intensify efforts to exploit gold mine and expand production scale. With the improvement of people's living standard and stronger purchasing power, consumers' demands for luxury products like jewellery rise sharply as well. Meanwhile, the world's economy has been in a grim situation since 2018 amid the COVID-19, the Brexit, and the US presidential election, causing the financial character of gold becoming increasingly evident. Thus, the increasing demand from the gold application fields will largely drive this industry.

Increasing Gold Reserve Internationalisation of RMB is an inevitable result of national economy development, cross-border trade and investment progress. As RMB has been included in the International Monetary Fund's unit of account, the Special Drawing Right (SDR) in October 2016, RMB has finished a significant part of being an international reserve currency. As an important means of reserve and settlement, gold is still occupying a definite proportion in each central bank. Gold reserves are effective ways to hedge the risk of international financial markets. However, China's gold reserve's share of total reserve is still below the world's average. Raising the gold reserves is an inexorable trend to meet the demand of RMB's internationalisation.

Rising Gold Price Gold price drives gold supply while gold demand is influenced by various factors. In recent years, under the combined effect of increasing downward pressure on major economies and pessimism in the global financial, the safe-haven function of gold has been fully highlighted, and the price of gold has begun to rise. Despite the slight decrease of gold price in 2021 mainly caused by the contractionary monetary policy of US government, in the long run, the economic downturn caused by the COVID-19 will also promote a continuous rise in gold price. The gold mining enterprises are incentivised to increase production in order to capture the high price and profit, driving the expansion of the gold mining industry.

Advanced Technology The Industry Structure Adjustment Catalogue (2019 edition) 《產業結構調整指導目錄（2019年本）》calls for encouraging deep gold exploration and mining (1000 meters and below), which will contribute the research of deep mining technology and accelerate the solution of deep mining technology problems, promoting the improvement of gold production capacity in China. In addition, the policy also encourages the recovery of gold from tailings and waste rock, which will improve the utilisation of gold resources in tailings, and contribute to the increase in production capacity of gold mining industry.

Development trends

- ***Intelligent Mining*** Leveraging on the development of science and technology, a new concept has been introduced in mining industry that is to build a new unmanned mining model, to achieve digitalised mining environment by intelligent technology and equipment, visualised control of production process and networked information transmission. This approach could address the problem of unsafe production and meanwhile enhance productivity. During the 13th five-year plan period, the project of "key technology research and development of scaled unmanned mining underground" was established under the special project "deep resources survey and mining".

- ***Green Mining*** The state government has successively issued a series of policy documents such as Requirements for Green Mine Construction in Gold Industry《黃金行業綠色礦山建設要求》, Technical Specification for the Control of Cyanide Residue Contamination in the Gold Industry《黃金行業氰渣污染控制技術規範》and Policy on Pollution Prevention and Control Technology in the Gold Industry (Draft for Comments)《黃金行業污染防治技術政策(徵求意見)》, calling for the construction of green mines and the development of environmentally friendly gold mining technologies. In this case, gold mining companies are bound to go on the way of green mining. Specifically, the cut-and-fill stoping, which has less impact on the environment, will be applied further widely. The traditional gold flotation method such as mixed mercury method, chlorination method and cyanidation method will be replaced by low-toxicity agents and bio-flotation method, which have the advantage of energy-saving and eco-friendliness.

- ***Deep Mining*** With the consumption of shallow gold resources, China' gold mining industry is gradually turning to deep mining. At present, the depth of gold mines in China is mostly between 500 and 1000 meters, less than that in South Africa, Canada and other mining developed countries where the depth is more than 2000 meters. China has great development space in the field of deep mining. Meanwhile, the NDRC issued Guide Catalogue for Industrial Restructuring (2019 edition)《產業結構調整指導目錄(2019年本)》, encouraging the development of deep gold exploration and mining, which will accelerate the deep gold mining technology in China.

- ***Overseas Acquisitions and Cooperation*** The proportion of low-grade ore and refractory gold resources in China is large, resulting in high cost of gold mining. Gold mining enterprises are facing huge pressure from environmental policies. In addition, the current domestic gold demand is rising rapidly, while the domestic supply is unable to meet the demand. So it is an inevitable trend for gold mining industry to 'go abroad' and seek for overseas gold resources, capital and technology. Overseas acquisition and cooperation will be a new trend for China's gold mining industry.

Entry barriers

- ***Licence barrier.*** China implements an admittance system for the exploitation of gold resources. The application for gold mining and smelting shall comply with the requirements of the national gold industry planning, industrial policies and the state regulations on the approval of investment projects, environmental protection and land administration, etc. Gold mining companies shall be qualified for the exploitation of gold resources in order to obtain the 'mining licence' and 'safety production licence' issued by the national government. In addition, gold mining enterprises can only conduct mining within the area stipulated by the state, and comply with increasingly strict safety production and environmental protection regulations. It is difficult for new market entrants to obtain relevant qualifications in a short period of time.

- ***Resources barrier.*** Gold reserves or resources is the key factor to the sustainable development of the gold mining companies. At present, a majority of domestic gold mine is possessed by large or medium sized gold mining companies, which also enjoy considerable right of mineral exploration, thus ensuring the increasing potential of the gold reserve to some extent. As for new entrants, it is difficult for them to obtain substantial gold mine resources. Companies lacking for self-owned mines have to rely on the gold ore suppliers, which give rise to uncertainty surrounding the stability of the supply of raw materials and therefore affecting the operating performance. Since gold belongs to natural resource, the imbalanced distribution of gold raises the threshold to the entrants in some region from the global perspective.

- ***Land Settlement and Villagers Relocation.*** During the mining process, gold mining companies must comply with laws and local government regulations, and communicate with local villagers on resettlement issues timely. Gold mining companies usually have to settle the villagers by compensation, relocation or other ways in order to maintain good relationship with them and ensure the smooth mining operation. In addition, many gold mining companies would also help local villagers build agricultural product processing plants to increase their income, and build new schools etc. to improve corporate image. These actions could increase the operating costs for mining companies and raise the threshold for new entrants.

- ***Capital barrier.*** The initial investment is high as a large number of equipment and land resources are required in the gold extraction and smelting stage, exerting large pressure on companies' capital. With the increasingly stringent requirement for safety production and environmental protection during gold processing stage, the investments in these two aspects will also increase, which will incur additional expenditures. Moreover, for the purpose of ensuring sustainable and enough mine reserves, it is necessary to adopt resource exploration, recycle procedure, and merger and acquisition activities which impose higher requirements on companies' financial viability.

- ***Technology barrier.*** With the decrease of the grade of gold mine and increase of mining depth, the difficulty and complexity of gold mining procedure rise accordingly, which builds up a high technical barrier to new entrants. The exploration and mining of existing, newly-built, reconstructive and expanded mines require up-to-date technical skills, complete equipment and ancillary facilities. Besides, only companies equipped with advanced technology and sufficient experience could satisfy the increasingly strict requirements proposed by government for safety production and environmental protection, increasing the difficulty for new entrants.

COMPETITIVE LANDSCAPE OF GOLD MINING INDUSTRY IN SHANDONG

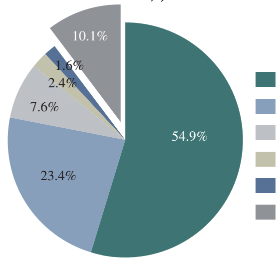
With the continuous asset reorganisation and resource integration of gold enterprises, the gold mining industry in Shandong Province is concentrated. There are about 30 gold producers engaged in gold mining in Shandong Province in 2021. The gold mine production volume of Shandong Province reached approximately 40.3 tonnes in 2021, and the top five gold producers by gold mine production volume accounted for approximately 89.9% of total gold mine production volume in Shandong Province. The rest of gold mining producers occupied approximately 10.1% market share, the average gold mine production volume of each producer is around 0.16 tonnes annually.

To gain scale efficiency and cost efficiency, gold producers will consider participating in their own smelting business when the annual gold mine production volume approaches 2 tonnes or more. Therefore, among the 30 gold producers in Shandong, only the top four producers have their own smelting business. In addition, the top four gold producers in Shandong Province have the membership of Shanghai Gold Exchange due to scale and cost advantages.

In terms of the price sold to gold smelters, there is no competitive relationship between gold producers, mainly because the gold bullion will be sold through the Shanghai Gold Exchange at the same spot price of the day. In addition, the difference in the difficulty of gold concentrate processing is the main feature between gold producers, because the processing fees for the smelting process will be different.

Company A ranked first with its gold mine production arriving 22.1 tonnes, followed by Company B of which gold mine production was 9.4 tonnes in 2021. Company C ranked third with its gold mine production reaching 3.1 tonnes in 2021. The Company ranked 5th with mine production volume of 0.6 tonnes in 2021.

Top 5 Gold Producers (by Mine Production Volume), Shandong, 2021



Rank	Company	Mine Production Volume (Tonnes)	Market Share
1	Company A	22.1	54.9%
2	Company B	9.4	23.4%
3	Company C	3.1	7.6%
4	Company D	1.0	2.4%
5	The Company	0.6	1.6%
	Others	4.1	10.1%
	Total	**40.3**	**100.0%**

Source: *Frost & Sullivan*

Notes:

1. Company A, established in 1996, a state-owned capital investment company directly under Shandong Provincial Government. Company A is also a holding company of a listed enterprise who is engaged in the gold mining, beneficiation and smelting (purification) of ores and deep processing and sales of gold products. The major gold mines of Company A are located in Laizhou City and Zhaoyuan City of Shandong Province.

2. Company B, established in 2002, a state-owned large group company and is also a holding company of a listed company who is engaged in exploration, mining, processing and smelting operations, focusing on gold production business. The major gold mines of Company B are located in Zhaoyuan City of Shandong Province.

3. Company C, established in 2000, a state-owned non-listed company which is mainly engaged in gold mining, gold smelting and gold sales. The major gold mines of Company C are located in Zhaoyuan City of Shandong Province.

4. Company D, established in 1994, a state-controlled listed company which is mainly engaged in the business of gold and silver smelting, and the production and sale of non-ferrous metals, rare metals and other metals in the PRC. The major gold mines of Company D are located in Yantai City of Shandong Province.

GOLD PRODUCTION COST

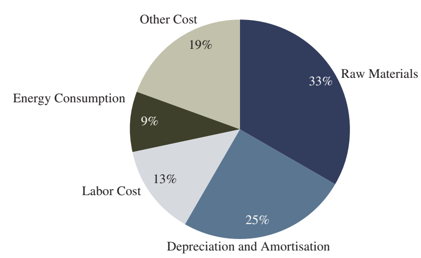
The total production cost of gold mining in China has increased continuously from approximately RMB196.2 per gram in 2016 to approximately RMB239.9 per gram in 2021, representing a CAGR of approximately 4.1%.

With the continuous strengthening of ecological civilisation construction, the threshold of safety and environmental protection has been further raised, and some gold enterprises with aging facilities and insufficient resources have been closed down for rectification. The reduction of output has increased the production cost of apportionment per unit of mineral gold. In addition, the decline in ore grade, the increase in the exploitation of refractory resources and the increase in the investment in safety and environmental protection also lead to the increase in the total production cost of gold mining.

Raw materials, mainly including explosives, support materials and filling materials, are the largest component of gold mining costs, accounting for 33% of total production cost, followed by depreciation and amortisation at 25%. Since gold mining is a labor-intensive industry, the labor costs accounts for a large proportion at 13%. Energy is quite critical to gold mining industry, occupying 9% of the total production cost.

Total Production Cost of Gold Mining, China, 2016–2021E

Gold Production Cost Structure, China, 2021



Source: *Frost & Sullivan*

This section sets forth a summary of the laws and regulations applicable to our Group's business and operations in the PRC, the jurisdiction which our Group operates. As this is a summary, it does not contain detailed analysis of laws in this jurisdiction which is relevant to our Group's business.

OVERVIEW

PRC gold enterprises are subject to extensive PRC laws and regulations and government supervision. Such laws and regulations encompass the areas of investment, exploration, mining, processing, smelting, sales, trade as well as environmental protection and labour with respect to gold mines and gold products.

We are mainly supervised and regulated by the following PRC government bodies:

The State Council, as the highest administrative body, is responsible for formulating and reforming the Chinese government's investment system, approval system and investment project catalog for governmental approval.

NDRC is responsible for (i) formulating and implementing main policies on China's economic and social development; (ii) planning the major construction projects and distribution of productive forces; and (iii) examining and approving investment projects with expenditure exceeding certain amount or in special industrial sectors. The competent investment departments of all levels of local governments are responsible for (i) implementing the specific policies formulated by NDRC; (ii) examining and approving investment projects that are not examined and approved by NDRC; and (iii) the filing of other enterprise investment projects that do not require examination and approval.

MIIT is responsible for (i) formulating the planning, industrial policies and standards of industry and information and other sectors (including the gold industry); (ii) setting the access conditions of industry and information and other sectors (including the gold industry); and (iii) organising and implementing the access conditions of such industries (including the gold industry). The competent departments of industry and information of all levels of local governments are responsible for the production and supervision of the enterprises of industry and information (including the gold industry) within their administrative divisions.

MNR has the authority (i) to grant the land use right certificate and the mining right licence; (ii) to approve the transfer and lease of mining rights; and (iii) to review the mining fees and reserves assessment. The competent departments of natural resources of all levels of local governments are responsible for the land and mining administration within their administrative divisions.

MEE is responsible for (i) formulating guidelines, policies and regulations of national environmental protection; and (ii) conducting environmental impact assessment of the major economic and technological policies, development plans and major economic development plans. The competent ecology and environment departments of all levels of local governments are responsible for the supervision and inspection of the "Three Simultaneities" of the construction projects within their administrative divisions, as well as the permit and supervision of the sewage of the industrial and mining enterprises.

MEM is responsible for the national supervision and administration of work safety to ensure the implementation of relevant national laws and regulations on work safety. The competent emergency management departments of all levels of local governments are responsible for the supervision and administration of work safety of industrial and mining enterprises within their administrative divisions, and the supervision and inspection of work safety of the construction projects in terms of the "Three Simultaneities".

SAMR is responsible for leading national product quality administration, product technology supervision, standardisation and other items. The competent administration for market regulation departments of all levels of local governments are responsible for the supervision and administration of product quality of the industrial and mining enterprises within their administrative divisions.

LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES

According to the PRC Mineral Resources Law, which was promulgated by the Standing Committee of the National People's Congress on 19 March 1986, became effective on 1 October 1986, and was amended on 29 August 1996 and 27 August 2009 respectively, all mineral resources of the PRC are owned by the State. The geology and mineral resources department of the State Council, which is now the MNR, is responsible for the supervision and administration of the exploration and mining of mineral resources nationwide. The geology and mineral resources departments of the people's governments in the respective provinces, autonomous regions and municipalities directly under the central government are responsible for the supervision and administration of the exploration and mining of mineral resources within their own jurisdictions.

According to the Interim Measures for the Supervision and Administration of Mineral Resources (礦產資源監督管理暫行辦法), promulgated by the State Council and implemented on 29 April 1987, calculation and mining of mineral reserves by the mining enterprises shall be based on the approved industrial indicators regarding mineral reserves calculation, which could not be arbitrarily altered.

According to the Regulation for Registering to Explore for Mineral Resources Using the Block System (礦產資源勘查區塊登記管理辦法), effective as of 12 February 1998 and amended on 29 July 2014, and the Procedures for Administration of Registration of Mining of Mineral Resources (礦產資源開採登記管理辦法), effective as of 12 February 1998 and amended on 29 July 2014, exploration or mining of mineral resources must file registration and obtain exploration or mining licences, as the case may be.

Rights and obligations of the holder of exploration licences

According to the Implementation Rules for the PRC Mineral Resources Law (中華人民共和國礦產資源法實施細則) which became effective on 26 March 1994, the rights exercisable by the holder of an exploration licence include, among other things, the following: (i) carrying out exploration in the designated area and within the prescribed time as specified in the exploration licence; (ii) having access to the exploration area and its adjacent areas; (iii) temporarily using the land in accordance with the needs of the exploration project; (iv) having the priority in obtaining the mining right of the mineral resources as specified on the exploration licence and the exploration right of other newly discovered type of minerals within the designated exploration area; and (v) selling the mineral products recovered during the exploration operation in accordance with the project design which has been approved, except for those mineral products which shall be sold to designated units as required by the State Council.

The obligations of the holder of an exploration licence include, among other things, the following: (i) commencing and completing the exploration operation within the term prescribed in the exploration licence; (ii) conducting the exploration in accordance with the exploration construction design and refraining from any unauthorised mining activities; (iii) conducting comprehensive exploration and assessment over the intergrown minerals or associated minerals while ascertaining the major minerals; and (iv) compiling mineral exploration reports to be submitted to relevant government authorities for examination and approval.

Pursuant to the Regulation for Registering to Explore for Mineral Resources Using the Block System (礦產資源勘查區塊登記管理辦法) which became effective on 12 February 1998 and was amended on 29 July 2014, the holder of an exploration licence shall meet the following minimum exploration investment requirement from the date of obtaining the exploration licence: (i) RMB 2,000 per square kilometre for the first exploration year; (ii) RMB 5,000 per square kilometre for the second exploration year; and (iii) RMB 10,000 per square kilometre for each exploration year from the third exploration year.

Rights and obligations of holders of mining licences

According to the Implementation Rules for the PRC Mineral Resources Law (中華人民共和國礦產資源法實施細則), the rights exercisable by the holder of a mining licence include, among other things, the following: (i) engaging in mining activities in the designated mining area and within the term prescribed under the mining licence; (ii) selling the mineral products, except for those minerals which shall be sold to designated units as required by the State Council; (iii) constructing production facilities and amenities within the mining area; and (iv) acquiring the land use right attaching to the mine construction in accordance with law.

The obligations of a holder of a mining licence include, among other things, the following: (i) conducting mine construction or mining within the term prescribed in the mining licence; (ii) effectively protecting, rationally mining and comprehensively utilising the mineral resources; (iii) paying resource tax and resources compensation fee pursuant to law; (iv) complying with the PRC laws and regulations regarding work safety, water and soil conservancy, land recovery and environmental protection; and (v) accepting the supervision and administration from both the competent authorities in charge of geology and mineral resources and the other relevant competent authorities and submitting reports relating to mineral resources utilisation.

Usage fees and renewal of exploration and mining licences

The holder of an exploration licence and the holder of an mining licence are subject to exploration right usage fees and mining right usage fees, respectively. In accordance with the Regulation for Registering to Explore For Mineral Resources Using the Block System (礦產資源勘查區塊登記管理辦法), the exploration right usage fee shall be calculated and paid on an annual basis. The rate of exploration right usage fee applicable for the first year to the third year of exploration shall be RMB 100 per square kilometre per year. Starting from the fourth year of exploration, RMB 100 per square kilometre shall be added per year. However, the annual maximum amount of the exploration right usage fee shall not exceed RMB500 per square kilometre. In accordance with the Procedures for Administration of Registration of Mining of Mineral Resources (礦產資源開採登記管理辦法), the mining right usage fee shall be paid on an annual basis. The rate of mining right usage fee shall be RMB1,000 per square kilometre of mining area per year.

According to the Regulation for Registering to Explore for Mineral Resources Using the Block System (礦產資源勘查區塊登記管理辦法), the maximum validity period of a exploration licence shall be 3 years. The exploration right could be reserved, and the exploration licence could be extended within 30 days prior to its expiration, upon approval of the competent authority. The exploration licence could be extended for twice, and each extension shall not exceed 2 years.

Pursuant to the Procedures for Administration of Registration of Mining of Mineral Resources (礦產資源開採登記管理辦法), the validity period of a mining licence shall be determined according to the scale of the mine. The maximum validity period of the initial term of a mining licence for a big-scale mine, medium-scale mine and small-scale mine shall be 30 years, 20 years and 10 years, respectively. The mining licence can be renewed within 30 days prior to its expiration, upon compliance with the prescribed extension procedure. If the holder of a mining licence fails to renew its licence in time, such mining licence shall be automatically annulled upon expiration.

Related resource tax and resource compensation fee

Pursuant to the Provisional Regulations on Resource Tax of the PRC (中華人民共和國資源稅暫行條例) which became effective on 1 January 1994 and was amended on 30 September 2011, the mineral resource tax rate for raw ore of non-ferrous metal minerals other than rare earth ore is RMB 0.4-30/ tonne, and the amount of resources tax payable shall be the amount of sales or private usage of mineral products multiplied by the applicable tax rate. The above regulations was abolished and replaced by Resource Tax Law of the PRC (中華人民共和國資源稅法) which became effective on 1 September 2020.

According to the Notice on Policies with respect to Adjusting the Resource Tax of Rock Gold Ore (關於調整岩金礦資源稅有關政策的通知) issued by the MOF and the SAT, which became effective on 1 May 2006, the rates of resource tax for various grades of rock gold ore have been adjusted, and the adjusted resource tax rate applicable to rock gold ore ranges from RMB1.5-7/tonne.

Pursuant to the Detailed Rules for the Implementation of the Provisional Regulation on Resource Tax of the PRC (中華人民共和國資源稅暫行條例實施細則), which was promulgated by MOF and the SAT on 28 October 2011 and became effective as of 1 November 2011, the specific rate of resource tax applicable to taxable products shall be governed by the list of taxable items attached to the above Detailed Rules for the Implementation of the Provisional Regulation on Resource Tax of the PRC, the sales amount refers to the full price and other fees collected by the taxpayer from the purchaser upon the taxable products, excluding output value-added tax.

Pursuant to the Notice on Comprehensively Promoting Reform of Resource Tax (關於全面推進資源稅改革的通知) and the Notice on Issues on Specific Policies on the Reform of Resource Tax (關於資源稅改革具體政策問題的通知) issued by the MOF and the SAT, both of which became effective on 1 July 2016, the basis of calculation for resource tax of 21 categories of resources (including gold ore) shall be changed from sales quantity of raw ore to sales amount of raw ore, concentrates (or raw ore processed products), sodium chloride junior products or gold ingots, in which the basis of tax calculation for gold ore shall be the sales amount of gold ingots at the tax rate of 1%-4%. Resource tax shall be calculated and collected upon the sale or self-use of taxable products. The Announcement of the MOF and the SAT on the Implementation Criteria of Issues Related to Resource Tax (財政部、稅務總局關於資源稅有關問題執行口徑的公告), which came into effect on 1 September 2020, has abolished the above two documents and set out criteria for the determination of "taxable product" and "sales amount" of such taxable products in respect of resource tax.

According to the Resource Tax Law of the PRC, which was promulgated by the Standing Committee of the National People's Congress on 26 August 2019 and became effective on 1 September 2020, the specific rate of resource tax applicable to taxable products shall be governed by the List of Taxable Items attached to the above Resource Tax Law of the PRC, and the resource tax rate for gold ores (including raw ores and processed ores) shall be 2%-6%.

Pursuant to the Rules for the Administration of Collection of Mineral Resource Compensation Fees (礦產資源補償費征收管理規定), promulgated by the State Council on 27 February 1994 and amended on 3 July 1997, the holder of a mining licence shall pay the mineral resource compensation fees from sale proceeds of mineral products on a pro rata basis.

LAWS AND REGULATIONS RELATING TO THE ADMINISTRATION OF GOLD

Pursuant to the Administrative Regulations on Gold and Silver of the PRC (中華人民共和國金銀管理條例), which was promulgated and implemented on 15 June 1983 and was amended on 8 January 2011, purchases of gold and silver shall be made centrally by the PBOC. No entity or individual shall purchase gold and silver without the consent of the PBOC. All gold and silver produced by mining enterprises, rural communes, brigades, armed forces or individuals engaged in the production of gold and silver (including those with ore exploration, production and smelting as their supplementary business) shall be sold to the PBOC, and shall not be retained individually for sale, exchange or use. Entities requiring gold and silver for use shall file an application with the PBOC on the proposed use of gold and silver for examination and approval.

On 30 October 2002, the Shanghai Gold Exchange commenced operation under the supervision of the State Council. Since then, the PBOC has ceased its operation in gold allocation and purchase. Nowadays, all gold enterprises in the PRC are required to sell their standard gold bullion through the Shanghai Gold Exchange, and price of gold on the Shanghai Gold Exchange are determined by market demand and supply, which essentially converges with the price of gold in the international market. On 27 February 2003, the State Council promulgated the Decision in relation to Termination of the Second Batch of Administrative Approval Items and Alteration of the Management Method of Certain Administrative Approval Items (國務院關於取消第二批行政審批項目和改變一批行政審批項目管理方式的決定) and cancelled the approval requirements for the production, supply, purchase and sale of gold. As a result, the policy of "centralised purchase and allocation of gold" as stipulated under the Administrative Regulations on Gold and Silver of the PRC (中華人民共和國金銀管理條例) has been terminated in practice.

According to the Decision of the State Council on the Establishing Administrative Permission for Certain Administrative Approval Item Necessary to Be Retained (國務院對確需保留的行政審批項目設定行政許可的決定), which became effective on 1 July 2004 and was amended on 29 January 2009 and 25 August 2016 respectively, and the Decision and Measures for the Import and Export of Gold and Gold Products (黃金及黃金製品進出口管理辦法) which became effective as of 1 April 2015 and was amended on 16 April 2020, the import and export of gold and gold products shall be subject to administrative examination and approval of the PBOC.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The PRC laws and regulations relating to environmental protection mainly include: Environmental Protection Law of the PRC (中華人民共和國環境保護法) (revised on 24 April 2014 and implemented on 1 January 2015), Water Pollution Prevention and Control Law of the PRC (中華人民共和國水污染防治法) (revised on 27 June 2017 and implemented on 1 January 2018), Atmospheric Pollution Prevention and Control Law of the PRC (中華人民共和國大氣污染防治法) (revised and implemented on 26 October 2018), Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) (revised on 29 April 2020 and implemented on 1 September 2020), Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法) (revised and implemented on 26 October 2018), Implementation Regulation on the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法實施條例) (revised on 25 December 2017 and implemented on 1 January 2018), Measures for Pollutant Discharge Permitting Administration (For Trial Implementation) (排污許可管理辦法(試行)) (revised and implemented on 22 August 2019), Law of the PRC on Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) (revised and implemented on 29 December 2018), and Provisions for the Protection of Geological Environment in Mines (礦山地質環境保護規定) (revised and implemented on 24 July 2019).

Pursuant to the aforesaid laws and regulations, enterprises that discharge and dispose of toxic and dangerous substances such as wastewater, waste gas and solid wastes shall comply with the national and local standards of usage and shall declare to and register with the relevant environmental protection administration authorities and pay pollution discharge fees according to law where applicable.

Pursuant to the Law on Environmental Impact Assessment of the PRC (中華人民共和國環境影響評價法), which came into effect on 1 September 2003 and was amended on 2 July 2016 and 29 December 2018 respectively, construction entities should prepare or fill in the environment impact reports, reporting forms or registration forms of the environment impact according to the degree of environmental impact caused by the construction projects as follows: (i) if the environmental impact may be significant, an environmental impact report shall be required, which shall thoroughly appraise the potential environmental impact; (ii) if the environmental impact may be gentle, an environmental impact report form of analysing or appraising the specific potential environmental impact shall be required; and (iii) if the environmental impact may be so slight that it is unnecessary to conduct an appraisal of the environmental impacts, an environmental impact registration form shall be filled in and submitted.

Pursuant to the Interim Measures for Environmental Protection Acceptance of Completed Construction Projects (建設項目竣工環境保護驗收暫行辦法) effective as of 20 November 2017 and the Regulations on the Administration Construction Project Environmental Protection (建設項目環境保護管理條例), which was revised on 16 July 2017 and implemented on 1 October 2017, after the completion of a construction project for which an environmental impact report or an environmental impact report form is required, the construction entity shall, according to standards and procedures prescribed by the environmental protection administrative authorities, conduct environmental protection completion acceptance check and compile an acceptance check report. A construction project for which an environmental impact report or an environmental impact report form is required shall not be put into production or use until the environmental protection completion acceptance check has been passed.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The PRC government has formulated a relatively comprehensive set of laws and regulations on production safety, including the Work Safety Law of the PRC (中華人民共和國安全生產法) (effective as of 1 November 2002 and revised on 27 August 2009, 31 August 2014 and 10 June 2021, respectively), the Mine Safety Law of the PRC (中華人民共和國礦山安全法) (effective as of 1 May 1993 and revised on 27 August 2009) as well as the Regulations for the Implementation of the Mine Safety Law of the PRC (中華人民共和國礦山安全法實施條例) (effective as of 30 October 1996) promulgated by the State Council, covering mineral resources exploration, mining and mine construction. The PRC government applies a work safety licensing system for production safety to mining enterprises under the Regulations on Work Safety Permits (安全生產許可證條例) (effective as of 13 January 2004 and revised on 18 July 2013 and 29 July 2014, respectively). No mining enterprise may engage in production activities without holding a valid work safety licence. Any mining enterprise which fails to satisfy the production safety conditions set out in the Regulations on Work Safety Permits may not obtain a work safe licence and carry out any production activity. Mining enterprises which have obtained the work safety licences shall not lower their production safety standards, and shall be subject to the supervision and inspection by the licensing authorities from time to time. If the licencing authority is of the opinion that any of such enterprises no longer satisfy the production safety requirements, the work safety licence may be withheld or revoked. The valid period for a work safety licence shall be 3 years. The enterprise may apply for extension of the licence within 3 months prior to expiration of the licence, and if the licenced enterprise has been strictly complied with the relevant laws and regulations in relation to work safety and free of any fatal accident during the term of the licence, with the consent of the licensing authority, the licence could be renewed without examination procedure.

The PRC government has also formulated a set of national standards on production safety for the mining industry. For example, the mine design shall comply with production safety requirements and industry practice; mining enterprises must establish and improve the safe production responsibility system. Managers of mines shall be responsible for the safe production in their respective enterprises. Mining enterprises must give safety education and training to their workers and staff; those without receiving safety education and training may not take up a post of duty.

Pursuant to the relevant requirements of the Mine Safety Law of the PRC (中華人民共和國礦山安全法), the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (生產安全事故報告和調查處理條例), the Notice on Regulating the Inspection for Acceptance upon Completion of Safety Facilities in Metal and Non-metal Mine Construction Projects (關於規範金屬非金屬礦山建設項目安全設施竣工驗收工作的通知), the authorities in charge of mining enterprises under the people's governments at or above the county level shall exercise the following functions and responsibilities with respect to the control of safety work in mines: (i) to inspect the implementation of laws and regulations on safety in mines by mining enterprises; (ii) to examine and approve designs of safety facilities in mine construction projects; (iii) to supervise the inspection for acceptance upon completion of safety facilities in mine construction projects; (iv) to manage the training of managers of mines and personnel in charge of safety work in mining enterprises; (v) to investigate and handle work safety accidents at mines; and (vi) other controlling functions and responsibilities provided for in laws and administrative rules and regulations. Upon occurrence of accidents, mining enterprises shall immediately take measures to rescue their workers and report any casualty to the relevant authority. In the event of a general mine accident, the mining enterprise shall be responsible for investigating and handling the case. In the event of a fatal accident, the government, the relevant authority, the labour union and the mining enterprise shall conduct investigation and handle the case together. In addition, mining enterprise shall pay compensation to any staff who was injured or died in the accident in accordance with the national requirements. Such mining enterprise may only resume production after the relevant danger at the scene has been eliminated.

Pursuant to Measures on the Implementation of Work Safety Permit for Non-Coal Mining Enterprises (非煤礦礦山企業安全生產許可證實施辦法) (which came into effect on 17 May 2004 and revised on 8 June 2009 and 26 May 2015), non-coal mining enterprises must obtain the production safety permit and are prohibited from engaging in any production activities without obtaining the permit.

LAWS AND REGULATIONS RELATING TO LAND

Pursuant to the Land Administration Law of the PRC (中華人民共和國土地管理法), which was promulgated on 25 June 1986 and was revised on 29 December 1988, 29 August 1998, 28 August 2004 and 26 August 2019 respectively, and the Regulations on the Implementation of the Land Administration

Law of the PRC (中華人民共和國土地管理法實施條例), which was promulgated on 27 December 1998 and was revised on 8 January 2011, 29 July 2014 and 2 July 2021, land in the PRC is either state-owned or collectively-owned. Land owned by the state and collectively-owned by villagers may be allocated to units or individuals for use according to law. Lawfully registered land ownership and land use rights are protected by law. In the case of temporary use of state-owned land or land collectively-owned by farmers for construction projects or by geological survey teams, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural economic collective organisations or village committees for the temporary use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years. The state shall establish a territorial spatial planning system, and territorial spatial plans approved in accordance with the law shall be the primary basis for various activities of land development, protection, and construction. Where a territorial spatial plan has been worked out, the comprehensive plan for land utilisation and the urban-rural plan shall no longer be effective. Before a territorial spatial plan is determined, the existing overall plan for land utilisation and urban-rural plan legally approved shall continue to be effective. The results of land surveys are of great importance in the preparation of territorial spatial plans, as well as the management, protection and utilisation of natural resources.

Pursuant to the PRC Mineral Resources Law and the Measures for the Administration of the Examination and Approval of the Use of Woodlands by Construction Projects (建設項目使用林地審核審批管理辦法), which was promulgated on 31 March 2015 and was amended on 22 September 2016, in mining mineral resources, a mining enterprise or individual must observe the legal provisions on environmental protection to prevent pollution of the environment. In mining mineral resources, a mining enterprise or individual must economise on the use of land. In construction projects occupying forest land, the forest land shall be used in a reasonable, economical, and intensive manner in accordance with the protection and use plan. In case cultivated land, grassland or forest land is damaged due to mining, the mining enterprise concerned shall take measures to utilise the land affected, such as by reclamation, tree and grass planting, as appropriate to the local conditions. Anyone who, in mining mineral resources, causes losses to the production and well-being of other persons shall be liable for compensation and shall adopt necessary remedial measures.

Pursuant to the Regulation on Land Reclamation (土地復墾條例) which was promulgated and came into effect on 5 March 2011 and the Measures for the Implementation of the Regulation on Land Reclamation (土地復墾條例實施辦法), which came into effect on 1 March 2013 and was amended on 24 July 2019, the production and construction entities or individuals shall be responsible for the reclamation of the land destroyed by their production and construction activities. A land user shall, when handling the application for a piece of construction land or handling the application for the mining right, submit the plan for land reclamation for approval. Where the plan for land reclamation does not meet the relevant requirements, the construction land use right or the mining licence cannot be obtained. If a land user implements land reclamation in accordance with the land reclamation plan, he shall report to the competent land and resources authorities of the local people's governments at or above the county level for examination and acceptance.

LAWS AND REGULATIONS RELATED TO THE ENTERPRISE INCOME TAX

Pursuant to the EIT Law which became effective on 1 January 2008 and was amended on 24 February 2017 and on 29 December 2018 respectively, and the EIT Regulation which became effective on 1 January 2008 and amended on 23 April 2019, enterprises lawfully incorporated in the PRC or enterprises incorporated according to the laws of foreign countries (regions) but with de facto management organisation located in the PRC are resident enterprises. Resident enterprises shall pay enterprise income tax on all income sourced within and outside the PRC at the tax rate of 25%. For industries and projects which receive key support and encouragement for development from the State, preferential treatment on enterprise income tax will be available; qualified small enterprises with thin profit will be levied enterprise income tax at a reduced tax rate of 20%; high-tech enterprises receiving key support from the State will be levied enterprise income tax at a reduced tax rate of 15%.

LAWS AND REGULATIONS RELATED TO LABOUR AND PERSONNEL

In accordance with the revised Labour Law of the PRC (中華人民共和國勞動法) which became effective on 1 January 1995 and was amended on 27 August 2009 and on 29 December 2018 respectively, labour contract shall be entered between the employer and all of its employees, and the policy that the wages shall be paid according to performance, equal pay for equal work, lowest wage protection and special labour protection for female worker and juvenile workers shall be implemented. The Labour Contract Law of the PRC (中華人民共和國勞動合同法) which became effective on 1 January 2008 and was amended on 28 December 2012, and the Implementing Regulations of the Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例) which became effective on 18 September 2008, regulate the relationship between the employer and the employee as well as the entering, execution, performance, modification, withdrawal or termination of labour contracts, improve the labour contractual system, clarify the respective rights and obligations of both parties to labour contracts, and protect the legal rights of the employer and the employee.

In accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) which came into effect on 1 July 2011 and was amended on 29 December 2018, and the Several Provisions on Implementing the Social Insurance Law of the PRC (實施中華人民共和國社會保險法若干規定) implemented on 1 July 2011, the State establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the rights of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. Employers and individuals within the territory of the PRC shall pay their social insurance premiums in accordance with relevant PRC laws and regulations.

In accordance with the Regulation on the Management of Housing Provident Fund (住房公積金管理條例) which came into effect on 3 April 1999 and was amended on 24 March 2002 and 24 March 2019 respectively, the employer shall make deposit registration with the local management centre of housing provident fund and establish housing provident fund account in an entrusted bank for each of its employees. For any new employee, the deposit registration shall be undertaken by the employer within 30 days from the date of the employment, and establishment or transfer of housing provident fund account of the new employee shall be handled.

LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT

The PRC Company Law, which became effective on 1 July 1994 and was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018 respectively, governs two types of companies: limited liability companies or joint stock limited companies incorporated within the territory of PRC. Both types of companies have the status of legal persons. Shareholders' liabilities of both limited liability company and joint stock limited company are limited to the registered capital contributed by the Shareholder. The PRC Company Law may also apply to foreign-invested companies unless laws on foreign investment have other stipulations.

The Special Management Measures for Market Entry of Foreign Investment (Negative List) (2019 version) (外商投資准入特別管理措施(負面清單)(2019年版)), promulgated and implemented on 30 June 2019 regulates the market entry of foreign investment in different industries by setting out a negative list for the market entry of foreign investment. Among others, the negative list for the market entry of foreign investment is further divided into "Catalog for Restricted Foreign Investment Industries" and "Catalog for Prohibited Foreign Investment Industries". Foreign investment is permitted to invest in industries not included in the negative list for the market entry of foreign investment. The Special Management Measures for Market Entry of Foreign Investment (Negative List) has been revised on 23 June 2020 and 27 December 2021 respectively. Businesses of the Company and its PRC subsidiary have never been included in above 2019, 2020 and 2021 version of "Special Management Measures for Market Entry of Foreign Investment (Negative List)".

The Provisional Measures for the Filing Administration of Establishment and Changes of Foreign-Invested Enterprises (2018 Revision) (外商投資企業設立及變更備案管理暫行辦法(2018修訂)), which was promulgated by the MOFCOM on 29 June 2018 and became effective on 30 June 2018, sets out the prescribed procedures for the establishment and changes of foreign-invested enterprises which are not subject to the special management measures on admission as stipulated by the State.

The Measures for the Reporting of Foreign Investment Information (外商投資信息報告辦法), which was promulgated on 30 December 2019 and became effective on 1 January 2020, abolishes the above Provisional Measures for the Filing Administration of Establishment and Changes of Foreign-Invested Enterprises (2018 Revision), and regulates that foreign investors or foreign-invested enterprises shall report the investment information to the relevant commerce departments through enterprise registration system and the National Enterprise Credit Information Publicity System on in a timely manner without false or misleading information or material omissions.

The Foreign Investment Law of the PRC (中華人民共和國外商投資法) promulgated on 15 March 2019 and became effective on 1 January 2020 regulates Foreign investment in the territory of the PRC and confirms that the business forms, structures, and rules of activities of foreign-invested companies shall be governed by the Company Law of the PRC, the Partnership Law of the PRC (中華人民共和國合夥企業法), and other laws. Foreign-invested companies formed under the Law of the PRC on Chinese-foreign Cooperative Joint Ventures (中華人民共和國中外合作經營企業法) before the Foreign Investment Law comes into force may maintain their original business forms, among others, for five years after this law comes into force.

Pursuant to the Implementation Rules of the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例), which was promulgated on 26 December 2019 and became effective on 1 January 2020, all levels of governments shall treat foreign-invested enterprises and domestic enterprises equally in material aspects, including government funding arrangements, land supply, tax and fee reduction and exemption, qualification licencing, project applications, and human resource policies.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

In accordance with the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例), which was promulgated on 29 January 1996 and was amended on 14 January 1997 and 5 August 2008 respectively, any institution or individual borrowing foreign debts shall abide by the relevant state provisions and handle the foreign debt registration formalities at a foreign exchange administrative organ. The Instructions for Foreign Debts Registration and Administration (外債登記管理操作指引) which was promulgated on 28 April 2013, became effective on 13 May 2013 and was revised on 4 May 2015 requires that foreign debt of a foreign-invested enterprise shall not exceed the difference of the total amount of investment and the registered capital of such enterprise.

OTHER RELEVANT LAWS AND REGULATIONS

Reforms of investment system by the State Council

Pursuant to the Decision of the State Council on the Reform of Investment System (國務院關於投資體制改革的決定), which came into effect on 16 July 2004, significant changes have been made to the government approval regime for major investment projects in the PRC. Projects without utilising governmental funds no longer require examination and approval of the government, but require approval and filing. With respect to non-government funded projects, approval would only be required for major or restricted project, while other projects, regardless of the scale, will only be subject to a filing requirement.

According to the Catalogue of Investment Projects Subject to Approval of the Government (2004 Version) (政府核准的投資項目目錄(2004年本)), gold mining and processing projects with an ore mining and processing capacity of 500 tonnes per day or above shall be subject to approval of the department in charge of investments under the State Council, while other gold mining and processing projects shall be subject to approval of the departments in charge of investments of provincial-level governments.

According to the Catalogue of Investment Projects Subject to Approval of the Government (2013 Version) (政府核准的投資項目目錄(2013年本)), gold mining and processing projects shall be subject to approval of provincial-level governments. Such requirement has been followed by the Catalogue of Investment Projects Subject to Approval of the Government (2014 Version) (政府核准的投資項目目錄(2014年本)) and the Catalog of Investment Projects Subject to Approval of the Government (2016 Version) (政府核准的投資項目目錄(2016年本)).

Laws related to the prevention and control of occupational diseases

According to the Law of the PRC on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法), which was promulgated on 27 October 2001 and was revised on 31 December 2011, 2 July 2016, 4 November 2017 and 29 December 2018 respectively, a construction entity shall conduct the pre-assessment of occupational hazards at the feasibility study stage if a construction project may cause any occupational hazards. The protective facilities against occupational diseases of the construction project shall be designed, constructed, and put to use in production and other operations at the same time as the main body of the project. And before the acceptance check of a construction project, the construction entity shall evaluate the effects of occupational hazard control.

Laws Related to Intellectual Property

According to the Copyright Law of the PRC (2020 Amendment) (中華人民共和國著作權法(2020修正)), which was promulgated on 7 September 1990 and was revised on 27 October 2001, 26 February 2010 and 11 November 2020 respectively, and the Implementation Rules of the Copyright Law of the PRC (2013 Revision) (中華人民共和國著作權法實施條例(2013修訂)), which was promulgated on 2 August 2002 and was revised on 8 January 2011 and 30 January 2013 respectively, computer software shall be included in the forms of "Works" under protection of the Copyright Law of the PRC.

According to the Regulation on Computer Software Protection (2013 Revision) (計算機軟件保護條例(2013修訂)), which was promulgated on 20 December 2001 and was revised on 8 January 2011 and 30 January 2013 respectively, Chinese citizens, legal entities or other organizations enjoy copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items.

According to the Measures for the Administration of Internet Domain Names (互聯網域名管理辦法), which was promulgated on 24 August 2017 and became effective on 1 November 2017, domain name registration services shall, in principle, be subject to the principle of "apply first, register first". In the process of providing domain name registration services, an applicant for the registration of a domain name shall provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration information.

Policies related to novel coronavirus epidemic

According to the Notice on Reduction of Enterprise Social Security Premium Contribution in Phases (關於階段性減免企業社會保險費的通知) jointly promulgated by MOHRSS, MOF and SAT on 20 February 2020, in order to relieve enterprise difficulties caused by the novel coronavirus epidemic, promote orderly resumption of work and production by enterprises and support stable and widened employment, based on the epidemic impact and the fund threshold, the relevant authorities may exempt medium, small and micro-enterprises premium contribution for the three social security items, the exemption period shall not exceed five months; and may reduce half of the premium contribution for the three social security items by other social security participating organisations (excluding state agencies and institutions) such as large enterprises, the reduction period shall not exceed three months.

Pursuant to the Notice on Extension of the Implementation Period of the Policies regarding Enterprise Social Security Premium Contribution Reduction and Other Issues (關於延長階段性減免企業社會保險費政策事實期限等問題的通知) promulgated by MOHRSS, MOF and SAT on 22 June 2020, policies of exempting micro, small and medium-sized enterprises from employer's contribution for the three social security items shall be extended until the end of 2020; policies of reducing half of the premium contribution payable by large-sized enterprises and other participating employers (excluding state agencies and institutions) for the three social security items shall be extended until the end of June 2020.

According to the Notice on Implementing the Phased Support Policies Involving Housing Provident Fund to Properly Cope with the novel coronavirus epidemic (關於妥善應對新冠肺炎疫情實施住房公積金階段性支持政策的通知) jointly promulgated by MOHURD, MOF, and PBOC on 21 February 2020, enterprises affected by the novel coronavirus epidemic may apply for postponing contribution to the housing provident fund by 30 June, 2020, and in regions with identified serious novel coronavirus epidemic, enterprises may voluntarily contribute to the housing provident fund by 30 June, 2020 on the premise of full consultation with their employees.

According to the Notice on Further Streamlining the Examination and Approval, Optimising Services, Accurately and Steadily Promoting the Production Resumption and Work Resumption of Enterprises (關於進一步精簡審批優化服務精準穩妥推進企業復工復產的通知) promulgated by the General Office of the State Council on 3 March 2020, except for Hubei Province and Beijing, low risk areas shall not delay the commencement of production by means of examination and approval or filing. And the provincial governments in the middle and high risk areas shall, in accordance with the principle of minimum and necessity, formulate and announce the conditions for the resumption of work and production in the whole province. After the enterprise takes anti-epidemic measures according to the provisions, meets the conditions for the resumption of work and production and submits the record information or commitment letter, it can organise the resumption of work and production. In principle, non-epidemic prevention and control key areas shall not restrict the travel of returning workers. The input area is no longer required to carry out isolated observation for persons who hold a health certificate issued by the output area (not a key area for epidemic prevention and control) and arrive by a specific point-to-point means of transportation.

HISTORY AND DEVELOPMENT

History

We have over 17 years of experience in the mining industry in the PRC. Our history can be traced back to March 2005 when our principal subsidiary, Yantai Zhongjia, was established as a sino-foreign cooperative joint venture enterprise by our Controlling Shareholder, Majestic Gold, a company listed on the TSX Venture Exchange, through Majestic Yantai BVI (which held as to 60% interest in Yantai Zhongjia) with Yantai Muping Gold Mine* (煙台市牟平金礦) (now known as Yantai Mujin Mining Co., Ltd.* (煙台市牟金礦業有限公司), "**Yantai Mujin**"), an Independent Third Party (which held as to 40% interest in Yantai Zhongjia) pursuant to a cooperative joint venture agreement entered into in May 2004 (the "**2004 CJV Agreement**"). In May 2010, Yantai Zhongjia's current minority shareholder, Dahedong, entered into an equity transfer agreement with Yantai Mujin to acquire the 40% interest in Yantai Zhongjia. After several rounds of increase in registered capital, Yantai Zhongjia is owned as to 75% by Majestic Yantai BVI and 25% by Dahedong as at the Latest Practicable Date. For details of Yantai Zhongjia, see the paragraph headed "Our subsidiaries — Yantai Zhongjia" in this section below.

The development history of our mining operations is set forth below:

Songjiagou Open-Pit Mine

The Songjiagou Open-Pit Mine was initially exploited as an underground mine. In May 2005, Yantai Zhongjia carried out gold exploration activities in Songjiagou area and a mining licence to carry out underground mining at the Songjiagou Open-Pit Mine was obtained for the first time in May 2006.

Yantai Zhongjia formally commenced commercial production at the Songjiagou Open-Pit Mine as an underground mine and the sale of gold bullion in May 2011. In view of the characteristics of mines and considering the mining operation efficiency, the management of Yantai Zhongjia decided to convert the underground mining into a hybrid of open-pit and underground mine in 2012. Subsequently, in January 2013, our Songjiagou Open-Pit Mine was then converted to a full open-pit mine.

Songjiagou Underground Mine

With a view to exploring more gold resources in Muping-Rushan gold metallogenic belt, in January 2013, Yantai Zhongjia engaged No. 3 Geological Mineral Resource Prospecting Institute of Shandong Province* (山東省第三地質礦產勘查院) to carry out exploration works at the deep area where the Songjiagou Underground Mine is located and its surrounding area. In 2014, we obtained the relevant approvals in respect of the mining area of Songjiagou Underground Mine. In February 2016, we obtained a mining licence for our Songjiagou Underground Mine, and the construction of the underground mine and installation of ancillary infrastructure were completed in September 2018. Our Songjiagou Underground Mine commenced commercial production in September 2019.

Processing plant

The construction of an ore processing plant with a processing capacity of 6,000 tpd with related was completed in April 2011.

Business development milestones

The following events set forth the key milestones in the history of our business development:

Year	Event
March 2005	Yantai Zhongjia was established in the PRC
May 2005	Yantai Zhongjia carried out gold exploration activities by initiating a major drill program in Songjiagou to evaluate the mineral potential
May 2006	The mining licence in respect of the Songjiagou Open-Pit was issued by the Department of Land and Resources of Shandong Province to carry out underground mining for the first time
May 2011	Songjiagou Open-Pit Mine commenced commercial production as an underground mine at that time
February 2012	Songjiagou Open-Pit Mine which was initially exploited as an underground mine, was converted into a hybrid of open-pit mining/underground mining. We obtained the mining licence issued by the Department of Land and Resources of Shandong Province for open-pit/underground mining at the Songjiagou Open-Pit Mine
January 2013	Our Songjiagou Open-Pit Mine was converted to a full open-pit mine
May 2015	We obtained the approval for the extension of the mining area of Songjiagou Open-Pit Mine from 0.3421 km^2 to 0.5937 km^2
February 2016	We obtained the licence for the Songjiagou Underground Mine issued by the Department of Land and Resources of Shandong Province for the first time
September 2016	We commenced the construction of the Songjiagou Underground Mine and the installation of ancillary infrastructure

Year	Event
September 2018	The construction of the Songjiagou Underground Mine and installation of ancillary infrastructure were completed
May 2019	Our Company was incorporated in the Cayman Islands
September 2019	Our Songjiagou Underground Mine commenced commercial production
November 2019	We obtained provincial approval for our revised utilisation proposal in respect of our Songjiagou Open-Pit Mine, increasing permitted annual mine production volume to 900 kt and total stripping volume to 7,200 kt respectively per annum
May 2020	The mining licence of the Songjiagou Open-Pit Mine was renewed until May 2031
February 2021	Substantially all of our mining works comprising demolition, blasting, drilling and excavation works were conducted by ourselves without sub-contractors
February 2021	The mining licence of the Songjiagou Underground Mine was renewed until February 2031

Details of the members of our Group and their respective corporate history are set out below:

OUR COMPANY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 May 2019. As of the date of incorporation, the authorised share capital of our Company was US$50,000 divided into 50,000 ordinary shares of US$1.00 each, among which one fully paid Share was issued to the initial subscriber which is an Independent Third Party at par value. On the same day, such share was transferred to Richard's Resource. On the same day, in consideration of the acquisition of the entire issue share capital of Majestic Yantai BVI from Richard's Resource and Majestic Gold, a further five ordinary shares of a par value of US$1.00 each in our Company, credited as fully paid, was allotted and issued to Richard's Resource and 94 ordinary shares of a par value of US$1.00 each were allotted and issued to Majestic Gold.

On 24 April 2020, the authorised share capital of our Company was increased from US$50,000 divided into 50,000 shares with a par value of US$1.00 to the aggregate of US$50,000 and HK$370,000 by the creation of an additional 37,000,000 shares with a par value of HK$0.01 each. On the same date, (i) 75,200 and 4,800 shares of our Company with a par value of HK$0.01 each were allotted and issued to Majestic Gold and Richard's Resource, respectively, by our Company; (ii) 94 shares and six shares of our Company with a par value of US$1.00 each held by Majestic Gold and Richard's Resource, respectively, were repurchased by us; and (iii) the authorised but unissued share capital of our Company was reduced by the cancellation of 50,000 shares of par value of US$1.00 each. After such changes, the authorised share capital of our Company became HK$370,000 divided into 37,000,000 shares with a par value of HK$0.01 each.

On [●], the authorised share capital of our Company was increased from HK$370,000 divided into 37,000,000 Shares to HK$[100,000,000] divided into [10,000,000,000] Shares by the creation of [9,963,000,000] additional Shares. For details of change in the share capital of our Company, please refer to the paragraph headed "Statutory and general information — A. Further information about our Group — 2. Changes in the share capital of our Company" in Appendix V to this document.

OUR SUBSIDIARIES

Majestic Yantai BVI

Majestic Yantai BVI, an intermediate holding company of our Group, was incorporated on 1 July 2004 in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the same day, Majestic Yantai BVI allotted and issued 90 shares and 10 shares (all credited as fully paid), representing 90% and 10% of all the issued share of Majestic Yantai BVI, respectively, to Majestic Gold and Richard's Resource.

On 1 December 2010, Richard's Resource transferred four shares in Majestic Yantai BVI held by it to Majestic Gold. As a result of such transfer, Majestic Yantai BVI was owned as to 94% by Majestic Gold and 6% by Richard's Resource.

On 21 May 2019, pursuant to the Reorganisation, Majestic Gold and Richard's Resource transferred all their shares in Majestic Yantai BVI to our Company in exchange for the allotment and issuance of 94 and five ordinary shares of a per value of US$1.00 each in our Company to Majestic Gold and Richard's Resource, respectively. After the aforesaid transfer, Majestic Yantai BVI became a direct wholly-owned subsidiary of our Company.

Majestic Yantai BVI is an investment holding company.

Yantai Zhongjia

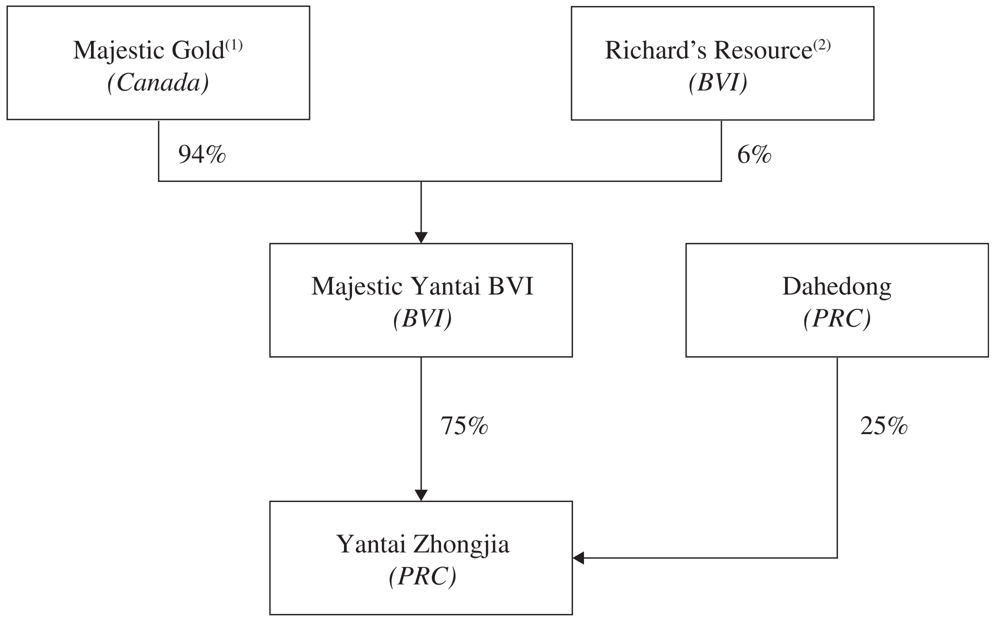
Yantai Zhongjia was established under its former name of Yantai Zhongjia Mining Development Enterprise* (煙台中嘉礦業開發企業) by Majestic Yantai BVI and Yantai Mujin in the PRC on 17 March 2005 as a sino-foreign cooperative joint venture without a legal person status. According to the 2004 CJV Agreement, Yantai Mujin agreed to contribute all its gold exploration licences over 75.04 sq.km. in Muping, Yantai, Shandong Province in return for 40% equity interest in Yantai Zhongjia and our Controlling Shareholder, through its subsidiary, Majestic Yantai BVI, would contribute funding in various instalments over a period of four years up to a total sum of approximately US$4.3 million (equivalent to approximately RMB35 million, as at the date of the 2004 CJV Agreement) in return for 60% equity interest in Yantai Zhongjia. The initial investment amount of Yantai Zhongjia was approximately RMB58.3 million. The terms of the 2004 CJV Agreement were determined based on arm's length negotiation between the parties. At the time of its establishment, the business scope of Yantai Zhongjia was exploration of gold and other precious metals.

On 15 November 2009, Majestic Yantai BVI and Yantai Mujin entered into a new joint venture agreement (the "**2009 CJV Agreement**") to replace the 2004 CJV Agreement. According to the 2009 CJV Agreement, (i) Yantai Zhongjia was changed from a sino-foreign cooperative joint venture without a legal person status to a sino-foreign cooperative joint venture with a legal person status; (ii) the company name of Yantai Zhongjia Mining Development Enterprise* (煙台中嘉礦業開發企業) was changed to Yantai Zhongjia Mining Co. Ltd.* (煙台中嘉礦業有限公司) ; and (iii) the parties confirmed that Yantai Mujin had contributed its gold exploration rights in the areas of Muping, Yantai, Shandong Province in return for 40% of the equity interest in Yantai Zhongjia and Majestic Yantai BVI had contributed capital of approximately RMB35.5 million (equivalent to approximately US$4.6 million as at the date of the 2009 CJV Agreement) as the registered capital of Yantai Zhongjia in return for 60% of the equity interest in Yantai Zhongjia. The relevant business filing relating to, among others, the change of company name, change of the type of company and the increase of registered capital to approximately RMB35.5 million was completed on 30 April 2010.

On 10 May 2010, Yantai Mujin and Dahedong entered into an equity transfer agreement, pursuant to which, Yantai Mujin transferred its 40% equity interest in Yantai Zhongjia to Dahedong at a consideration of RMB10.5 million which was determined based on arm's length negotiation between Yantai Mujin and Dahedong. Such equity transfer was completed and settled on 22 July 2010. Upon completion of such equity transfer, Yantai Zhongjia was owned as to 60% by Majestic Yantai BVI and 40% by Dahedong. As a result of the abovementioned equity transfer between Yantai Mujin and Dahedong, the 2009 CJV Agreement was terminated and replaced by a new joint venture agreement entered between Majestic Yantai BVI and Dahedong. From 6 July 2010 to 18 May 2021, there were a series of capital injections from Majestic Yantai BVI and Dahedong to Yantai Zhongjia from time to time. Upon completion of the capital injections on 18 May 2021, the registered capital of Yantai Zhongjia was increased to RMB139.9 million and Yantai Zhongjia was owned as to 75% by Majestic Yantai BVI and 25% by Dahedong.

REORGANISATION

The following diagram illustrates our shareholding structure immediately before the Reorganisation:



Notes:

(1) No shareholder of Majestic Gold is interested in 20% or more of the shareholding interest in Majestic Gold as at the Latest Practicable Date.

(2) As at the Latest Practicable Date, Richard's Resource is wholly-owned by Ms. Cheung Yuen Man, Rosa, an Independent Third Party.

Our Group underwent Reorganisation prior to the [REDACTED] to rationalise our Group's structure in preparation for the [REDACTED]. The major steps of our Reorganisation are summarised as follows:

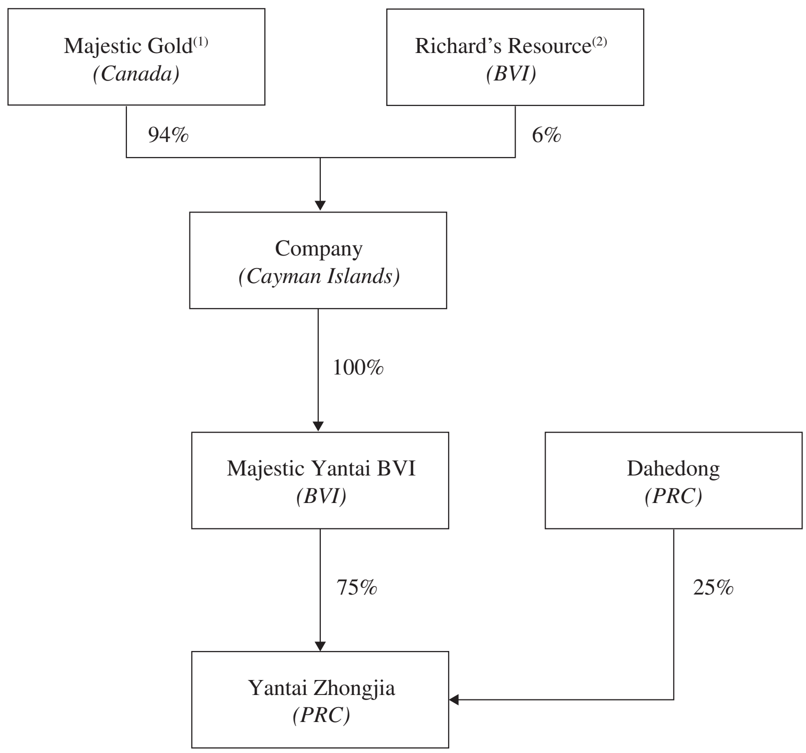
1. Incorporation of our Company

Our Company was incorporated on 21 May 2019 in the Cayman Islands as an exempted company with limited liability with an authorised share capital of US$50,000 divided into 50,000 ordinary shares with par value of US$1.00 each as the [REDACTED] vehicle. Immediately after the incorporation, one ordinary share with per value of US$1.00, representing the entire issued share capital of our Company was held by Richard's Resource.

2. Acquisition of Majestic Yantai BVI by our Company

On 21 May 2019, our Company acquired the entire issued shares of Majestic Yantai BVI from Majestic Gold and Richard's Resource. In consideration of such acquisition, our Company issued and allotted 94 ordinary shares and five ordinary shares of our Company to Majestic Gold and Richard's Resource, respectively. Upon completion of the acquisition, Majestic Yantai BVI became a direct wholly-owned subsidiary of our Company.

The following chart sets out the shareholding structure of our Group immediately following the completion of the Reorganisation but immediately before the completion of the Capitalisation Issue and the [REDACTED]:



Notes:

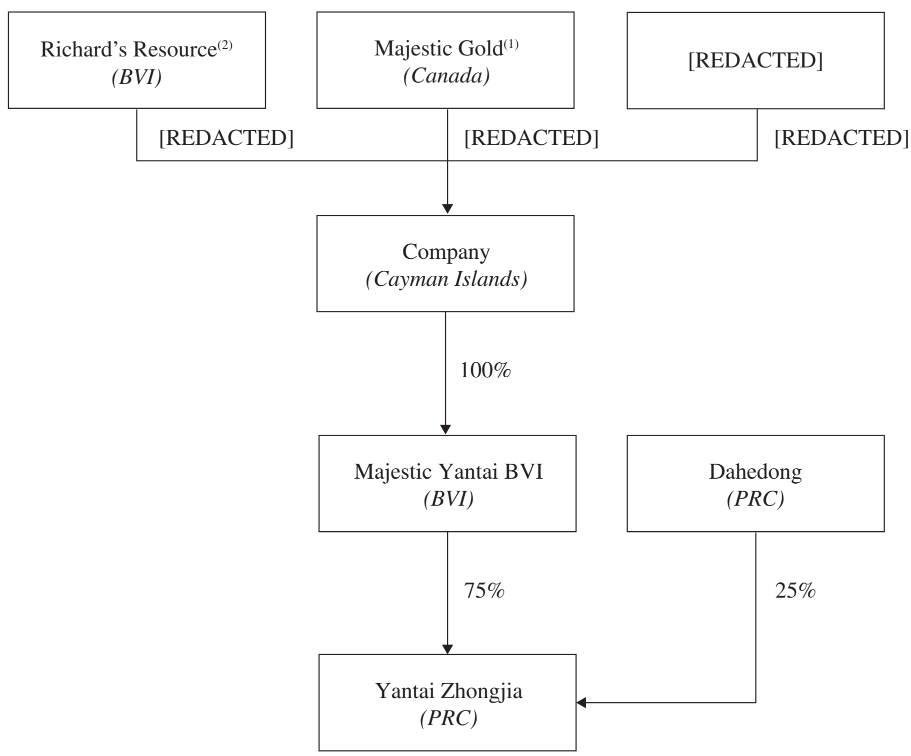
(1) No shareholder of Majestic Gold is interested in 20% or more of the shareholding interest in Majestic Gold as at the Latest Practicable Date.

(2) As at the Latest Practicable Date, Richard's Resource is wholly-owned by Ms. Cheung Yuen Man, Rosa, an Independent Third Party.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on [●] 2022, conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors are authorised to capitalise HK$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be issued and allotted) to their then existing respective shareholdings in our Company. The Shares to be issued and allotted pursuant to such resolution shall carry the same rights in all respects with the existing issued Shares.

The shareholding structure of our Group immediately following the completion of the Reorganisation, the Capitalisation Issue and the [REDACTED] (assuming the [REDACTED] is not exercised) is set out as follows:



Notes:

(1) As at the Latest Practicable Date, Majestic Gold did not have ultimate controlling shareholders.

(2) As at the Latest Practicable Date, Richard's Resource is wholly-owned by Ms. Cheung Yuen Man, Rosa, an Independent Third Party.

COMPLIANCE WITH PRC INVESTMENT REGULATIONS

Our PRC Legal Advisers have confirmed that Yantai Zhongjia, as a sino-foreign cooperative joint venture, has acquired requisite approvals, permits, licences and filings for its establishment in the PRC, and based on compliance certificate issued by Yantai Bureau of Commerce, Yantai Zhongjia has never been investigated or penalized due to violation of the PRC laws and regulations in relation to foreign investment.

Our PRC Legal Advisers have also confirmed that no approval by the China Securities Regulatory Commission or other government authorities is required for the [REDACTED], including the approvals required under the M&A Rules.

REASONS FOR [REDACTED]

In accordance with the corporate structure and ownership of our Company, the [REDACTED] of our Company on the Stock Exchange will constitute a disposition from Majestic Gold, which is listed on the TSX Venture Exchange.

The board of directors of Majestic Gold considers that the [REDACTED] is in the best interests of Majestic Gold and its shareholders taken as a whole for the following reasons:

(1) the Stock Exchange, as a leading player of the international financial markets, could offer us a direct access to the international capital markets, enhance our fund-raising capabilities and broaden our fund-raising channels and our Shareholders base as well as strengthen our corporate governance;

(2) as we focus on the PRC market, it is more convenient for us to raise funds required to finance our future development through the Stock Exchange platform than through other stock exchange, such as TSX;

(3) by the [REDACTED], our Company will have our own separate management structure while the management of the Remaining Group will be able to focus on its remaining business in Canada and Australia, which will increase its operational efficiency and attract [REDACTED] and in the interests of the shareholders of Majestic Gold as a whole. For details, please refer to the section headed "Relationship with our Controlling Shareholders — Independence from the Remaining Group" in this document; and

(4) a [REDACTED] on the Stock Exchange will further raise our brand awareness, business profile and thus, enhance our corporate image to attract new customers, business partners and strategic [REDACTED] as well as to recruit, motivate and retain key management personnel for our Group's business.

APPROVALS AND CONFIRMATION FROM THE SHAREHOLDERS OF MAJESTIC GOLD AND THE TSX VENTURE EXCHANGE

Pursuant to the policy of the TSX Venture Exchange, the [REDACTED] constitutes a reviewable disposition of the interest in our Company by Majestic Gold, which shall comply with the specific conditions and obtain the necessary approval and final acceptance from the TSX Venture Exchange. On 25 October 2021, Majestic Gold has obtained conditional approval from the TSX Venture Exchange, pursuant to which, the TSX Venture Exchange has conditionally accepted the disposition of Majestic Gold's interest in our Company by way of the [REDACTED] on the conditions that, among others, (1) Majestic Gold must demonstrate that it meets the continued listing requirements and specifically the activity requirement under the policy of the TSX Venture Exchange; (2) Majestic Gold must have obtained written approval of its shareholders holding at least 50% of its issued and outstanding common shares for the disposition of its interest in our Company by way of the [REDACTED]; and (3) Majestic Gold shall provide to the TSX Venture Exchange of a copy of (i) this document, (ii) the [REDACTED] [REDACTED]; and (iii) the approval-in-principle in relation to this document from the Stock Exchange. On [●], the shareholders of Majestic Gold approved the disposition of interest in our Company via the [REDACTED] by way of a written approval.

The directors of Majestic Gold confirmed that Majestic Gold will continue to meet the continued listing requirement of the TSX Venture Exchange after the disposition of interest in our Company by way of the [REDACTED]; and based on legal advice received, save for the approval of TSX Venture Exchange and Majestic Gold's shareholders' approval as mentioned above, no other consent or regulatory approval or requirement has to be obtained or otherwise complied with by Majestic Gold in Canada for or in connection with the [REDACTED].

OVERVIEW

We are a gold exploration, mining and processing company established in 2005 and strategically located in Yantai city of the Shandong Province in China. We sell gold bullion derived from gold concentrate processed by us. According to the F&S Report, we were the fifth largest gold mining company in the Shandong Province in 2021 with a market share of 1.6% in terms of mine production volume. Further, Shandong Province is the largest gold producing province in the PRC with gold mine production volume of approximately 40.3 tonnes, which accounted for approximately 14.9% of the total gold mine production volume in China in 2021, while Yantai city accounted for approximately 90% of the gold mine production of the Shandong Province in 2021. We believe we enjoy growth opportunities attributable to our strategic location in Yantai city.

According to the SRK Report, we had total Probable Mineral Reserves, Indicated Mineral Resources and Inferred Mineral Resources amounted to approximately 24.5 Mt, 37.0 Mt and 40.1 Mt, respectively, as at 31 December 2021. We operate two operating gold mines, namely, the Songjiagou Open-Pit Mine and the Songjiagou Underground Mine, both are located at Songjiagou, the Muping-Rushan gold metallogenic belt, which is one of the three major gold metallogenic belts in Yantai, and are in close proximity of around 400 metres from each other. We operate an ore processing plant within 4 km from our mines with an annual ore processing capacity of approximately 2.0 Mt. Our mining assets and ore processing plant are well supported by upstream and downstream gold supply chain industries in the Yantai city, and are easily accessible by highway. The table below sets out a summary of the details of our principal operating mining assets as at the Latest Practicable Date:

Name	**Details**
Songjiagou Open-Pit Mine	• An open-pit gold mine with an area of approximately 0.594 sq.km. • Commenced commercial production since May 2011 • Permitted annual mine production volume of 900 kt • Annual gold production volume (before smelting) of approximately 700 kg (or 22,500 ounces) • LoM of approximately nine years • As at 31 December 2021, Probable Mineral Reserves amounted to approximately 23.8 Mt at a cut-off grade of 0.3 g/t Au
Songjiagou Underground Mine	• An underground gold mine with an area of approximately 0.414 sq.km. • Commenced commercial production since September 2019 • Permitted annual mine production volume of 90 kt • Annual gold production volume (before smelting) of approximately 140 kg (or 4,500 ounces) • LoM of approximately eight years • As at 31 December 2021, Probable Mineral Reserves amounted to approximately 0.7 Mt at a cut-off grade of 0.7 g/t Au

Name	Details
Ore processing plant	• An ore processing plant with an annual capacity of approximately 2.0 Mt of ore • Processing ore from our Songjiagou Open-Pit Mine and Songjiagou Underground Mine • Processing ore into gold concentrate for further refining into gold bullion by third party smelters

We have the track records to develop greenfield mining assets and related facilities and have successfully turned them into actual mining and gold producing assets as both of our mining assets, ore processing plant and related facilities such as tailings dam were developed by us. Both our management and operations teams are led by professionals who have extensive industry experience. Our management team is led by our Chairman, executive Director and chief executive officer, Dr. Shao, who held a doctor of philosophy degree in mineral processing and has extensive experience in ore processing, mining-related finance and investment management. For details of his biography, please refer to the section headed "Directors and senior management" in this document. Leveraging on our strong technical team of four mining operations engineers and six geologists, many of whom previously worked at SRK, and headed by Mr. Huang Yong, a recipient of China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) in 2006, we have recorded high operational efficiency with an average production cost of approximately RMB186.8 per gram in FY2021, which is below the industry average of RMB239.9 per gram in 2021 as stated in the F&S Report. We accredited this achievement to our effective gold grade control and production management implemented by our technical team as part of our mining methodology which, before drilling and blasting activities to be carried out with respect of our mining works, incorporates geostatistics into a mix of mining methods (such as drilling, blasting, loading and transportation method for Songjiagou Open-Pit Mine and shrinkage stope and cut-and-fill mining method for Songjiagou Underground Mine) to help select and identify higher gold content orebody (i.e. ore with higher gold grade), to be extracted based on ground and mining site conditions to improve our resource quality while controlling the stripping volume so that we can ensure a stable grade of ore is being fed into our ore processing plant for our ore processing operations. Our Directors believe that our streamlined business model enables us to focus on our core mining and ore processing operations while keeping our operation costs low, thereby enhancing Shareholders' value in the long run.

We process ores mined from our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine and process them into gold concentrate at our ore processing plant. We derive revenue from the sale of gold bullion, which we engage Independent Third Party gold smelters to refine gold concentrate produced by our ore processing plant into gold bullion of Au99.95. Our customers are gold smelters or their subsidiaries, who are registered with the Shanghai Gold Exchange, and sells the gold bullion purchased from us on the Shanghai Gold Exchange.

During the Track Record Period, our revenue amounted to approximately RMB229.2 million, RMB361.0 million, and RMB247.9 million, respectively, while our net profit amounted to approximately RMB27.2 million, RMB114.4 million and RMB58.7 million, respectively.

COMPETITIVE STRENGTHS

We believe that our success is attributed to, among other things, the following competitive strengths which distinguish us from our competitors:

Our gold mines are strategically located in Yantai city, which is a gold rich area with well-established gold supply chain industry

We own and operate two operating gold mines strategically located at the Muping-Rushan gold metallogenic belt, which is one of the three major gold metallogenic belts in Yantai city of the Shandong Province in China, and are in close proximity of around 400 metres from each other. Both mines are within 4 km of our ore processing plant, enabling us to effectively manage our operations through a centralised management and shared technical team. All of our principal mining assets as at the Latest Practicable Date are easily accessible by highway which ease the delivery of gold concentrate produced by us to third party smelters. According to the F&S Report, Shandong Province is the largest gold producing province in the PRC with gold mine production volume of approximately 40.3 tonnes, which accounted for approximately 14.9% of the total gold mine production volume in China in 2021, while Yantai city accounted for approximately 90% of the gold mine production of the Shandong Province in 2021. Our Directors believe that we enjoy geographical advantage to be located at the second largest industrial city and largest gold mining city in Shandong, which has a well-established transportation network and easy access to a wide selection of upstream and downstream gold supply chain industries to ensure stable supplies of raw materials and subcontractors such as gold refining services at competitive pricing to ensure no interruption of our operations as well as to support our future growth and business expansion.

We also benefit from the natural characteristic of chemical composition of the ore from our gold mines which has very low contents of other minerals and metal sulphides, so that the gold deposits at both of our gold mines contain minimal level of or almost no impurities such as arsenic and carbon and has high purity of pyrites, which enables the gold to be easily separated from the ore through a simple floatation process to achieve a high gold recovery in concentrate at reasonably low mineral separation processing costs. In addition, according to the SRK Report, our Probable Mineral Reserves, Indicated Mineral Resources and Inferred Mineral Resources amounted to approximately 24.5 Mt, 37.0 Mt and 40.1 Mt, respectively, as at 31 December 2021; our Songjiagou Open-Pit Mine and Songjiagou Underground Mine will have a LoM of approximately nine years and eight years at a normal production capacity of 3.3 Mtpa and 90 ktpa ore, respectively. As such, our Directors believe that we have gold reserves and operating mines with reasonably long LoM to support our business sustainability.

We have a strong technical team which is instrumental to our high operational efficiency at production costs lower than industry average

We have a strong technical team of, among others, four mining operations engineers and six geologists, many of whom previously worked at SRK, and headed by Mr. Huang Yong, a qualified mineral resources/reserves appraiser in the PRC by the Ministry of Land and Resources of the PRC in 2002 and a recipient of China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) in respect of research on optimisation of open-pit mining in 2006, who has over 40 years of experience in mine design, mining and consulting. On average, our technical team has more than 15 years of experience in mining operational management. Most of them came from leading domestic institutions and international consulting firms in the mining industry. We believe that their deep understanding of mining operations and solid technical skills gained through years of ground-level experience make them competent supervisors of our mining operations to ensure smooth production.

Our technical team implements effective gold grade control and production management which contributed to our high operational efficiency. Before drilling and blasting activities to be carried out with respect of our mining works, our technical team incorporates geostatistics applications into a mix of mining methods (such as drilling, blasting, loading and transportation method for Songjiagou Open-Pit Mine and shrinkage stope and cut-and-fill mining methods for Songjiagou Underground Mine) to help select and identify higher gold content orebody, (i.e. ore with higher gold grade), to be extracted based on ground and mining site conditions to improve our resource quality while controlling the stripping volume to ensure a stable grade of ore is being fed into our ore processing plant for our ore processing operations. As a result, we recorded much higher feed grade for our ore processing during the Track Record Period of 0.68 g/t Au, 0.70 g/t Au and 0.62 g/t Au, respectively, despite having significantly lower cut-off grade of 0.3 g/t Au from our Songjiagou Open-Pit Mine. During the Track Record Period, our gold recovery rate of over 95.3% is much higher than the industry's average of around 90%. A higher gold recovery rate indicates our processing efficiency as we have a higher level of resource utilisation and less wastage of resources to reduce environmental pollution. This also led to us having recorded high operational efficiency with an average production cost below the industry average. According to the F&S Report, the total production cost of gold mining in the PRC has increased from RMB196.2 per gram in 2016 to RMB239.9 per gram in 2021. While the gold mining industry continues to focus on cost management, the total production cost of gold mining continues to rise due to continuous increase in safety and environmental protection costs, we are able to effectively manage and control our operating costs to be below the industry average as mentioned above as our average production cost during the Track Record Period was approximately RMB204.4 per gram, RMB167.4 per gram and RMB186.8 per gram, respectively.

We have the ability to develop greenfield mining assets and our existing operating mining assets can support our next phase of growth strategies

We have the proven track records and the ability to develop greenfield mining assets and related facilities and have successfully turned them into actual mining and gold producing assets. Developing a greenfield mine is complex, difficult and time-consuming as it involves, among others, drillings for exploration to identify reserves, application for and obtaining the relevant mining licences and construction of mines and related infrastructure such as ore processing plant and tailings dam, which generally take years to complete before a greenfield mine can commence operations and generate revenue. There is also no guarantee that a new mine will achieve the expected productivity at the estimated cost and profitability. As evidenced below, we have overcome the abovementioned obstacles over the past 15 years which led to us being able to operate two operating gold mines as at the Latest Practicable Date which are already revenue generating and profit making.

Prior to our involvement in the Songjiagou Open-Pit Mine, only small-scale underground mining operations were carried out. After our Controlling Shareholder through Majestic Yantai BVI entered into a joint venture agreement in May 2004 with the previous owner, Yantai Mujin, to establish Yantai Zhongjia and acquire the gold exploration rights, we initiated a major drill program in 2005 to evaluate the mineral potential in order to facilitate commencement of mining operations at Songjiagou on a larger scale than previously envisioned. In August 2010, we organised and funded the construction of an ore processing plant with the capacity of 6,000 tpd consisting of one crushing series and two identical grinding floatation series to cope with the expanded ore processing capacity. In October 2011, we completed the construction of a tailings dam with the total storage capacity of approximately 9.5 million m^3 to contain tailings from our ore processing plant and we formally commenced the sale of gold bullion from gold concentrate processed from ore mined from our Songjiagou Open-Pit Mine. As we increased our mining and ore processing capacity, we subsequently expanded and rebuilt the tailings dam in December 2014 to consist of an initial dam, a final stockpiling dam, a flood discharge system, a backwater system, an observation system and a management system, with the total storage capacity of 42.2 million m^3 in order to cater for the increase in tailings from our ore processing plant. In February 2016, based on the results of the exploration works previously conducted in the Songjiagou area, we applied for and obtained a mining licence to develop our Songjiagou Underground Mine from scratch. We spent more than three years and incurred approximately RMB97.7 million for the construction of the underground mine, including the installation of all ancillary infrastructure comprising among others, ramp, fully serviced shaft, hydraulic jumbo drills and electric scrapers. Our Songjiagou Underground Mine commenced commercial production in September 2019.

As a result of our efforts as described above, as at the Latest Practicable Date, we were operating a complete set of portfolio of mining assets and related infrastructure within close proximity with each other, which include (i) one open-pit gold mining asset, namely our Songjiagou Open-Pit Mine; (ii) one underground gold mining asset, namely our Songjiagou Underground Mine; (iii) an ore processing plant; and (iv) a tailings dam.

Our Songjiagou Open-Pit Mine has been in operations for over 10 years and has a permitted annual mine production volume of 900 kt while our Songjiagou Underground Mine has a well-established underground development (such as shaft sinking and horizontal level developments, and existing surface infrastructure), which enables operation on various levels from 142 metres ASL to -270 metres ASL. Pursuant to the mining licence, our Songjiagou Underground Mine has a permitted annual mine production volume of 90 kt. Our ore processing plant has an annual ore processing capacity of approximately 2.0 Mt, which is sufficient to support our planned production growth. Our ore processing plant involves conventional three-stage crushing within a closed circuit, grinding within a closed circuit and floatation consisting of one stage of rouging, two stages of scavenging and two stages of cleaning. Our tailings dam is located at a valley 2 km southeast from our ore processing plant to contain the tailings from our ore processing plant. It is 160 metres in height, with a total storage capacity of approximately 42.2 million m^3. Please see paragraphs headed "Our mineral assets and reserves — Our two gold mines", "Our operations — Our ore processing facilities" and "Our operations — Tailings" in this section for further details.

Our Directors estimate that our existing mining and related infrastructure are sufficient for our existing operations as at the Latest Practicable Date. As we intend to achieve sustainable growth to strengthen our leading position in the Shandong Province by undertaking the next phase of expansion plans as elaborated in the paragraph headed "Business strategies" in this section, we will need to incur substantial capital expenditure. While part of such capital expenditures is expected to be funded through the [REDACTED] from the [REDACTED], the remaining portion is expected to be funded by bank financing and internal resources. In view of the above, our operating gold mines and existing mining infrastructure not only provide us with stable revenue and a sustainable asset base to maintain our current and anticipated production, but are also capable to support our business expansion in the medium-to-long run, which also save us significant lead time otherwise required to turn greenfield mining assets into operating gold producing assets so that we can focus our attention to cater for rapid future growth strategies in accordance with our business strategies.

We are committed to safety and environmental management

We have consistently adopted high safety standards in compliance with national requirements and continuously update and improve upon our internal control measures to enhance production safety in our operations. Our production management system and technologies enable mines to achieve a high level of mechanisation, digitisation and intelligent control in the gold production process. Moreover, we monitor various production and safety indicators in real-time to ensure the safety of our open-pit and underground operations. We regularly conduct trainings for our staff. As a result, we have recorded minimal occupational health or work safety accidents of four, two and two during the Track Record Period.

We take occupational safety seriously. Despite having a temporary suspension of mining operations from February to August 2021 (in respect of our Songjiagou Open-Pit Mine) and February to November 2021 (in respect of our Songjiagou Underground Mine) to enable the government authority to carry out safety inspection of all mines in Shandong, as a result of two mining incidents in Shandong, in January and February 2021 respectively, which did not involve our Group, we were able to pass the enhanced safety inspection in accordance with the requirements of local authorities and resumed the mining activities of our Songjiagou Open-Pit Mine and Songjiagou Underground Mine in late August 2021 and December 2021 respectively.

We have also developed and implemented environmental protection measures in accordance with the industry and national standards. We emphasise on minimising the impact of mining activities on the environment and ecosystem while creating value. We seek to recover as much gold concentrate from gold ore to minimise loss of natural resources in line with the latest Catalogue for the Guidance of Adjustment to Industrial Structure (產業結構調整指導目錄) issued in October 2019 by the National Development and Reform Commission and became effective on 1 January 2020 and was amended on 30 December 2021, which encourages the recovery of gold from tailings and waste rock. Through our efforts, we have also constructed and maintained a water dam which recycles wastewater from our ore processing plant to supply water for our ore processing plant. We have a large tailings dam to contain our tailings in the form of sand. We also actively carry out land rehabilitation. We believe our good safety records and compliance with industry and national standards on environmental protection measures enable us to achieve sustainable growth and maintain positive relationships with the communities around our existing mines as well as the applicable regulatory authorities in the Muping District in Yantai city.

We are led by a distinguished integrated management team

We have a dedicated and strong management team consisting of well-educated and highly experienced talents. We have a senior management team that combines strong PRC-based leadership with an on-the-ground management team. Their collective experience covers the full spectrum in the mining industry value chain, ranging from exploration, mining to ore processing. Our management team is led by our Chairman, executive Director and chief executive officer, Dr. Shao, who held a doctor of philosophy degree in mineral processing and has extensive experience in ore processing, mining-related finance and investment management. Dr. Shao oversees the overall development strategy of our Group and leads our local management team. Our executive Director, Mr. James Thomas Mackie, has over 14 years of corporate experience in financial management and administration, including corporate governance, government and securities compliances and had previously served as chief financial officer for a number of mining exploration companies listed on the TSX Venture Exchange. Our executive Director, Mr. Chen Shaohui, who held a bachelor's degree in mineral processing and was a qualified senior engineer in the PRC, has over 38 years of experience in the mining industry where he held senior managerial positions. Our senior management team in the PRC has an average of more than 30 years of experience in mining operational management. For more details of the experience and qualifications of our directors and senior management members, please see the section headed "Directors and senior management" in this document.

Under the leadership, strategic vision and direction of our executive Directors and management team, a majority of them have been with us for over 10 years, we have built a business with proven track record of success. Over the past decade, we have successfully developed greenfield mining assets and turned them into actual mining and gold producing assets, and became the fifth largest gold mining company in the Shandong Province in 2021 with a market share of approximately 1.6% in terms of mine production volume, according to the F&S Report. We believe that our stable management team and its knowledge, experience, capability and commitment enable us to position ourselves as one of the leading mining companies in the PRC in the near future.

BUSINESS STRATEGIES

We strive to achieve sustainable growth to strengthen our leading position in the Shandong Province by exploiting our operational efficiencies and growth opportunities, further developing our existing assets and acquiring value-accretive assets in the PRC to substantially scale up our mining operations, gold concentrate processing operations and increase our gold reserves. To that end, we intend to implement the following business strategies:

Further construction of mining infrastructure in accordance with our mine optimisation plan

According to the SRK Report, ore bodies at our Songjiagou Open-Pit Mine are found in the elevation ranges of +145 metres ASL down to –402 metres ASL. As at the Latest Practicable Date, our mining operations were conducted at three benches below the elevation range of +45 metres ASL to +21 metres ASL which can cater for the mining of approximately 2.4 Mt of Probable Mineral Reserves (representing approximately 10% of the Probable Mineral Reserves of approximately 23.8 Mt available at our Songjiagou Open-Pit Mine) or for another 1.3 years of mining operation at our Songjiagou Open-Pit Mine.

To continue our mining activities after 1.3 years, we have begun the construction of additional mining infrastructure and we have taken such opportunity to conduct a mine optimisation plan and design in 2021 which included, among others, the expansion of the mining surface area by about 150 metres south of the existing boundary of our Songjiagou Open-Pit Mine so as to expand our mining surface area horizontally. This will enable us to extend the pit opening area from 0.34 sq.km. to 0.46 sq.km. and enable us to deepen the depth of the pit to –171 metres ASL to reach out to more gold containing ore in the unmined areas to access approximately 21.4 Mt of Probable Mineral Reserves (representing approximately 90% of the Probable Mineral Reserves of approximately 23.8 Mt available at our Songjiagou Open-Pit Mine) over the next eight years. In respect of the additional mining infrastructure, we plan to construct four new benches to facilitate our mining work that would enable us to reach a depth of 48 metres below the new mining surface area to strip a total stripping volume of 7.5 Mt to support our mining activities for the next 30 months.

We commenced the construction of first bench and first phase of second bench of these four new benches below the new mining surface area since 1 October 2021 by stripping of 1,695 kt waste rocks and 77 kt ore, each with a height of 12 metres (i.e, below the elevation of +117 metres ASL and +105 metres ASL), which will be completed by the third quarter of 2022, so that we can continue our mining activities without suspension while undertaking the subsequent phases of construction. We funded the construction costs of approximately RMB10.6 million for the first level and first phase of second level of new benches from our internal resources. We intend to complete the construction of the remaining three benches step by step over a period of 22 months from 1 August 2022 to 31 May 2024.

In addition, in May 2020, we have obtained the renewed mining licence for Songjiagou Open-Pit Mine with the revised approved permitted annual mine production volume to accommodate a substantial increase in our mining capacity in terms of annual ore stripping volume from approximately 1,205 kt per year based on 135 kt of the previous permitted annual mine production volume to approximately 8,100 kt per year based on 900 kt of permitted annual mine production volume. As such, the enlarged mining area will be able to support us to fully utilise the newly revised permitted annual mine production volume and the revised annual ore stripping volume granted to our Songjiagou Open-Pit Mine.

In addition to the expansion of mining surface area by constructing the new benches, we intend to construct and develop certain mining infrastructure at the new mining area and to acquire certain machineries. The construction and development plans include (i) the construction of water storage pool and drainage system for dewatering of groundwater for safety purposes at the expanded mining area; and (ii) the construction of site office, substation and topsoil storage yard for stock piling of topsoil to prepare for future reclamation. We will also acquire three excavators under this expansion plan to support our to be expanded mining operations.

Based on the feasibility study conducted by our technical team and pit optimisation design recommended by SRK, we have planned to utilise approximately [REDACTED]% or HK$[REDACTED] (RMB[REDACTED]) of our [REDACTED] from the [REDACTED] for implementing the abovementioned development and construction plans and the purchase of machineries in stages but expected to be not later than 31 May 2024. For further details including the estimated expenditure for each step of the construction and development plan and the timeframe to implement the above expansion plan, please refer to the section headed "Future plans and [REDACTED] — [REDACTED]" in this document.

Upgrade our gold reserves to extend LoM through additional exploration activities at our existing mine area

According to the SRK Report, we had total Probable Mineral Reserves, Indicated Mineral Resources and Inferred Mineral Resources amounted to approximately 24.5 Mt, 37.0 Mt and 40.1 Mt, respectively, and our Songjiagou Open-Pit Mine and Songjiagou Underground Mine had a LoM of approximately nine years and eight years at a planned production capacity of 3.3 Mtpa and 90 ktpa of ore, respectively, as at 31 December 2021. As part of our plans for organic growth and based on the results of exploration works conducted previously and the recommendation of SRK, our Songjiagou Open-Pit Mine area has potential for in-fill Mineral Resource exploration and upgrade. As such, we intend to invest capital to identify additional mineral resources in the unmined areas next to and below the current pit's opening area covered by our mining licence for our Songjiagou Open-Pit Mine by carrying out further exploration works involving top to oblique drillings below ground surface and oblique drillings inside the pit area, which in aggregate involving 26 drillings at various depths ranging from 0 to 550 metres with the aggregate depth of over 6,500 metres in three phases so as to increase our gold mineral reserves and to extend the LOM of our Songjiagou Open-Pit Mine.

Based on the results of exploration works conducted previously and the recommendation of SRK, we have planned to utilise approximately [REDACTED]% or HK$[REDACTED] (RMB[REDACTED]) of our [REDACTED] from the [REDACTED] to fund our exploration activities at our Songjiagou Open-Pit Mine by carrying out the abovementioned additional drillings in stages by 31 May 2024, which will cover the costs for drilling, exploration and professional fees for preparing relevant independent consultation reports. For details of the estimated expenditure on each stage and timeframe, please refer to the section "Future plans and [REDACTED]" in this document. Our Directors believe that such drillings and exploration activities will provide an opportunity for us to enhance the reserves of our Songjiagou Open-Pit Mine by increasing drilling density and depth, which will in turn extend its LoM.

Expand our business and grow our market share through selective acquisitions of gold mining assets

According to the F&S Report, we were the fifth largest gold mining company in the Shandong Province in 2021 with a market share of 1.6% in terms of mine production volume. We plan to continue to strengthen our leading market position in Muping-Rushan gold metallogenic belt and solidify our market position in the Shandong Province and expand our market share in this region through both organic growth and strategic acquisitions. We intend to pursue acquisition opportunities of gold mining assets in the Shandong Province through selective acquisitions of high-quality gold mines to rapidly expand our mineral resources and to boost our gold concentrate processing capacity at our ore processing plant in the future to support our sustainable growth in the longer run. We believe we will be able to leverage our past experiences to deepen our penetration into the gold mining industry in the Shandong Province.

We have, in the past, successfully capitalised the mineral resources we acquired as demonstrated by our abilities to (i) establish our principal subsidiary, Yantai Zhongjia, as the joint venture enterprise with Yantai Mujin (and later Dahedong, after Yantai Mujin transferred its interest in Yantai Zhongjia to Dahedong); and (ii) develop our Songjiagou Open-Pit Mine and Songjiagou Underground Mine from greenfield mining assets within the planned schedule and budget through efficient and robust project management on the back of our strong technical capability. We will continue to be opportunistic in pursuing such inorganic growth opportunities, with a strong focus on transactions that will be value-accretive to our shareholders. As we may be subject to higher costs or risks when we undertake new exploration project due to uncertainties in availability of resources, as such, our Directors consider strategic investment in or acquisitions of suitable mining assets to be better alternative means of rapid and efficient expansion into new mining assets to save our costs and time as compared to explore and develop a brand new mining asset from scratch. According to the F&S Report, Shandong Province has abundant gold resources and well-established supply chain in gold mining industry in China. It is the province with the largest amount of identified gold resources in China with approximately 4,494.9 tonnes or 29.2% of total identified gold resources in China in 2021. As such, leveraging on our expertise, we believe we are well-positioned to identify and capture attractive acquisition opportunities in the Shandong Province to expand our mineral resources and quickly ramp up operations of acquired mines.

Selection criteria of the acquisition targets

In terms of selection of acquisition targets, we will focus on high quality gold mining assets that are strategically value-accretive to minimise the business risks of our Group. We consider high quality gold mining assets being those with natural characteristic of chemical composition of the ore which has low contents of other minerals and metal sulphides, so that the gold deposits contain minimal level of or almost no impurities such as arsenic and carbon and has high purity of pyrites, which enable the gold to be easily separated from the ore through a simple floatation process to achieve a high gold recovery in concentrate at reasonably low mineral separation processing costs. We primarily focus on mines near commencement of commercial operations with high growth prospect. In deciding whether to acquire a particular mining asset, we also consider other factors such as strategic value-accretion, location, licensing and compliance matters, quantum of mineral reserves and the level of synergies that could be created by the investment. We would consider acquisition targets that fulfil criteria including, among others, (i) within Shandong Province; (ii) either open-pit or underground mines with potential gold resources of at least 10 tonnes, and a depth of less than 1,000 metres for better economic benefits; (iii) has LoM of over five years after commencement of operations (excluding mine construction period); and (iv) has a payback period of less than ten years. For acquisition target that is a mine near commencement of commercial operations, we expect the acquisition cost for the mining right to be high as we expect such mining asset would have a valid mining licence of over two years, valid land-use-right and related mining infrastructure (including an ore processing plant) ready for use.

Proposed acquisition structure and management of the joint venture entity

We intend to establish a new sino-foreign joint venture entity in the PRC after the [REDACTED] to acquire a controlling stake of not less than 51% of the equity interest in a mining asset so that we can align the mining asset with our overall business strategies, utilise our management's existing experience and available managerial capacity to operate it in such manner as if they were our own mining asset. Having considered that the mining asset may have not commenced commercial production, and therefore may expose us to new geological, operating, financial, legal and regulatory risks, we expect that we can diversify our risks in developing a new gold project by having a joint venture partner who is familiar with the relevant mining asset to be acquired. Specifically, we believe that such acquisition can improve our economies of scale by shouldering a portion of our fixed expenditures. We plan to focus on the effective integration of human resources, organisational structure and corporate culture when integrating newly acquired mining asset, which we believe will lead to improved overall management efficiency and service capabilities, thereby enhancing our local competitiveness, eliminating excessive and unnecessary expenditures, and improving our results of operations and overall profit margin. We anticipate that our technical team will be involved in handling the technical aspect of the day-to-day operations of the newly acquired mining asset upon completion of the mining infrastructure and its commercial production. We also intend to appoint a manager to be stationed on the site of the newly acquired mining asset to oversee its day-to-day operations, who will report to our management team. We believe that by expanding our reserves through acquisitions, we will benefit from the current PRC government policies that encourages the consolidation of mines in Shandong Province, and such resources will be a driving force for our future growth.

Investment payback

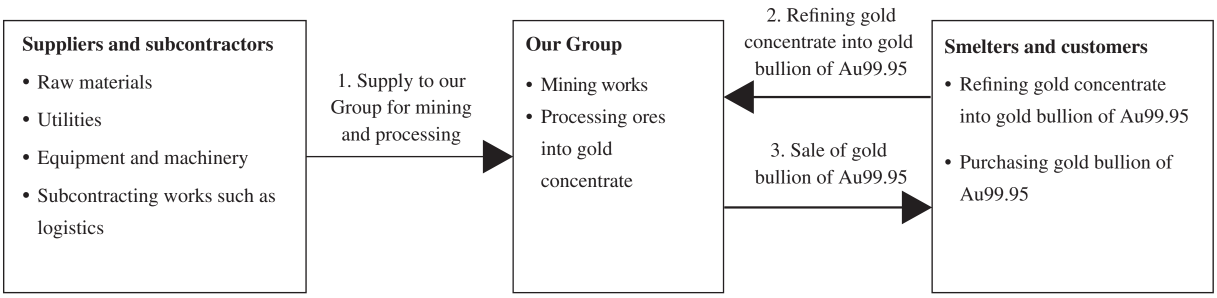
In the event that we were able to identify gold mining assets fulfilling the abovementioned selection criteria, the overall budget for the mining asset will be approximately RMB300 million largely comprises the costs of acquiring the mining asset with a mining licence for an appraised value of approximately RMB260 million and additional investment for the construction of additional mining infrastructure to optimise and expand the production for approximately RMB40 million. We estimated that it takes around three years to complete the construction of mining infrastructure. In such case, we estimated that the gold mining asset requires 4.5 years of profit to cover the abovementioned initial cost on the assumption that (i) the gold price remain at approximately RMB365 per gram; (ii) the mining asset has an annual gold production volume of not less than 500 kg; and (iii) the profitability of the gold mining asset is similar to that of our Group in FY2020 being the latest full financial year that was not distorted by the Temporary Operation Suspension. Overall, the investment payback period for us to recover our investment costs in acquiring the gold mining assets would be estimated at approximately 7.5 years.

We have planned to utilise approximately [REDACTED] or HK$[REDACTED] (RMB[REDACTED]) of our [REDACTED] from the [REDACTED] and our internal resources for the remaining amount of our portion of the total initial capital contribution of the joint venture entity in the aggregate amount of not less than RMB300 million, to fund our selective acquisitions as mentioned above step by step by 30 April 2024, as our capital contribution for the joint venture entity to be established for such acquisition. For further details and our plan to the contribution for the new sino-foreign joint venture entity to be established for acquiring the new mining asset, please refer to "Future plans and [REDACTED] — [REDACTED]" in this document. As of the Latest Practicable Date, we had not engaged in any negotiation or entered into any letter of intent or agreement for potential acquisitions. As at the Latest Practicable Date, while our Directors have yet to identify an acquisition target, they were aware there were not less than five companies in the Shandong Province that fulfil certain of the abovementioned selection criteria that are potentially available. Leveraging on our proven track record of historical successful strategic acquisition of our Songjiagou Open-Pit Mine, our established market position, standardised internal control measures and extensive industrial experience, we believe we can successfully implement our acquisition strategies and realise integration with the acquired mining asset. Our Directors believe that such acquisition will complement our existing resources with an aim to scale up our gold concentrate processing output, as well as to increase our gold reserves to support our sustainable growth in the longer run.

OUR BUSINESS MODEL

We are a gold exploration, mining and processing company strategically located at the Muping-Rushan gold metallogenic belt, which is one of the three major gold metallogenic belts in Yantai city of the Shandong Province in China. We explore and mine gold-containing ore from our two gold mines, namely, the Songjiagou Open-Pit Mine and the Songjiagou Underground Mine, and process ore into gold concentrate at our ore processing plant with an annual ore processing capacity of approximately 2.0 Mt. We sell gold bullion of Au99.95 refined by third party smelters derived from gold concentrate processed by us. We sell the gold bullion to the gold smelters or their subsidiaries, who are registered with the Shanghai Gold Exchange, for their subsequent sales on the Shanghai Gold Exchange. Therefore, the gold smelters are our major customers who are also our subcontractors.

During the Track Record Period, there had been no change in the business focus of our Group. The following diagram illustrates our business model as at Latest Practicable Date:



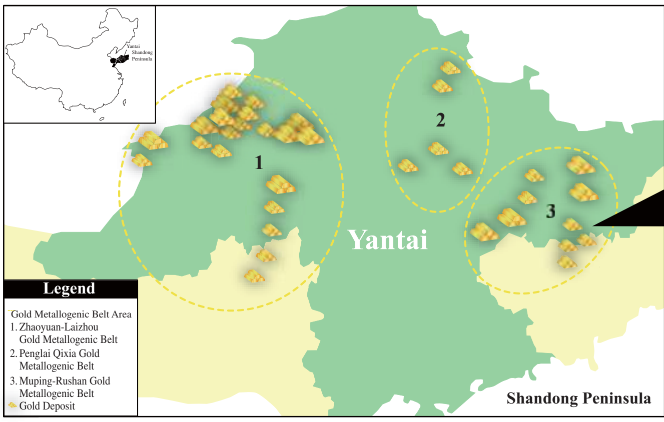
Prior to February 2021, we outsourced a substantial portion of our mining works comprising demolition, blasting, drilling and excavation works, refining and logistics works to qualified third-party subcontractors. Since February 2021 and up to the Latest Practicable Date, we carry out substantially all of our mining works comprising demolition, blasting, drilling and excavation works ourselves seeking to reduce the costs of mining but outsource all the refining and logistics works to qualified third-party subcontractors. We take safety seriously and have training programmes in place for our staff and third-party subcontractors. All third-party subcontractors are required to possess the requisite qualifications to undertake the commissioned works and carry out their works according to our design plans and under our supervision and inspection. For details, please refer to the paragraph headed "Suppliers and subcontractors" below in this section.

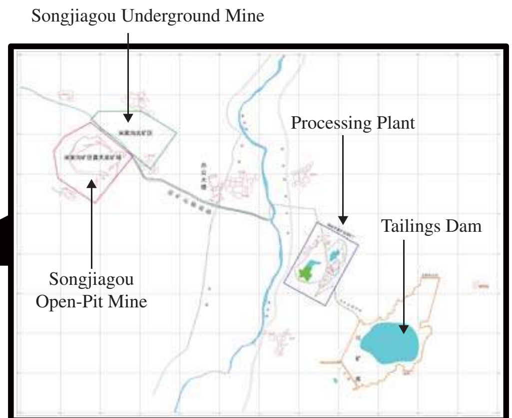
During the Track Record Period and up to the Latest Practicable Date, as we are not a registered member of the Shanghai Gold Exchange for the sales of gold bullion, we sold gold bullion of Au99.95 to gold smelters (or one of the gold smelters' subsidiary) whom we engaged to refine the gold concentrate processed by us and are registered with the Shanghai Gold Exchange, for their subsequent sales on the Shanghai Gold Exchange. For further details, please refer to the paragraph headed "Sales and customers" in this section.

During the Track Record Period, our revenue amounted to approximately RMB229.2 million, RMB361.0 million and RMB247.9 million, while our net profit amounted to approximately RMB27.2 million, RMB114.4 million and RMB58.7 million, respectively.

OUR MINERAL ASSETS AND RESERVES

As at 31 December 2021 and up to the Latest Practicable Date, we operated two gold mines, namely, the Songjiagou Open-Pit Mine and the Songjiagou Underground Mine, located in Yantai City in the Shandong Province. The maps below illustrate the geographical locations of our two operating mines and other mining infrastructure:





The location of our gold mining assets and facilities

Our major mining assets and facilities located at Muping-Rushan gold metallogenic belt in the Shandong Province, the PRC, include:

(i) one open-pit gold mine, namely the Songjiagou Open-Pit Mine, with an area of approximately 0.594 sq.km. and operates on various levels from 150 metres ASL to –400 metres ASL, with a permitted annual mine production volume of 900 kt as at the Latest Practicable Date; and

(ii) one underground gold mine, namely our Songjiagou Underground Mine, with an area of approximately 0.414 sq.km. and operates on various levels from 142 metres ASL to –270 metres ASL, with a permitted annual mine production volume of 90 kt.

Our two gold mines are located in close proximity of around 400 metres from each other, and within 4 km from our ore processing plant with an annual ore processing capacity of approximately 2.0 Mt, a tailings dam and together with other ancillary facilities, which are easily accessible by highway and are approximately 50 km from the port of Yantai. Our two mines generally operate in three shifts per day, eight hours per shift, for 330 days per year. During the Track Record Period, our total gold production volume was approximately 775.3 kg (or 24,926.5 ounces), 991.4 kg (or 31,874.3 ounces) and 576.9 kg (or 18,547.8 ounces), respectively.

Mineral Resources and Mineral Reserves

According to the SRK Report, we had total Probable Mineral Reserves, Indicated Mineral Resources and Inferred Mineral Resources amounted to approximately 24.5 Mt, 37.0 Mt and 40.1 Mt, respectively, as at 31 December 2021. Assuming that no new Mineral Reserves are identified, the Songjiagou Open-Pit Mine will have a LoM of about nine years at normal production capacity of approximately 3.3 Mtpa and the Songjiagou Underground Mine will have a LoM of about eight years at normal production capacity of approximately 90 ktpa.

The following table sets forth the information on our Mineral Resources and Mineral Reserves as at 31 December 2021 under the NI 43-101 Code, based on the SRK Report:

	Mineral Resources				**Mineral Reserves**			
Asset	**NI 43-101 Code Resource category**	**Tonnes** *(Mt)*	**Gold grade** *(g/t)*[1]	**Gold content** *(koz)*	**NI 43-101 Code Reserve category**	**Tonnes** *(Mt)*	**Gold grade** *(g/t)*[1]	**Gold content** *(koz)*
Songjiagou	Indicated	35.3	1.10	1,250.0	Proved	—	—	—
Open-Pit Mine	Inferred	37.0	0.95	1,129.0	Probable	23.8	1.16	887
	Total	**72.3**	**—**	**2,379.0**	**Total**	**23.8**	**—**	**887**
Songjiagou	Indicated	1.7	1.39	77.0	Proved	—	—	—
Underground	Inferred	3.1	1.24	122.0	Probable	0.7	1.41	29.8
Mine	**Total**	**4.8**	**—**	**199.0**	**Total**	**0.7**	**—**	**29.8**

The table below sets forth the average mining loss rate and the average dilution rate of our two gold mines during the Track Record Period and the estimated LoM based on the current levels of gold production and Mineral Reserves as at 31 December 2021:

	Average mining loss rate[(Note)] *(%)*	**Average dilution rate**[(Note)] *(%)*	**LoM** *(years)*
Songjiagou Open-Pit Mine	5	5	9
Songjiagou Underground Mine	8	11	8

Note: According to the F&S Report, the average mining loss rate and the average dilution rate in the PRC gold mining industry in 2021 are 6.2% and 11.1%, respectively.

Our Directors confirmed that no material adverse changes had occurred with respect to our Mineral Reserves or Mineral Resources of our mines since 31 December 2021, the effective date of the SRK Report included in Appendix III to this document, and up to the Latest Practicable Date.

As at 31 December 2021, both of our mines were in production. The following table sets forth our ore mined volume, ore processed volume and gold production volume for the period indicated:

	FY2019	FY2020	FY2021
Ore mined			
Songjiagou Open-Pit Mine *(kt)*	1,337	1,499	960
Songjiagou Underground Mine *(kt)*	101 *(Note 1)*	90	11
Total	1,438	1,589	971
Ore processed *(kt)* *(Note 2)*	1,304 *(Note 1)*	1,590	1,024
Gold production *(kg)* *(Note 3)*	775.3	991.4	576.9

Notes:

1. Total volume of ore mined and processed from our Songjiagou Underground Mine in FY2019 included approximately 67 kt of ore stripped during the construction period, which should be excluded in ascertaining the permitted annual production volume as stated in the mining licence and did not constitute over-production, as confirmed by Yantai Municipal Natural Resources and Planning Bureau* (煙台市自然資源和規劃局). As advised by our PRC Legal Advisers, Yantai Municipal Natural Resources and Planning Bureau is the competent authority to give such confirmation.

2. The ore processed volume refers to the stripping volume (excluding waste rock). Such volume is restricted to our permitted annual ore stripping volume (excluding waste rock) as stated in our utilisation plans and mining licences. For FY2019, our permitted annual ore stripping volume was 1,305 kt based on 225 kt of permitted annual production volume. As we have renewed the mining licence for Songjiagou Open-Pit Mine with the revised permitted annual production volume in May 2020, our permitted annual ore stripping volume for each of FY2020 and FY2021 was 8,190 kt based on 990 kt of permitted annual production volume.

3. Actual volume of gold realised after smelting.

During the Track Record Period, our gold production volume was approximately 775.3 kg (or 24,926.5 ounces), 991.4 kg (or 31,874.3 ounces) and 576.9 kg (or 18,547.8 ounces), respectively. During the Track Record Period, our revenue amounted to approximately RMB229.2 million, RMB361.0 million and RMB247.9 million, while our net profit amounted to approximately RMB27.2 million, RMB114.4 million and RMB58.7 million, respectively. The decrease in our revenue in FY2021 was mainly due to the decrease in our gold production volume as a result of the temporary suspension of our mining operations for the government authority to carry out safety inspection in accordance with the requirements of the local authorities as further elaborated in the paragraph headed "Impacts of the temporary suspension of mining operations in FY2021 — Lower production volume and utilisation rate" in this section of the document below. The average gold spot price was substantially high in FY2020 and FY2021 at RMB387.1 per gram and RMB374.3 per gram, respectively, and hence, the revenue and profit for FY2020 and FY2021 were higher than that of FY2019 despite the temporary suspension of our mining operations in FY2021.

Mining rights, mining licences and other licences

As at the Latest Practicable Date, we held two valid mining licences in the Shandong Province in China. Our valid mining licences had a total permitted production volume of approximately 990 kt per year and covered a total area of approximately 1.008 sq.km.

The following table sets forth the details of the mining licences and the safety production permits that we held in the PRC in respect of our mines as well as the blasting operation permit which we held as at the Latest Practicable Date:

							Validity period of licence/permit		
	Licence/ Permit name	**Licence/ Permit holder**	**Area** *(km^2)*	**Type of natural resources**	**Permitted annual mine production volume** *(kt)*	**Licence/ Permit number**	**From**	**To**	**Status**
Songjiagou Open-Pit Mine	Mining licence	Yantai Zhongjia	0.5937	Gold	900	C37000020090 44110010983 *(Note 1)*	17 May 2020	17 May 2031	Valid
	Safety production permit	Yantai Zhongjia	—	Gold	—	(2020) 06-0011	15 September 2021	1 March 2023	Valid
Songjiagou Underground Mine	Mining licence	Yantai Zhongjia	0.4140	Gold	90	C37000020160 24210141314 *(Note 2)*	18 February 2021	18 February 2031	Valid
	Safety production permit	Yantai Zhongjia	—	Gold	—	(2019) 00-0016	12 September 2019	11 September 2022	Valid
Mining operations	Blasting operation permit	Yantai Zhongjia	—	—	—	3706001300078	24 June 2021	11 September 2022	Valid
Tailings dam	Safety production	Yantai Zhongjia	—	—	—	(2020) 06-0052	15 September 2021	7 December 2023	Valid

Notes:

1. This mining licence was renewed in May 2020 as the validity period of the previous licence was from 17 May 2015 to 17 May 2020.

2. This mining licence was renewed in February 2021 as the validity period of the previous licence was from 18 February 2016 to 18 February 2021.

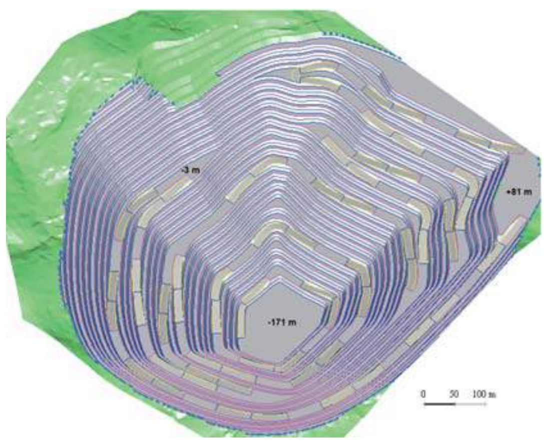
We did not pledge any mining rights to secure any of our bank facilities during the Track Record Period and as at the Latest Practicable Date. For further details of our bank facilities, please refer to the section headed "Financial information — Indebtedness" in this document.

According to the PRC Mineral Resources Law, the Regulation for Registering to Explore for Mineral Resources Using the Block System (礦產資源勘查區塊登記管理辦法) and the Procedures for Administration of Registration of Mining of Mineral Resources (礦產資源開採登記管理辦法), before the exploration and mining activities relating to mineral resources can commence, the project company must first obtain the exploration licences and the mining licences, which generally entitle the project company to the exploration and mining rights attached to the relevant mining project. The holder of a mining licence has, among others, the rights to engage in mining activities in the designated area and within the term prescribed under the mining licence, to set up production facilities and amenities within the designated area, to sell the mineral products except for those minerals which are required by the State Council to be sold to designated entities and to acquire the land use rights legally based on the requirement of its production and construction.

In May 2020 and February 2021, we successfully renewed the mining licences for our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine for a further term of 11 and 10 years, respectively. If any of our mines have a residual Proved and Probable Mineral Reserves upon expiration of our mining licences, we will submit a renewal application. Under the PRC laws and regulations and as advised by our PRC Legal Advisers, if residual reserves remain after the term of the mining rights expires, the holders of such mining rights are entitled to apply for extensions of additional terms. Application for renewal of a mining licence must be made at least 30 days prior to expiration date. As advised by our PRC Legal Advisers, there is no specific restriction or limitation on the number of times the licences may be renewed.

Our two gold mines

Our Songjiagou Open-Pit Mine



Our Songjiagou Open-Pit Mine is a large-scale mine, which we operate through our principal subsidiary, Yantai Zhongjia, a sino-foreign equity joint venture in which we hold 75% equity interest and Dahedong holds the remaining 25% equity interest during the Track Record Period and as at the

Latest Practicable Date. The permitted annual ore stripping volume for our Songjiagou Open-Pit Mine was 1,205 kt based on 135 kt of permitted annual production volume for FY2019 and 8,100 kt based on 900 kt of permitted annual production volume for FY2020 and FY2021 after we have renewed the mining licence in May 2020 with the revised permitted annual production volume. The cut-off grade of the ore is 0.30 g/t Au. During the Track Record Period, the ore mined volume at our Songjiagou Open-Pit Mine was approximately 1,337 kt, 1,499 kt and 960 kt, respectively.

Our Songjiagou Open-Pit Mine is located at Muping-Rushan gold metallogenic belt in the Shandong Province, the PRC, which is one of the three major gold metallogenic belts in Yantai city of the Shandong Province. It is located in the eastern part of Jiaobei Terrane and the northeast margin of the Jiaolai Basin on the Shandong Peninsula, which is easily accessible by highway and is approximately 50 km south of downtown Yantai city, an important coastal city in China's well-developed eastern Shandong Peninsula. It is a moderate temperature hydrothermal filling and metasomatic conglomerate type gold deposit, associated with mesothermal filling activities and followed by alterations and metasomatism.

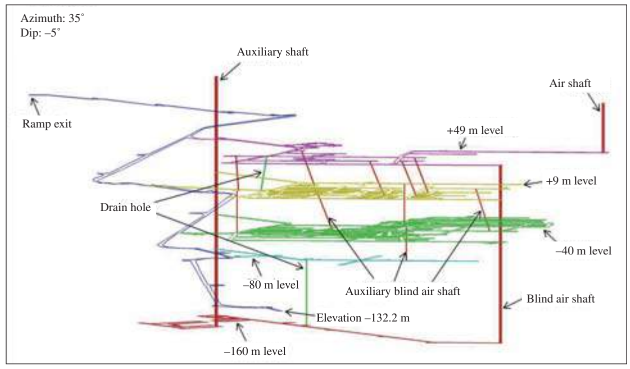
The geomorphology of the mining area is characterised by gently undulating hills, and overall topography slopes downward from west to east. The highest elevation is 140 metres ASL and the lowest is 78 metres ASL with a relief of 62 metres.

As at 31 December 2021, at a cut-off grade of 0.3 g/t Au, our Songjiagou Open-Pit Mine has Probable Mineral Reserves of approximately 23.8 Mt at averaging gold grade of 1.16 g/t, approximately 35.3 Mt of Indicated Mineral Resources at averaging gold grade of 1.10 g/t, and approximately 37.0 Mt of Inferred Mineral Resources at averaging gold grade of 0.95 g/t. As the plan of the mine, our Songjiagou Open-Pit Mine will have a LoM of about nine years at a normal production capacity of approximately 3.3 Mtpa ore. Based on the SRK Report and projection by using discount cash flow modelling, our Songjiagou Open-Pit Mine has a net present value of approximately RMB3,064 million at a discount rate of 9%. Therefore, it is technically feasible and economically viable.

Future plans

We intend to expand the mining surface area by about 150 metres south of the boundary of our Songjiagou Open-Pit Mine so that we are able to expand our mining surface area horizontally as well as the depth of our mining area by constructing four new benches to reach out to more gold-containing ore in the unmined areas. Please refer to the paragraph headed "Business strategies — Further construction of mining infrastructure in accordance with our mine optimisation plan" in this section for further details.

Our Songjiagou Underground Mine



We operate our Songjiagou Underground Mine through Yantai Zhongjia with a permitted annual mine production volume of about 90 kt. The cut-off grade of the ore is 0.7 g/t Au, which is more than two times the grade of our Songjiagou Open-Pit Mine. During the Track Record Period, the ore mined volume at our Songjiagou Underground Mine was approximately 101 kt, 90 kt and 11 kt, respectively.

Songjiagou Underground Mine is also located at the Muping-Rushan gold metallogenic belt in the Shandong Province, the PRC, which is approximately 405 metres away from our Songjiagou Open-Pit Mine. It is a moderate temperature hydrothermal filling and metasomatic conglomerate type gold deposit, associated with mesothermal filling activities and followed by alterations and metasomatism.

Current underground production comes from the upper three levels in the mine while development of the ramp in the lower three levels continues. The ramp was collared at an elevation of +80 metres and is designed to achieve a total length of 2,265 metres in this phase of development. As at 31 December 2021, the ramp has served six production levels at the elevations of +49 metres, +9 metres, –40 metres, –80 metres, –120 metres, and –160 metres. As at 31 December 2021, the ramp has advanced a total of 2,265 metres down to the –160 metres level. Each level is accessed by a 3.5 metres diameter fully serviced shaft that was sunk to –185 metres.

Horizontal roadway has been advanced 1,952 metres at level +49 metres, 3,094 metres at level +9 metres, 4,891 metres at level –40 metres, 45 metres at level –80 metres and 1,092 metres at level –160 metres. Underground mining operations are highly mechanised and include high efficiency, rapid-penetrating, hydraulic jumbo drills for development work, rotary drilling equipment employing extension steel for inclined medium and longer holes, 20 tonne dump trucks for ore haulage to surface via the ramp, and electric scrapers to facilitate ore recovery and loading in work areas.

Ventilation is provided by high capacity axial fans through air ducts secured by hangers on the side of mine passageways, while compressed air and water are introduced to the mine through metal pipes sized to accommodate fluctuating demand. Pumping stations have been installed underground to deal with water inflows, which are common in most underground mines — and the lifting system for the service shaft utilises a multi-rope friction hoist with dual cages for transporting miners and their gear.

As at 31 December 2021, at a cut-off grade of 0.7 g/t Au, our Songjiagou Underground Mine has Probable Mineral Reserves of approximately 0.7 Mt at averaging gold grade of 1.41 g/t, approximately 1.7 Mt of Indicated Mineral Resources at averaging gold grade of 1.39 g/t, and approximately 3.1 Mt of Inferred Mineral Resources at averaging gold grade of 1.24 g/t. After taking into account our Group's current production capacity, our Songjiagou Underground Mine will have a LoM of about eight years. Based on the SRK Report and projection by using discounted cash flow modelling, our Songjiagou Underground Mine has a net present value of approximately RMB98 million at a discount rate of 9%. Therefore, it is technically feasible and economically viable.

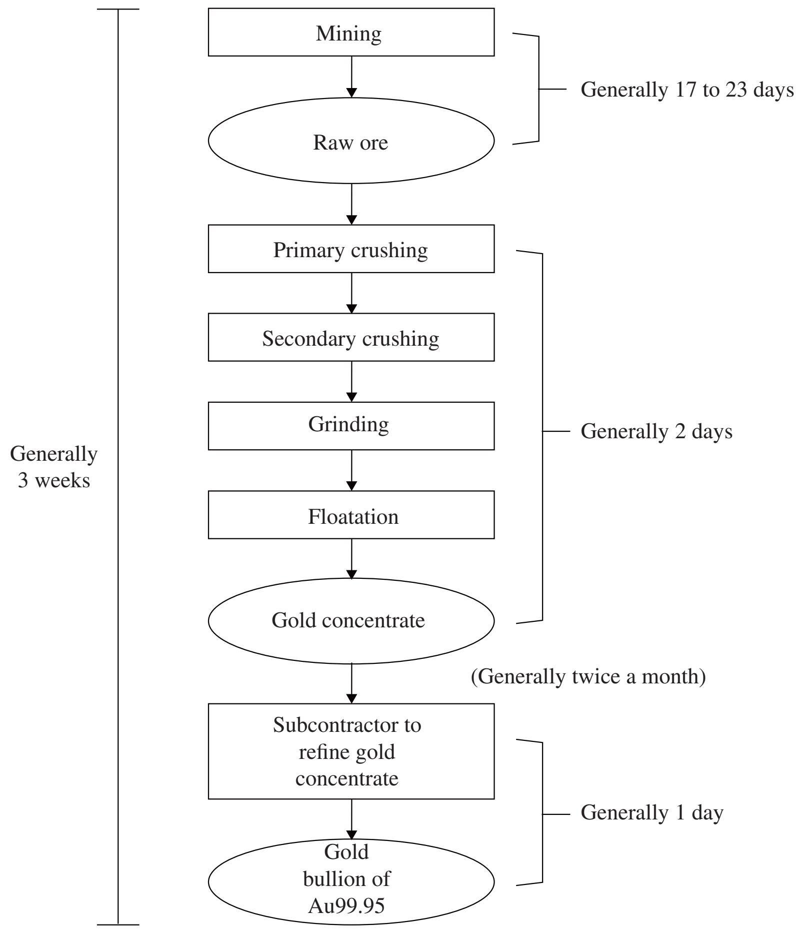
Future plans

As the current underground production is coming from the upper three levels up to –160 metres ASL, we will continue to develop and construct the lower three levels up to –270 metres ASL as permitted under the mining licence.

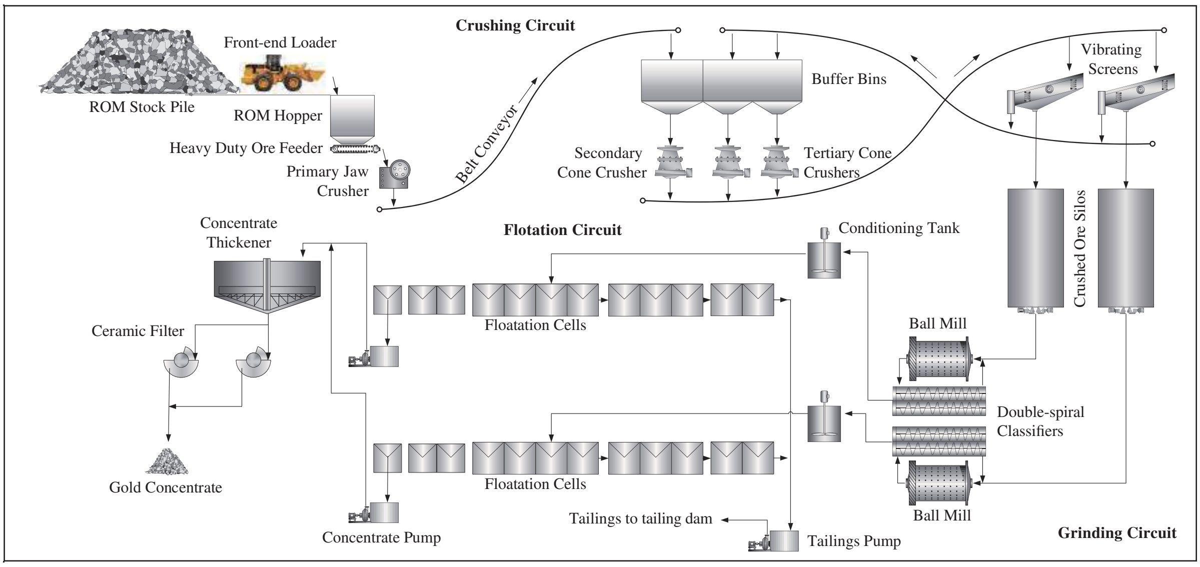
OUR OPERATIONS

Overview

Our production process involves three major steps: (i) mining (both open-pit and underground mining); (ii) ore processing, which in turn includes crushing, grinding and floatation; and (iii) gold refining, which we outsource the refining of gold concentrate into gold bullion of Au99.95 to Independent Third Party smelters. The following chart illustrates the major steps of our production processes. In general, the period from extracting the ores from our mining operations to production of our finished products in the form of gold bullion of Au99.95 is approximately three weeks.



The flowchart below illustrates our mining operations to the production of gold concentrate processed by us:



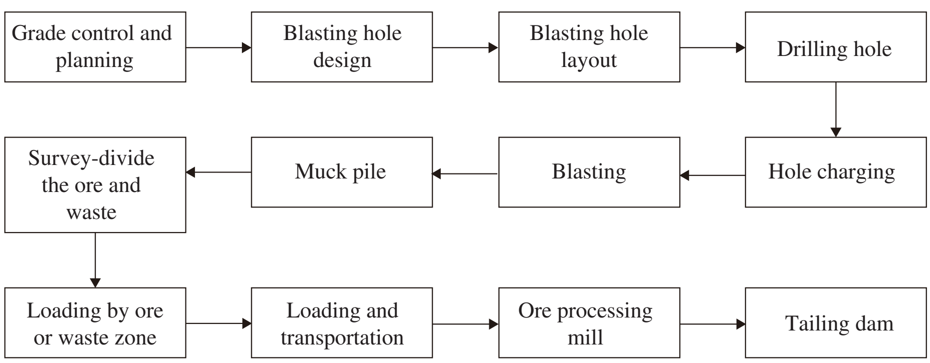
Our main production facilities include one open-pit mine, one underground mine, an ore processing plant and other ancillary facilities such as a tailings dam.

Mining

We conduct our mining activities systematically and implemented gold grade control and production management using geostatistics applications. Before drilling and blasting activities to be carried out for our mining operations, we incorporate geostatistics into a mix of mining methods (such as drilling, blasting, loading and transportation method for Songjiagou Open-Pit Mine and shrinkage stope and cut-and-fill mining method for Songjiagou Underground Mine) to help select and identify higher gold content orebody to be extracted based on ground conditions and localised thinning of the veins in our mining sites to improve our resource quality while controlling the extraction volume. As a result, we can ensure a stable grade of ore is being extracted and fed into our ore processing plant for our ore processing operations.

Our Songjiagou Open-Pit Mine

The flowchart below illustrates our mining operations using the conventional drilling, blasting, loading and transportation method at our Songjiagou Open-Pit Mine:

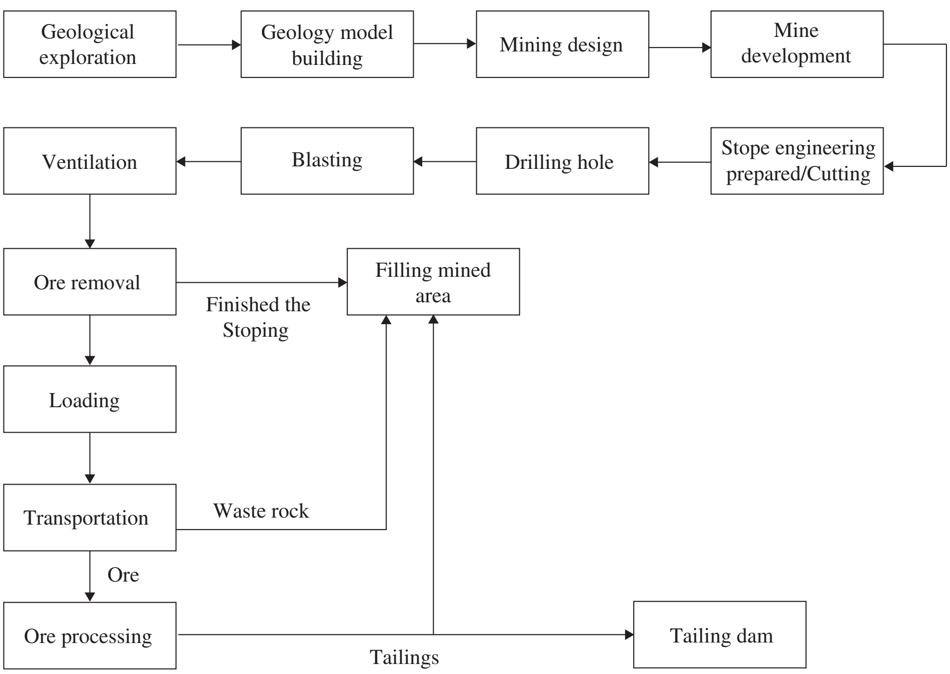


We carry out open-pit mining at our Songjiagou Open-Pit Mine using conventional mining methods of drill-blast-load-haul mining cycle to transport rocks within the pit. We drill ore body by high air-pressure drillers, expose ore body through blasting, excavate raw ore by hydraulic excavators and transport raw ore to the ore processing plant by trucks. Tailings from our ore processing plant are contained at our tailings dam. Our ore processing plant and tailings dam are located in close proximity of about 4 km away from our Songjiagou Open-Pit Mine.

Our Songjiagou Open-Pit Mine is a producing open-pit, generally operates approximately eight hours per shift, three shifts per day, 330 days per year. The production capacity is approximately 3.3 Mtpa of ore during the Track Record Period.

Our Songjiagou Underground Mine

The flowchart below illustrates our mining operations using the upward cut-and-fill mining and shrinkage stope mining at our Songjiagou Underground Mine:



We carry out underground mining at our Songjiagou Underground Mine, which is mainly accessed through a access ramp, six haulage ways and a vertical auxiliary shaft. Off-road dump trucks are used to move both ore and wastes to surface along the haulage way and the access ramp. The mining methods include upward cut-and-fill mining where the recovery of ore starts from the bottom undercut, advancing upward vertically and shrinkage stope mining where pillars with high grade of ore are recovered, while pillars with low grade gold is left permanently. Same drilling, blasting and ventilation are applied for both mining methods and rely on cemented paste fill or cemented rock fill to support the stoping operation. We excavate raw ore by hydraulic excavators and transport raw ore to the processing plant by trucks.

We employ a mix of mining methods which are based on mining and geological conditions that are expected to be quite variable. Where warranted by ground conditions, mined out areas will be backfilled with tailings which, in addition to providing good ground support, reduces output into the surface tailings disposal area.

Our Songjiagou Underground Mine is a producing underground pit, generally operates eight hours per shift, three shifts per day, 330 days per year. Hauling of ore along the access ramp operates one shift per day. The production capacity is 90 ktpa of ore during the Track Record Period.

Prior to February 2021, we outsourced substantially all of the mining works comprising demolition, blasting, drilling and excavation works at our Songjiagou Open-Pit Mine and Songjiagou Underground Mine to third-party subcontractors, namely, 遼源卓力化工有限責任公司 (Liaoyuan Zhuoli Chemical Industry Co., Ltd*) ("**Liaoyuan Zhuoli**") and 山東章鑒礦山工程有限公司 (Shandong Zhangjian Mining Engineering Co., Ltd*) ("**Shandong Zhangjian**"). The subcontractors worked under the supervision and management of our in-house onsite engineers. They were required to carry out their work according to the project design and production plan and in accordance with the applicable safety and environmental protection requirements under the PRC laws and regulations. Any loss and liability that arise in respect of material safety incidents shall be borne by the party who is responsible for such incidents. For details of the mining works performed by our subcontractors, please refer to the paragraph headed "Suppliers and subcontractors — Subcontractors — Mining activities" in this section. Since February 2021 and up to the Latest Practicable Date, we carry out such mining works ourselves (except for certain blasting engineering works in respect of our Songjiagou Underground Mine which we continue to subcontract to Independent Third Party subcontractor), seeking to reduce the costs of mining. We also lease certain drilling equipment from an Independent Third Party.

Ore processing

The ore deposit from our mines has low level of or almost no impurities such as carbon and arsenic and has high purity of pyrites. As such, the ore is amenable to a simple floatation process for mineral separation to achieve a high gold recovery in concentrate at reasonably low mineral separation processing costs, which allows us to effectively manage and control our operating costs. We have a complete set of ore processing facilities with an annual ore processing capacity of approximately 2.0 Mt, comprising a plant with the capacity of 6,000 tpd, a tailings dam and other ancillary facilities.

The ore processing plant is located on the industrial site, about 4 km southeast of our Songjiagou Open-Pit Mine. The plant with the capacity of 6,000 tpd was put into operation in May 2011, which consists of one crushing series and two identical grinding floatation series.

Crushing Circuit

The crushing circuit includes a ROM stockpile, a coarse crushing workshop, a medium and fine crushing circuit, and a screening circuit. The crushing process is a traditional "three-stage crushing with one closed circuit", and ore less than 1,000 mm is crushed to achieve 80% less than 12 mm.

Ores mined from both our Songjiagou Open-Pit Mine and Songjiagou Underground Mine are transported to the ROM stockpile at the ore processing plant by trucks, and fed into the ROM hopper by the front-end loader. Ores are then fed into a jaw crusher for primary crushing (or coarse crushing), and then fed into a secondary cone crusher for fine crushing through belt conveyors. Ores discharged from the secondary crusher are screened at the screening workshop. Oversize materials are transported to the buffer bins by third belt conveyor for tertiary crushing which will then be transported to the screening workshop again for screening. Undersize materials which are 80% less than 12 mm are sent to the grinding circuit by the fourth belt conveyor.

Grinding circuit

The grinding circuit consists of two crushed ore silos, two grate ball mills and two double-spiral classifiers grinding the crushed ore to obtain 50% less than 75 μm. The crushed ore is sent to the crushed ore silos after screening. The crushed ore in the silo is fed onto the fifth belt conveyor and sent to the ball mill. The floatation pH adjuster lime is evenly added to the material stream on the fifth belt conveyor and the ore discharged from the ball mill is fed into the spiral classifier for classification. The return sand from the classifier is sent back to the mill for re-grinding. The overflow fineness of 50% less than 75 μm flows into the floatation circuit by itself.

Floatation circuit

The floatation circuit includes a conditioning tank and a row of floatation cells. The overflow from the spiral classifier flows into a conditioning tank by itself. Water is added to the particles to form a slurry and the slurry is pumped to a series of floatation machines for the extraction of gold concentrate. After mixing with the floatation reagents, it then enters into the floatation circuit consisting of a row of floatation cells to produce gold concentrate and tailings. Chemicals are added to the slurry, and air is added to the bottom of the thickening pond and rises through the slurry. Chemicals added to the slurry attach themselves to the metal-bearing ore and to the passing air bubbles and float to the top of the pond, where they form a gold concentrate froth. This gold concentrate froth is then collected and fed to the dewatering circuit.

Dewatering

The dewatering circuit primarily contains a concentrate thickener and two ceramic filters. The gold concentrate froth from the floatation circuit is pumped into a concentrate thickener, with its overflow used as return water and the underflow fed into the ceramic filter. The filter cake has a moisture content of less than 8% forming the gold concentrate and is stored in the warehouse.

Our ore processing process is designed to be environmentally friendly. In addition, the water discharged from the ore processing plant is recycled for ore grinding. Therefore, the ore processing plant does not discharge wastewater. We have also adopted the technology of pressure filtration and dry heaping of tailings, which reduces the size of tailings and demand for fresh water. For further details, please see the paragraph headed "Environmental, social and governance — Our environmental, social and climate-related risks and opportunities — A. Environment — Environmental protection" in this section.

Our ore processing facility

Our integrated ore processing facility comprises one mill to process the ores mined from our Songjiagou Open-Pit Mine and Songjiagou Underground Mine. Our ore processing plant has a total surface area of approximately 0.9 ha. The total designed ore processing capacity of our ore processing facilities amounted to approximately 2.0 Mt per annum (or 6,000 tpd) as at 31 December 2021.

The following table sets forth the details of our ore processing facilities;

Ore processing facility	**Designed ore processing capacity** *(tpd)*	**Description**
Mill with a capacity of 6,000 tpd	6,000	Gold concentrate is produced after processing and delivered to third party smelters. Such ore processing plant is leased from Dahedong, a minority shareholder of Yantai Zhongjia and a connected person of our Company. Since we funded the costs of construction of such processing plant, there was no rental payable for such lease.

Utilisation rate

The table below sets forth the utilisation rate and volume of ore processed at our ore processing plant with a capacity of 6,000 tpd:

	FY2019		FY2020		FY2021	
	Ore processed	**Utilisation rate*(Note)***	**Ore processed**	**Utilisation rate*(Note)***	**Ore processed**	**Utilisation rate*(Note)***
	(kt)	*(%)*	*(kt)*	*(%)*	*(kt)*	*(%)*
Mill with a capacity of 6,000 tpd	1,304	65.8	1,590	80.3	1,024	51.7

Note: Utilisation rate is calculated by dividing volume of ore processed for each period by the designed annual processing capacity of the same period, which is calculated based on our designed ore processing capacity per day assuming we operate 330 days per year.

The utilisation rate of our ore processing plant increased from approximately 65.8% in FY2019 to approximately 80.3% in FY2020 because we have increased our mining capacity and increased the volume of ore processed volume after obtaining the renewed mining licence for Songjiagou Open-Pit Mine with the revised approved permitted annual mine production volume in May 2020. The utilisation rate of our ore processing plant decreased from approximately 80.3% in FY2020 to approximately 51.7% in FY2021 because of the Temporary Operation Suspension as mentioned above. For further details, please refer to the paragraph headed "Impacts of the temporary suspension of mining operation in FY2021 — Lower production volume and utilisation rate" in this section. We expect that the utilisation rate will further increase when we complete the additional construction of mining infrastructure in accordance with our mine optimisation plan at our Songjiagou Open-Pit Mine by expanding the mining surface area by about 150 metres south of its boundaries, as further elaborated in the paragraph headed "Business strategies — Further construction of mining infrastructure in accordance with our mine optimisation plan" in this section.

Gold recovery rate

The gold recovery rate of our ore processing plant was over 95.3% during the Track Record Period at a feed grade of 0.68 g/t Au, 0.70 g/t Au and 0.62 g/t Au, respectively. Our feed grade was higher than our cut-off grade of 0.30 g/t Au from our Songjiagou Open-Pit Mine mainly due to the increase in the grade and purity of the surface materials processed from our Songjiagou Open-Pit Mine and relatively higher cut-off grade from our Sonjiagou Underground Mine of 0.70 g/t Au since its commencement of commercial production in September 2019.

Production machinery and equipment

Main production machinery and equipment that we use at our ore processing facilities include ball mills, belt conveyors, mixing drum, ceramic filter, crushers, heavy-duty ore feeder, floatation machine and submerged pump. We own a majority of the machinery and equipment necessary for our processing operations. Main mine equipment onsite includes drill rigs, excavators, truck, loader and bulldozer. We have sufficient equipment to support our production capacity of 3.3 Mtpa of ore as we also lease certain mine equipment from an Independent Third Party. We purchase most of our machinery and equipment at our mines and ore processing plant through a selective tendering process. During the Track Record Period, we utilised internal resources of approximately RMB5.1 million, RMB2.0 million and RMB20.5 million to purchase production machinery and equipment, respectively. As at 31 December 2021, the carrying value of our plant and machinery was approximately RMB97.7 million or approximately 34.6% of the total carrying value of our property, plant and equipment as at 31 December 2021. As at 31 December 2021, the average remaining useful life of our main ore processing and mining machinery and equipment was 9.1 years and 6.8 years, respectively.

Minor maintenance and repair works of our machinery and equipment are generally conducted by our in-house mechanics periodically. For complicated maintenance and repairs of our machinery and equipment, it will be conducted by external vendors, on an as-need basis. The average scheduled downtime for maintenance and repair works per equipment ranged from one day to five days depending on the complexity of the repair and maintenance works. The plant and machinery are either depreciated over five to 20 years on a straight-line basis or based on production volume.

Tailings

Tailings have been sent to the tailings dam which is located in a valley 2 km southeast from our ore processing facilities. The tailings dam was designed as a valley type, and was completed and put into use in October 2011. In December 2014, we carried out a capacity expansion to rebuild or expand the original tailings dam consisted of an initial dam, a final stockpiling dam, a flood discharge system of the tailings dam area, a return water system, observation system and management system. The expanded tailings dam elevation is +160 metres in total with the total storage capacity of approximately 42.2

million m^3 and an effective storage capacity of approximately 30.0 million m^3 in total. After expansion, the tailings dam is a third-class storage facility and has the capacity to support 12 years of production at current throughput as of 31 December 2021.

The tailings of the ore processing plant are pumped to the tailings main dam through the tailings pump station in the ore processing plant, and the tailings conveying main pipe is laid along the axis of the tailings dam. The slurry branch pipe is laid perpendicular to the main pipe with a horizontal interval of 20 metres. The branch pipe is laid along the dam slope in the tailings dam. The alternately distributed and evenly discharged ore along the axis of the dam is adopted to maintain the uniform rise of the dam body. After filling up, the main pipeline is elevated, and then the next-level sub-dam will be piled up.

Safety monitoring facilities

In accordance with the design and safety management requirements, the tailings dam has established a sound safety management system with an online monitoring system, including a dam displacement monitoring system, an saturation line monitoring system and a safety warning facility. The tailings dam is well constructed, managed and operated, and has acquired a safety production licence from the government safety supervision agency.

We keep the gold concentrate we produce in the storage facilities located at our processing plant with access restricted to authorised persons. The storage facilities are guarded by our own security team, and the storage facilities are equipped with stringent security systems.

Explosives supply and management

Two explosive magazine (including one which is 40-tonne) have been constructed on the mines to store explosives. According to the production plan, the required blasting materials are applied for by our Group, and were delivered to the explosive magazine by the Suppliers. Onsite blasting can only be performed under the supervision of polices. During the Track Record Period and as at the Latest Practicable Date, we procured explosives from Independent Third Party suppliers.

Laboratory

We have a laboratory on site within close proximity to our ore processing plant. It has a complete set of equipment and instruments for sample preparation, fire assay and volumetric analysis, which can fully meet the daily production testing requirements of the ore processing plant.

Water supply

Water for the industrial use is extracted from the Rushan River, which flows by 2 km east of our production site, which we have obtained the approval from the local Department of Water Resources in May 2017 to use approximately 465,000 m^3 of water per annum. A pump station on the bank of Songjiagou River, Jincheng Village, about 2 km west of the ore processing plant, supplies water for the plant's production demand. Water for domestic use is sourced from a local ground well. According to the SRK Report, the water supply is adequate to support mine's production.

Our ore processing plant has two 1,230 m^3 concrete head tanks (15 metres in diameter and 7 metres in height): one is for storing new water from the Rushan River, which is mainly used for production supplementation, ground washing, dust suppression and fire protection; the other is for storage of ore processing return water, with return water utilisation rates ranging from 80% to 85%. A water pumping station is built on the bank of the Songjiaohe River near Jincheng Village, which is 2 km southeast from the ore processing plant, and the river water is pumped to the new water head tank through pipelines. The clarified water from the tailings dam is diverted through the culvert to the valley between the tailings dam and the ore processing plant. A dam is built at the valley mouth next to the plant to form a small reservoir, which stores a large amount of tailings clarified water that is then pumped to the return water head tank of ore processing plant. The unfiltered water from the tailings dam is directly pumped back to the return water head tank through the return water tank at dam toe. The concentrate unfiltered water and ground washing water of the ore processing plant are pumped back to the return water head tank after sedimentation and clarification in the ore processing plant settling tank.

During the Track Record Period, we did not discharge any wastewater from our gold mining and ore processing operations, nor were we required to pay a fee for discharging wastewater. During the same period and up to the Latest Practicable Date, we did not experience any material interruption in our operation as a result of water shortage.

Power supply

Electricity for the mines is supplied by the local 10 kV electricity power line and by 120 kW diesel generators on standby. Electricity for the ore processing plant is sourced from the 35 kV/10.5 kV substation in Dahedong Village, Wanggezhuang Town, 5 km away from the mines, and delivered over dedicated lines. The voltage of the substation is flexible and can be switched to 10 kV, 6 kV or 380 volts as required by the mines. According to the SRK Report, the power supply is adequate to support the mine production.

Our mining and ore processing processes involve the consumption of a substantial amount of electricity and hence, an uninterrupted and stable supply of electricity is crucial to our business and operations. During the Track Record Period, our total electricity consumption was approximately 44,544 MWh, 47,182 MWh and 28,336 MWh, respectively and our electricity costs were RMB29.7 million, RMB30.0 million and RMB16.4 million, respectively, accounted for 18.8%, 18.1% and 15.2% of our cost of sales in the same periods. We had entered into an agreement with Supplier A, a local electricity supply provider to procure electricity for the operation of our Songjiagou Open-Pit Mine and Songjiagou Underground Mine. The price is promulgated by the PRC government. The contract is generally for five calendar years.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that 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 reduce energy consumption across China, and in Shandong province and other north-eastern provinces in the PRC. As a result, the possibility of power outages or prolonged power shortage in electricity supply would impose an inherent risk to our business and operation, our Directors would monitor the situation and consider the need to enhance the capacity of our power supply system if necessary.

We believe that there are no material difficulties in securing the supply of water and electricity for our operations. For details of the risks associated with the power supply or processing water, please see the section headed "Risk factors — Risks relating to the business operations of our Group — We may not be able to maintain the provision of adequate and uninterrupted supplies of electricity, water, materials and equipment at commercially accepted prices, or at all" in this document.

Transportation

Gold mines → Ore processing plant → Smelters

Our transportation consists of two main stages: (i) raw ore is transported by trucks from our two mines to our ore processing plant, for which Independent Third Party subcontractors are responsible; and (ii) gold concentrate is picked up and transported from our ore processing plant to the smelters by the smelters. The gold concentrate is transported by road. Our mines and ore processing plant are served by well-established and connected infrastructures of roads.

Logistics subcontractors are responsible for transportation of ore and smelters are responsible for transportation of gold concentrate and they are generally insured by insurance policies taken out by them. Our Group considers that such logistics service providers can be replaced with other logistics service providers offering similar services with similar terms and fees. Our Directors have confirmed that our Group had not experienced any material shortage of transportation capacity during the Track Record Period. For further details, please see the paragraph headed "Suppliers and subcontractors — Subcontractors — Logistics" in this section.

Third party smelters

We generally notify the smelters when the gold concentrate is ready to be delivered to the smelters located in the Shandong Province from our ore processing plant twice every month. The two smelters we engaged during the Track Record Period are one of the largest precious metals smelters in the Shandong Province. We have over 10 years and four years of business relationships with them, namely, Shandong Humon and Shandong Guoda.

At the point that the gold concentrate is picked up at our ore processing plant, all the risks related to the gold concentrate are transferred to the smelters. They also bear the costs of transportation and insurance of the gold concentrate following their receipt.

Before our gold concentrate leaves our ore processing plant to be transported to the Independent Third Party gold smelters, our responsible staff and representatives from the third-party gold smelters weigh the gold concentrate on-site using weighing scales that meet the PRC national standards, and samples are also taken by both parties from each batch of gold concentrate to confirm the gold content of our gold concentrate. An extra sample is kept for further assaying if necessary. In general, the assaying of the gold concentrate takes around four to seven days after pick-up from our ore processing plant. In case of any material discrepancies in the gold content of our gold concentrate, a third-party laboratory will be engaged to conduct a further assay, the result of which will be final and conclusive. After that, it generally takes around one day for the gold smelters to refine our gold concentrate into gold bullion of Au99.95. During the Track Record Period and up to the Latest Practicable Date, as we are not a registered member of the Shanghai Gold Exchange for the sales of gold bullion, we sold gold bullion of Au99.95 to such gold smelters (or one of the gold smelters' subsidiary) who are registered with the Shanghai Gold Exchange, for their subsequent sales on the Shanghai Gold Exchange. For further details, please refer to the paragraph headed "Sales and customers" in this section.

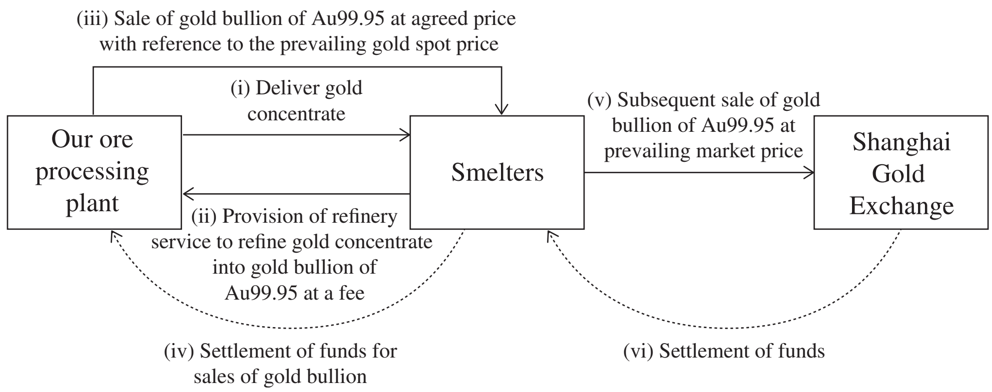
In general, the Independent Third Party gold smelters charge us a refining fee according to the tonnage of our gold concentrate. Additional charges will be incurred or the delivery rejected, if certain deleterious elements are identified in excessive quantities by the gold smelters. As confirmed by our Directors, this had not happened during the Track Record Period. Each of the gold smelters is an Independent Third Party and our Directors confirmed there has been no dispute or disagreement with the gold smelters during the Track Record Period. For further details of the salient terms of the refining contracts with the Independent Third Party gold smelters, please refer to the paragraph headed "Suppliers and subcontractors — Subcontractors — Refining works" in this section.

SALES AND CUSTOMERS

Our principal product is gold bullion of Au99.95. We believe our sales volume is largely dependent upon our production volume. During the Track Record Period, our sales volume of gold bullion of Au99.95 amounted to approximately 795.5 kg (or 25,575.9 ounces), 987.4 kg (or 31,745.6 ounces) and 645.5 kg (or 20,753.3 ounces), respectively, and the average selling price for our gold bullion was approximately RMB288.1 per gram, RMB365.6 per gram and RMB384.0 per gram, respectively. In line with the industry practice in the PRC, we generally do not engage in marketing activities and we do not expect to incur significant marketing expenses in the future. According to the F&S Report, the demand for gold in the PRC is expected to reach approximately 1,300 tonnes in 2026, while the supply of gold in the PRC is expected to be approximately 925 tonnes. As such, our Directors believe that there would be sufficient demand on the gold bullions produced by us in the foreseeable future.

According to the market report published by the Shanghai Gold Exchange for 2020, the Shanghai Gold Exchange had 280 registered members as at 31 December 2020. Due to limited space available for membership, it is difficult to be admitted as a member of the Shanghai Gold Exchange if there is no vacancy. As we are not a registered member of the Shanghai Gold Exchange, during the Track Record Period, all of our gold bullion of Au99.95 was sold at an agreed price with reference to the prevailing gold spot price as quoted on the Shanghai Gold Exchange to the two Independent Third Party gold smelters, namely, Shandong Guoda and Shandong Humon, who refine gold concentrate produced by us, purchase from us the gold bullion refined for their subsequent sales on the Shanghai Gold Exchange. After refinery, the gold bullion produced is kept at our smelters until we place sales orders to sell these gold bullion, instead of transferring back to us to avoid any risks arisen during transportation process. In respect of our sales orders to smelters, we agree with the smelters the volume of gold bullion to be delivered, the price of gold bullion to be sold under a specific sales order (which is determined with reference to the gold spot price on the day of the sales order) and the expected time to complete such sales order. Such arrangement is mutually beneficial for our Group and for the smelters since this can allow us to reduce the impact of short-term fluctuation in gold price on our working capital management while the smelters can ensure a more expectable supply of gold bullion to them. Depending on our negotiation with them, we may be required to place a security deposit for our sales orders placed with gold bullion yet to be delivered. Our management gives sales orders to such third-party gold smelters after considering various factors, including (i) the prevailing gold spot price as quoted on the Shanghai Gold Exchange; (ii) our cashflow positions; (iii) future trend of market price of gold; (iv) our gold production volume; and (v) our gold refining and selling costs. Our sales pursuant to each sales order are concluded in batches when our gold bullion is delivered from the smelting division of the gold smelters (where our gold bullions are kept after smelting) to the division in-charge of selling of gold bullion, upon our request. Respective settlements are also received in batches.

The following diagram illustrates the process and cash flows in a typical gold bullion sale transaction through our third-party gold smelters:



The following table sets forth our sales to Shandong Guoda and Shandong Humon during the Track Record Period:

	FY2019		FY2020		FY2021	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except percentages)					
Revenue						
Shandong Guoda	167,596	73.1	335,778	93.0	247,872	100.0
Shandong Humon	61,606	26.9	25,221	7.0	—	—
Total	229,202	100.0	360,999	100.0	247,872	100.0

Our relationships with Shandong Guoda and Shandong Humon

Our business relationships with Shandong Guoda and Shandong Humon commenced in 2017 and 2008, respectively. 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 in a lesser degree to Shandong Humon for FY2019 and FY2020. As we are not a member of the Shanghai Gold Exchange, after refining, we sold the gold bullion back to them for their subsequent sales on the Shanghai Gold Exchange at the agreed price with reference to the prevailing gold spot price as quoted on the Shanghai Gold Exchange.

Shandong Guoda

Shandong Guoda was one of the two customers of our Group and the revenue generated from the sale of gold bullion to Shandong Guoda accounted for approximately 73.1%, 93.0% and 100.0% for FY2019, FY2020 and FY2021, respectively. In addition to the sales of gold bullion to Shandong Guoda, due to the increase in the price of sulfuric acid, we commenced selling to Shandong Guoda sulfuric acid in gold concentrate generated during the smelting process separately since October 2021, and recorded other income amounted to RMB1.4 million in FY2021. During the Track Record Period, sales to Shandong Guoda were settled by bank transfer within two days of sale. Shandong Guoda was also one of our five largest subcontractors for each of FY2019, FY2020 and FY2021, with purchases accounted for approximately 4.4%, 6.0% and 7.3% of our total purchases, respectively.

Shandong Guoda is a group of companies comprises 山東國大黃金股份有限公司 (Shandong Guoda Gold Co., Ltd*) ("**Shandong Guoda Gold**") and its wholly-owned subsidiary, 煙台國大貴金屬冶煉有限公司 (Yantai Guoda Precious Metal Smelting Co., Ltd*) ("**Yantai Guoda**"). According to public information, as at the Latest Practicable Date, Shandong Guoda Gold is a limited liability company established in the PRC in January 1999 with a registered capital of approximately RMB173.4 million, which is primarily engaged in the business of production of gold, silver, copper, sulfuric acid, iron powder and industry gypsum; sale of own products and ore sludge, arsenic trioxide, sulfuric acid and fuming sulfuric acid. As at the Latest Practicable Date, Shandong Guoda Gold is owned by three Independent Third Party corporate shareholders, namely, (i) 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**"), which is a wholly-owned subsidiary of Shandong Zhaojin Group Corporation Limited and is indirectly ultimately wholly-owned by Zhaoyuan Municipal People's Government; (ii) as to approximately 30.1% by China Gold Development Group (H.K.) Limited, an indirect wholly-owned subsidiary of Zijin Mining Group Company Limited (stock code: 2899.HK; 601899.SH); and (iii) as to approximately 3.7% by China Gold Group Limited. On the other hand, Yantai Guoda is a limited liability company established in the PRC in October 2004 with a registered capital of approximately RMB40.3 million, which is primarily engaged in the business of refining of non-ferrous metals, precious metals and alloys; the use of precious metals for rolling processing; manufacturing of crafts and jewelleries; and processing of chemical or metallurgical products containing precious metals (excluding dangerous goods).

Shandong Humon

Shandong Humon was one of the two customers of our Group and the revenue generated from the sale of gold bullion to Shandong Humon accounted for approximately 26.9%, 7.0% and nil for FY2019, FY2020 and FY2021, respectively. During FY2019 and FY2020, sales to Shandong Humon were settled by bank transfer within two business days of sale. Shandong Humon was also one of our five largest subcontractors for each of FY2019 and FY2020, with purchases accounted for approximately 3.6% and 0.4% of our total purchases, respectively. In FY2019, Yantai Humon Group Co., Ltd. (煙台恒邦集團有限公司), a substantial shareholder of Shandong Humon, had provided corporate guarantees in the amount of RMB20 million, in respect of banking facilities obtained by Yantai Zhongjia. Such corporate guarantee had been released in April 2020. Please refer to the section headed "Financial information — Indebtedness — Bank borrowings — secured" in this document for further details. In FY2021, due to the relatively higher fees for its refining services charged to our Group as compared to the fees charged by Shandong Guoda, we did not outsource any refining works to Shandong Humon in FY2021 as it was cheaper for us to outsource such refining works to Shandong Guoda. Nevertheless, as at the Latest Practicable Date, we had entered into a framework agreement with Shandong Humon for the provision of refining services of our gold bullion. Our Directors confirmed that our Group can continue to outsource the refining works to Shandong Humon at any time during the period of the framework agreement at our discretion as long as it is beneficial for us to do so.

According to public information, as at the Latest Practicable Date, Shandong Humon is a state-controlled limited liability company established in the PRC in February 1994 with its shares listed on the Shenzhen Stock Exchange (stock code: 2237.SZ), which is principally engaged in the business of gold and silver smelting, and the production and sale of non-ferrow metals, rare metals and other metals in the PRC. Shandong Humon also owns gold mines in Shandong Province. Based on its interim report for the six months ended 30 June 2021, it recorded a revenue of approximately RMB21,342.8 million and net profit of approximately RMB232.8 million for the first half of 2021.

Customer concentration

During the Track Record Period, we engaged two Independent Third Party smelters to refine gold concentrate produced by our ore proceeding plant into gold bullion, and we subsequently sold the gold bullion to them for their subsequent sales on the Shanghai Gold Exchange. As such, during the Track Record Period, we had two customers and our sales derived from Shandong Guoda represented approximately 73.1%, 93.0% and 100.0% of our total revenue, respectively. It appears that our Group's sales were highly concentrated on one of our two customers. According to the F&S Report and our executive Directors believe that our arrangement with Independent Third Party smelters as our customers is industry specific and it is likely for us to continue with such arrangement in the foreseeable future. Despite such customer concentration, our executive Directors considered that we are not materially reliant on Shandong Guoda and/or Shandong Humon and are capable of maintaining our revenue in the future because of the following reasons:

(i) our gold bullion of Au99.95 is a nationwide homogeneous product tradable on the Shanghai Gold Exchange. As we are not a registered member on the Shanghai Gold Exchange, we sell our gold bullion refined by the relevant smelters, who are our subcontractors, for their subsequent sales on the Shanghai Gold Exchange. As such, our gold bullion will be sold at the Shanghai Gold Exchange eventually, and there is no issue of a lack of demand for our gold bullion. Our Directors consider the smelters, who are also our customers, as just being an intermediary for us to sell our gold bullion out of convenience. It is a matter of our choice and it remains at our absolute discretion as to whether or not we sell the gold bullion through them, or through other companies who are members of Shanghai Gold Exchange, given that the sales price for our gold bullion will be fixed prior to our sales with reference to the prevailing gold spot price as quoted on the Shanghai Gold Exchange. According to the F&S Report, gold mining and processing companies mainly engage in ore mining and mineral separation business, and it is a common industry practice for mining companies to outsource, among others, refining services to qualified subcontractors, as well as to sell the finished gold bullion to the same gold smelters due to licensing barrier. In 2021, among the 40 to 50 gold producers in Shandong, only the top four producers have their own smelting business. In addition, the top four gold producers in Shandong Province have the membership of Shanghai Gold Exchange due to scale and cost advantages. For mining companies who are not a registered member of the Shanghai Gold Exchange, they can only sell the refined gold to registered members or entrust the members of the Shanghai Gold Exchange to sell their refined gold. Therefore, our sales to Shandong Guoda and Shandong Humon are in line with industry practice; and

(ii) according to the F&S Report, there were about 27 gold smelters in the Shandong Province in 2020 and nine of them were also registered members of the Shanghai Gold Exchange. While we have in the past, due to our business decision after due and careful consideration of the shareholding background and financial standing of each of Shandong Guoda and Shandong Humon, to engage them to provide refining services, our executive Directors believe that there are ample choices of alternatives and there is no material difficulty to engage and sell to other Independent Third Party smelters in the Shandong Province who are also registered members of the Shanghai Gold Exchange. Given that the smelting industry is a relatively matured industry, our Directors consider that there should be no difficulty for us to obtain similar quality of services at similar pricing from other smelters, or otherwise any change of smelter would not lead to any material financial impact on our Group taking into account the fact that our refining subcontracting costs amounted to only approximately RMB6.8 million, RMB5.7 million and RMB4.1 million, representing approximately 4.3%, 3.4% and 3.8% of our cost of sales during the Track Record Period, respectively.

Salient terms of the sales contracts with customers

The following summarises the salient terms of the sales contracts with our customers, being the smelters:

- ***Term***. The sales contracts with the smelters are generally for a term of one year. For the sales contract entered into with a member of Shandong Guoda group, it will be renewed automatically for a further term of one year if there is no disagreement between the parties.

- ***Product***. Gold bullion of Au99.95 in accordance with the required standard as set out in the contract.

- ***Pricing***. The selling price is generally fixed by us on the date of placing a sale order with reference to the prevailing gold spot price quoted on the Shanghai Gold Exchange, after deducting handling fee. The final selling price may be further reduced due to the substandard quality of gold.

- ***Payment and settlement***. The customers generally settle the sales amount two days after the delivery of the inventory of gold bullion to our customers, being the selling division of our gold smetlers upon our request for settlement. The amount will generally be settled by way of bank transfer.

- ***Deposits***. In respect of our sales to our customers, in the event that the price is fixed for a committed quantity of gold bullion while the gold bullion is yet to be delivered, our customers will require our Group to pay a security deposits of up to 20% of the market price for the relevant committed quantity of gold bullion. The entire amount of the security deposit will be refunded when we have delivered the agreed volume of gold bullion to our customers and it will settle the sales amount within two business days after delivery of the gold bullion. Certain part of security deposit will also be refunded if the market price of gold bullion decreases to below the agreed gold sales price after the sales were committed but before the delivery of the gold bullion. On the other hand, our customers had the right to (i) obtain additional security deposit if the market price of the gold bullion has increased subsequent to the commitment of sales or (ii) withhold the deposit if our Group fails to deliver the committed gold sales at the agreed date.

- ***Quality***. The gold bullion shall comply with the required gold standard as set out in the contracts and the applicable laws and regulations.

The sales contracts do not specify any minimum sales commitment or set out any termination rights of any parties. Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not experience any breach of the aforementioned sales contracts which could cause a material adverse effect on our business, financial condition or results of operations.

Gold forward contracts entered into with our customers

We generated investment income amounted to approximately RMB2.7 million in FY2020 from the gold forward contracts we entered into with Shandong Humon and Shandong Guoda. Under the forward contracts, we agreed to buy or sell a certain quantity of gold at an agreed price (being the gold spot price on the day when the forward contract is entered into) between us and our customers with no delivery of gold. In practice, we entered into same amount of forward contracts to close our position and hence, we did not have any open position as at 31 December 2020 and there was no actual physical delivery of gold for these forward contracts. We did not enter into such gold forward contracts in FY2021. Moving forward, our Directors did not intend to and will not engage in such investment activities but to focus on our principal mining business.

Major customers who are also our subcontractors

We sell gold bullion of Au99.95 to our smelters or their subsidiaries who are registered with the Shanghai Gold Exchange, for their subsequent sales on the Shanghai Gold Exchange. As such, Shandong Guoda and Shandong Humon are our customers who are also our subcontractors during the Track Record Period. The table below sets out the percentage of revenue and gross profit generated from our sales to our customers who are also our subcontractors during the Track Record Period:

	FY2019	**FY2020**	**FY2021**
Shandong Guoda			
Amount paid by Shandong Guoda (as a customer) as a percentage of our revenue *(%)*	73.1	93.0	100.0
Gross profit *(RMB'000)*	52,340	181,575	140,105
Amount paid to Shandong Guoda (as a subcontractor) as a percentage of our total purchases *(%)*	4.4	6.0	7.3

	FY2019	**FY2020**	**FY2021**
Shandong Humon			
Amount paid by Shandong Humon (as a customer) as a percentage of our revenue *(%)*	26.9	7.0	—
Gross profit *(RMB'000)*	18,399	13,411	—
Amount paid to Shandong Humon (as a subcontractor) as a percentage of our total purchases *(%)*	3.6	0.4	—

For further details on background information and years of relationship with our customers who are also our subcontractors, please refer to the paragraph headed "Suppliers and subcontractors — Subcontractors" in this section.

As at the Latest Practicable Date, none of our Directors, their respective close associates or any existing Shareholders (who or which, to the knowledge of our Directors own more than 5% of the issued share capital of our Company immediately following the completion of the [REDACTED] and the Capitalisation Issue) had any interest in any customers during the Track Record Period. There were no material disputes with our customers during the Track Record Period.

SEASONALITY

Our Directors consider that our gold mining and ore processing business is generally not subject to any seasonal fluctuations.

IMPACTS OF THE TEMPORARY SUSPENSION OF MINING OPERATIONS IN FY2021

In early 2021, Qixia Hushan Gold Mine (栖霞市笏山金礦) 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 not owned by our Group, encountered safety incidents. Immediately after such incidents, in late February 2021, Yantai Municipal

Party Committee and Yantai Municipal Government announced "Yantai City's work plan for cleaning-up and rectifying non-coal mines"《煙台市清理整頓非煤礦山工作方案》("**Cleaning-up Work Plan**") and "Several Regulations of the Municipal Government Safety Committee on further strengthening the safety management of non-coal underground mines"《市政府安委會關於進一步強化非煤地下礦山安全管理的若干規定》("**Safety Regulations**"), which required, among others, all mines in Yantai City (including ours) to suspend mining operations in order for the government authority to carry out safety inspection. Pursuant to the Cleaning-up Work Plan, Yantai Municipal Party Committee and Yantai Municipal Government implemented classified policies and comprehensive rectification measures for non-coal mining enterprises in Yantai City, banned and required any non-coal mines that fail to meet the prescribe standards to exit in an orderly manner. Pursuant to the Safety Regulations, among others, it is strictly prohibited to organise production and construction without approval, strengthen the supervision of mines closing, construction of mines should comply with the design of mines, strengthen the centralised and unified management of mine safety, strengthen the management of key personnel, strengthen the safety management of subcontracting works, strengthen the education and training of all staff, strict management of explosives and perfection of emergency rescue system.

Lower production volume and utilisation rate

In view of the above, both our Songjiagou Open-Pit Mine and Songjiagou Underground Mine have suspended mining operations from February to August 2021 and February to November 2021, respectively while our ore processing plant was required to suspend from March to August 2021 (except for certain test runs for safety inspections as required by the government authorities in April and May 2021) for the government authority to carry out safety inspection ("**Temporary Operation Suspension**"). As part of the safety measures, we obtained our own blasting operation permit and built explosive magazine for each of our Songjiagou Open-Pit Mine and Songjiagou Underground Mine separately in order to resume mining operations. We met the prescribed safety standards under the Cleaning-up Work Plan and the Safety Regulations. Yantai Zhongjia had obtained the blasting operation permit in June 2021 and our Songjiagou Open-Pit Mine had passed the safety inspection, obtained the resumption approvals, and resumed operations in August 2021. Given our Songjiagou Open-Pit Mine has its own explosive magazine, and hence complied with the requirements of strict management of explosives under the Safety Regulations, our Songjiagou Open-Pit Mine was able to obtain the supply of explosives to resume mining operations in August 2021 as soon as the resumption approvals were obtained. However, despite the fact that our Songjiagou Underground Mine has passed the safety inspection in late April 2021 and obtained the resumption approvals in early May 2021, Yantai Zhongjia was required to construct a separate explosive magazine before the supply of explosives was permitted under the Safety Regulations. Hence, our Songjiagou Underground Mine only resumed mining operations in December 2021.

In view of the Temporary Operation Suspension as mentioned above, our ore processing plant did not reach its designated production capacity in FY2021 as the utilisation rate was approximately 51.7% as compared to approximately 80.3% in FY2020. The utilisation rate for our ore processing plant only fell approximately 28.6% in FY2021 as compared to FY2020 because we had ore stock pile to support our ore processing operations in February 2021 despite the suspension of mining operations, as well as the test runs in April and May 2021 for safety inspections as required by the government authorities. As a result, our gold production volume during FY2021 was 576.9 kg (or 18,547.8 ounces), representing a decrease of approximately 414.5 kg (or 13,326.5 ounces) or 41.8% as compared to FY2020. Despite the above, except for February and March 2021 which we recorded minimal or no sales of gold bullion, we were able to record monthly sales of gold bullion throughout the most of FY2021. As a result of the abovementioned Temporary Operation Suspension, our revenue decreased by approximately 31.3% and our profit for the year decreased by approximately 48.7% in FY2021 as compared to FY2020.

Carrying out own mining activities

As part of the Cleaning-up Work Plan, the local government imposed measures on strengthening the management of subcontracting works on mining activities, among others, mining activities shall be performed and/or managed by the mine owner or a main contractor and prohibiting further outsourcing to subcontractors without proper qualification. Prior to February 2021, we outsourced substantially all of the mining works comprising demolition, blasting, drilling and excavation works at our mines to third-party subcontractors. Since we had already terminated substantially all of our mining works subcontractors for the Songjiagou Open-pit Mine in September 2020 and the Songjiagou Underground Mine in January 2021 in order to reduce cost of mining, and we substantially carried out all the mining works ourselves, we were able to comply with the safety requirements introduced by the local government in early 2021. Accordingly, there has been no material impact on the introduction of the safety requirements to our business operation and we have complied with such requirements to ensure safety of our mines.

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

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. To contain the spread of COVID-19, the PRC government implemented mandatory quarantine, closure of work places and facilities, travel restrictions and other relevant measures. We have maintained a sound business performance during most of the time when there was an outbreak of the COVID-19 pandemic in the PRC in 2020. Other than the temporary two-weeks suspension of our back office administrative functions after the Chinese New Year holidays in February 2020 during the initial stage of COVID-19 pandemic in the PRC, none of these measures implemented by the PRC government had negatively affected our business operations subsequently. In 2020, our monthly revenue continued to remain stable at approximately RMB26.7 million to RMB33.9 million from March to December 2020, and we achieved a 57.5% year-on-year growth in our annual revenue for FY2020 as compared to FY2019.

Throughout the pandemic, to reduce the risk of transmission of COVID-19 among our employees, we have adopted a set of carefully designed measures to prevent and control COVID-19, including but not limited to the following:

- *Employee hygiene measures.* We conduct a comprehensive health check on our employees before they resume work to ensure they do not have any potential health issues, such as fever or coughing. For those employees who demonstrate these symptoms, we require them to remain at home for 14 days before further check. We require our employees to carry out social distancing in our work place, measure their body temperature before entering our offices and mining sites, wear masks within our offices and mining sites and regularly sanitise public areas within our premises. We have policy and guideline in place to handle situations of infections among our employees, receiving of medical care and disinfection of workplace.

- *Quarantine measures.* If our employees display any symptoms such as fever, coughing or respiratory discomfort, we require them to visit the hospital and remain quarantined at home or in isolated rooms in the employees' dormitory. If required, we arrange designated personnel to deliver food who are required to wear facial masks and keep three meters' distance from those employees in quarantine.

During the COVID-19 pandemic, we have no employees resigned due to factors caused by the pandemic and there were no suspected or confirmed COVID-19 cases among our employees. Save as disclosed above, during the outbreak of COVID-19, we did not experience any disruption in our supply chain (including the supply of raw materials used in our mining and processing operations) due to the outbreak, and there had been no loss of our major customers and suppliers.

Based on current situation, up to the Latest Practicable Date, our Directors were of the view that the COVID-19 pandemic or the recurrence of which will not have a material adverse impact on the financial position of our Group having considered the following factors:

(i) according to the F&S Report, the outbreak of COVID-19 has mainly affected the gold mining industry in terms of reduced working days as a result of delayed resumption of production by gold mining companies and the restricted supply of raw materials and products, such as explosives, support materials and filing materials due mainly to the traffic control imposed by the PRC government. As a result, gold production in the first quarter of FY2020 in China has fallen by approximately 10.9% or approximately 10.1 tonnes to approximately 82.6 tonnes as compared to the same period in FY2019. However, according to the F&S Report, the outbreak of COVID-19 has led to the rise in gold price. The gold mining industry had accelerated their production after their resumption of operation in order to capture high price and profit, driving the increase in gold production in the following months. Besides, the increase in production capacity of gold mining companies attributable to technology improvement and equipment upgrading also drove the increase of the gold production in China after the first quarter of FY2020. Therefore, according to the F&S Report, the overall gold production in China has only declined slightly by approximately 3.9% from approximately 380.2 tonnes in FY2019 to approximately 365.3 tonnes in FY2020;

(ii) our mining and processing operations continued to operate smoothly and properly during the outbreak of COVID-19 and the gold trading system of the Shanghai Gold Exchange continued to be running smoothly and orderly during this period;

(iii) there had been no loss of our major customers and suppliers since the outbreak of COVID-19 up to the Latest Practicable Date;

(iv) our supply of raw materials used for our production was not materially affected, and we had not encountered any material supply chain disruption in FY2020 and subsequent to the Track Record Period and up to the Latest Practicable Date. In any event, we generally maintain current inventory level of raw materials to fulfil our ore processing operations for the next 30 days. We will replenish our inventories according to our inventory control and management policy, and we will also closely monitor and assess the situation and make prompt and regular enquiries with our major suppliers. We purchased raw materials and consumables from around 40 suppliers in FY2020, which we maintained a list of suppliers comprising multiple suppliers for the same supply of raw materials to ensure we always have available alternative sources of supplies. In the event that there were any disruptions to the supply of raw materials, we will reach out to other local suppliers for the purchase of the relevant raw materials that are required for our production during the interim period; and

(v) the PRC government has taken swift and effective counter measures to successfully control the COVID-19 recurrence and mitigate its impacts and such recurrence affected a limited number of regions in China.

Going forward, we do not believe there is other material impact on our business operations and growth and expansion plans. However, there are many uncertainties related to the COVID-19 pandemic, such as the eventual spread of the virus, the severity and duration of the pandemic and possible further action by governments around the world to contain the virus, and the extent that the COVID-19 directly or indirectly affect our business, results of operation, cash flow and financial condition will also depend on highly unstable and unpredictable future developments. See "Risk factors — Risks relating to the business operations of our Group — Our business operations may be affected by the COVID-19 pandemic and other outbreak of diseases."

COMPETITION

According to the F&S Report, the gold mining industry in the PRC is relatively fragmented as it is dominated by small and medium-sized gold mines. However, the gold mining industry in the Shandong Province is concentrated to five largest gold mining companies. Shandong Province is the largest gold producing province in the PRC with gold mine production volume of approximately 40.3 tonnes, which accounted for approximately 14.9% of the total gold mine production volume in China in 2021, while Yantai city, accounted for approximately 90% of the gold mine production of the Shandong Province in 2021. The top ten PRC gold companies by domestic gold mine production volume collectively accounted for approximately 51.2% of the total gold mine production volume in the PRC in 2021 while the top five gold producers in Shandong Province by gold mine production volume accounted for approximately 89.9% of the total gold mine production in Shandong Province in 2021. According to the F&S Report, our annual gold mine production volume was approximately 0.6 tonnes in 2021, making us the fifth largest gold mining company in the Shandong Province with a market share of 1.6% in terms of mine production volume.

According to the F&S Report, the gold industry is, among others, (i) subject to extensive regulations such as mining licence, safety production licence and environmental protection regulations; and (ii) a capital-intensive industry that requires significant investment for a large number of equipment, land resources, compliance with stringent requirements for safety production and environmental protection; to adopt resource exploration, recycle procedure and merger and acquisition activities to ensure sustainable and sufficient mine reserves; and to invest in advanced technology to cope with the rising difficulty and complexity of gold mining procedure due to the decrease in gold grade and the increase in mining depth. For more information, please refer to the section headed "Industry overview — Entry barriers" in this document.

Since gold is a well-established commodity actively traded on spot and derivative markets, the price of gold is typically determined as a function of the markets as a whole and is not substantially differentiated by products and brands. Therefore, we do not face competition in terms of price differentiation. We primarily compete with nationwide leading gold producers and regional large and medium-sized gold producers in the PRC in terms of our ability to obtain more gold resources and reserves, which is dependent on our financial conditions, technical ability, equipment and machinery and management experience. For more information of our competitive strengths, please refer to the paragraph headed "Competitive strengths" in this section.

SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers and subcontractors of goods and services which were specific to our business and were required on a regular basis to enable us to continue to carry on our business principally included: (i) suppliers of raw materials and consumables such as explosives, steel grinding balls and chemical reagents used in our ore processing operation; (ii) electricity supplier; (iii) suppliers of parts and replacements of machinery; (iv) subcontractors for carrying out mining works comprising demolition, blasting, drilling and excavation works for our Songjiagou Open-Pit Mine and Songjiagou Underground Mine prior to February 2021; (v) subcontractors for carrying out smelting work to refine our gold concentrate into gold bullion of Au99.95; (vi) logistics subcontractors for transportation of ore; and (vii) equipment leasing subcontractors for the leasing of certain drilling equipment. A number of our suppliers and subcontractors during the Track Record Period were individuals, which is common in the industry according to the F&S Report. These individual suppliers and subcontractors are mostly villagers residing near our mining and operations sites who are mainly traders of raw materials and ore transportation service providers, respectively. We have developed more than three years of business relationships with most of these individual suppliers and subcontractors. As these individual suppliers and subcontractors are residing near our mining and operation sites, we can ensure timely delivery of raw materials and services without incurring additional travelling expenses that may be charged by the suppliers and subcontractors.

Our total purchases include purchases of raw materials, utilities, mining subcontracting services, logistics subcontracting services and refining subcontracting services. The following table sets out a breakdown of our total purchases by type of materials or services during the Track Record Period:

	FY2019		**FY2020**		**FY2021**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Suppliers						
Raw materials	23,155	27.3	31,205	35.5	23,634	42.2
Utilities	29,714	35.0	30,042	34.2	19,477	34.8
Subtotal	52,869	62.3	61,247	69.7	43,111	77.0
Subcontractors						
Mining subcontracting	18,454	21.8	13,725	15.6	1,544[(Note)]	2.7
Logistics	6,683	7.9	7,229	8.2	4,964	8.9
Refining subcontracting	6,804	8.0	5,706	6.5	4,067	7.3
Equipment leasing subcontracting costs	—	—	—	—	2,286	4.1
Subtotal	31,941	37.7	26,660	30.3	12,861	23.0
Total	**84,810**	**100.0**	**87,907**	**100.0**	**55,972**	**100.0**

Note: This amount included an under-provision of subcontracting fees in relation to services provided by Liaoyuan Zhuoli in FY2020 despite the mining subcontracting arrangement with it had been terminated since September 2020.

Please refer to the section headed "Financial information — Sensitivity analysis" in this document for a discussion of the fluctuation in our purchases from our suppliers and subcontractors during the Track Record Period.

Apart from compensation of defective products, we generally do not require our suppliers to provide any after-sales warranty except for spare parts for equipment and machinery, which our suppliers generally provide us with product warranties for a term of six months. We usually settle payments to a majority of our suppliers within 30 to 90 days from the date of invoices.

Raw materials

While the principal raw materials for our operation is the ore extracted from our Songjiagou Open-Pit Mine and Songjiagou Underground Mine, we procure raw materials and consumables, which mainly include explosives used in our mining operations and steel grinding balls and chemical reagents used during our ore processing operation. All of these materials and consumables are sourced from suppliers in the PRC. During the Track Record Period, our costs of purchases of raw materials and consumables amounted to approximately RMB23.2 million, RMB31.2 million and RMB23.6 million, respectively, accounted for approximately 27.3%, 35.5% and 42.2%, of our total cost of purchases, respectively. We require the quality of our raw materials and consumables to meet industry and national standards. Our suppliers generally deliver raw materials and consumables to our designated locations.

The following summarises the salient terms of the purchase contracts with our suppliers for the purchase of raw materials and consumables:

- ***Contract price and payment***. The products shall be sold at the agreed unit price as set out in the contract. Payments for the purchases shall be settled within a period ranging from 30 to 60 days from the date of the relevant invoices by way of bank transfer or bank drafts.

- ***Term***. Generally for a fixed term of one year.

- ***Scope***. The suppliers shall provide raw materials and consumables in accordance with the required standards as set out in the contract.

- ***Suppliers' obligations***. The raw materials and consumables shall meet the agreed quality standards as set out in the contract and the applicable industry regulations. The suppliers shall deliver the raw materials and consumables to us at their own delivery costs.

- ***Warranty & indemnity***. For defective products, the suppliers are generally required to compensate us with the same kind of raw materials and consumables.

- ***Termination***. No provision on termination rights of either parties is set out in the contract.

- ***Renewal***. The contract does not set out any renewal clause.

Utilities

We entered into an agreement with Supplier A, a local electricity supplier, to procure electricity for our operations. Our Directors consider that the price is comparable to the market rates that the electricity supplier charges other electricity users. The contract is for a term of five calendar years. For further details, please refer to the paragraph headed "Our operations — Power supply" in this section.

Parts and replacements of machinery

We have sourced parts and replacements of machinery for our mining and ore processing operations from Independent Third Party suppliers in the PRC for maintenance of our production machinery and equipment at market prices. For details of our mining and production equipment, please refer to the paragraph headed "Our operations — Production machinery and equipment" in this section.

Major suppliers

We maintain an approved supplier list and make procurements only through the suppliers that are on our list. Pursuant to our procurement policy, we invite qualified suppliers to submit tenders and all tenders must be submitted in writing. The tender documents, including tenders' business licences as well as specifications and selection of their products, are examined by our management and procurement officers. Our management and procurement officers consider various factors including the suppliers' qualifications, track record, quality, service and costs, among other factors. During the Track Record Period, all of our supplies were sourced locally in the PRC.

We seek to maintain long-term business relationships with suppliers, many of whom have business relationships with us for over four years. For further details on background information of our five largest suppliers during the Track Record Period, please see the paragraph headed "Background information of our top five suppliers during the Track Record Period" in this section. To effectively manage our risks associated with the price fluctuations of our raw materials, consumables, parts and replacements of machinery, we analyse the consumption and other data of major raw materials, consumables, parts and replacements of machinery, carry out research on market trends, and prepare annual procurement budgets. We endeavour to strictly implement the tendering process in our procurement system and optimise the level of our inventories, which in turn improves our cost management and efficiency. Most of the raw materials, consumables, parts and replacements of machinery used by us are readily available from multiple suppliers and can be sourced at competitive market prices. Therefore we do not rely on any particular supplier for any particular item. During the Track Record Period, we did not encounter any material disruption to our business as a result of shortage or delay in the supply of raw materials, consumables, utilities, parts and replacements of machinery.

During the Track Record Period, purchases from our five largest suppliers amounted to approximately RMB42.7 million, RMB45.5 million and RMB29.7 million, respectively, accounted for approximately 50.4%, 51.8% and 53.1% of our total purchases. Purchases from our largest supplier amounted to approximately RMB29.5 million, RMB29.6 million and RMB19.2 million, respectively, for the same period, accounted for approximately 34.8%, 33.7% and 34.3% of our total purchases.

The tables below set forth the breakdown of our purchases from our five largest suppliers in each of the years during the Track Record Period:

For the year ended 31 December 2019

Rank	**Supplier**	**Business relationship since year**	**Products supplied to us**	**Credit term and payment method**	**Purchase**	**Approximate % of our Group's total purchases**
					RMB'000	*%*
1	Supplier A	2015	Electricity	15 days from the end of the calendar month and bank transfer	29,491	34.8
2	煙台市瑞合金屬製品有限公司 (Yantai Ruihe Metal Product Co., Ltd*) and its associated companies ("**Yantai Ruihe Group**")	2016	Steel grinding balls	Two months from the date of invoice and bank transfer and bank acceptance bills	3,732	4.4
3	煙台曼之瑞國際貿易有限公司 (Yantai Manzhirui International Trading Co., Ltd*) ("**Yantai Manzhirui**")	2019	Crushing equipment	Ten days from the end of the calendar month and bank transfer and bank acceptance bills	3,666	4.3
4	安徽省當塗縣鋼球廠 (Anhui Dangtu Steel Grinding Balls Factory*) ("**Anhui Dangtu**")	2017	Steel grinding balls	Two months from the date of invoice and bank acceptance bills	3,656	4.3
5	Supplier B	2011	Diesel	Upon delivery and bank transfer	2,177	2.6
	Total				42,722	50.4

For the year ended 31 December 2020

Rank	Supplier	Business relationship since year	Products supplied to us	Credit term and payment method	Purchase	Approximate % of our Group's total purchases
					RMB'000	*%*
1	Supplier A	2015	Electricity	15 days from the end of the calendar month and bank transfer	29,582	33.7
2	Yantai Manzhirui	2019	Crushing equipment	Ten days from the end of the calendar month and bank transfer and bank acceptance bills	6,103	6.9
3	Yantai Ruihe Group	2016	Steel grinding balls	Two months from the date of invoice and bank transfer and bank acceptance bills	4,502	5.1
4	Anhui Dangtu	2017	Steel grinding balls	Two months from the date of invoice and bank transfer and bank acceptance bills	3,311	3.8
5	Supplier C	2019	Diesel	Upon delivery and bank transfer	2,004	2.3
	Total				45,502	51.8

For the year ended 31 December 2021

Rank	Supplier	Business relationship since year	Products supplied to us	Credit term and payment method	Purchase	Approximate % of our Group's total purchases
					RMB'000	%
1	Supplier A	2015	Electricity	15 days from the end of the calendar month and bank transfer	19,222	34.3
2	Yantai Manzhirui	2019	Crushing equipment	Ten days from the end of the calendar month and bank transfer	3,034	5.4
3	山東魯豐石油有限責任公司 (Shandong Lufeng Petroleum Co., Ltd.*)	2021	Diesel	Upon delivery and bank transfer	2,933	5.2
4	Yantai Ruihe Group	2016	Steel grinding balls	Payment upon the receipt of invoice and bank transfer	2,547	4.6
5	山東聖世達化工有限責任公司 (Shandong Shengshida Chemical Co., Ltd.*)	2021	Explosives	Two months from the date of delivery and bank transfer	1,997	3.6
	Total				29,733	53.1

Background information of our top five suppliers during the Track Record Period

Supplier A, a branch of a collectively-owned enterprise established in the PRC in November 1991, which is primarily engaged in the business of electricity supply. As at the Latest Practicable Date, Supplier A was wholly-owned by a state-owned enterprise based in the Shandong Province, which has 136 subordinate organisations in the Shandong Province and supplied electricity to approximately 49.2 million customers in the PRC.

Yantai Ruihe Group comprises 煙台市瑞合金屬製品有限公司 (Yantai Ruihe Metal Product Co. Ltd.*) ("**Yantai Ruihe**") and its associated companies, 煙台市牟平區百瑞礦產品銷售有限公司 (Yantai Muping Bairui Mining Supplies Sales Co. Ltd.*) ("**Yantai Bairui**") and 牟平區寶能礦山機械配件經銷處 (Muping Baoneng Mining Machinery Accessories Sales Centre*) ("**Muping Baoneng**"). Yantai Ruihe is a limited liability company established in the PRC in May 2015 with a registered capital of RMB0.1 million, is primarily engaged in the business of processing, wholesale and retail of steel grinding balls. Yantai Bairui is a limited liability company established in the PRC in February 2020 with a registered capital of RMB100,000, which is principally engaged in the sale of mining supplies. Muping Baoneng is an individual industrial and commercial household established in the PRC in August 2019, which is principally engaged in the sale of mining machinery accessories, hardware products and mechanical and electrical equipment. As at the Latest Practicable Date, Yantai Ruihe was wholly-owned by an Independent Third Party individual, who was controlling Yantai Bairui and Muping Baoneng, respectively.

Yantai Manzhirui, a limited liability company established in the PRC in December 2018 with a registered capital of RMB1.0 million, is primarily engaged in the sales of mining and construction machinery and other machinery and equipment. As at the Latest Practicable Date, Yantai Manzhirui was wholly-owned by an Independent Third Party individual.

Anhui Dangtu, a collectively-owned enterprise established in the PRC in August 1989 with a registered capital of RMB0.3 million, is primarily engaged in the business of processing, manufacturing, and sales of ordinary carbon steel balls, castings, and casting of alloy steel balls. As at the Latest Practicable Date, Anhui Dangtu was wholly-owned by Chawan Town Council of Dangtu County of the PRC.

Supplier B is a branch established in March 2001 by a joint stock limited company established in the PRC in November 1999, which is primarily engaged in the business of retail of gasoline and diesel. The shares of the company are listed on the New York Stock Exchange, the Shanghai Stock Exchange and the Stock Exchange. According to the interim report of the company for the six months ended 30 June 2021, the group generated revenue of approximately RMB1,196,581 million and net profit of approximately RMB53,037 million for the first half of 2021.

Supplier C is a limited liability company established in the PRC in August 2000 with a registered capital of RMB150.0 million, which is primarily engaged in the production and operation of hazardous chemicals, refining of oil and manufacturing of special equipment for chemical production, petroleum products and lubricants. As at the Latest Practicable Date, Supplier C was owned as to approximately 40% by an Independent Third Party individual, 26.7% by a limited liability company established in the PRC which is principally engaged in the production and sales of polypropylene and related products and owned by five Independent Third Party individuals, and the remaining equity interests by four Independent Third Party individuals.

山東魯豐石油有限責任公司 (Shandong Lufeng Petroleum Co., Ltd.*) is a limited liability company established in the PRC in November 2019 with a registered capital of RMB10.0 million, which is primarily engaged in the wholesale of diesel, fuel, industrial white oil, crude white oil, asphalt and light circulating oil. As at the Latest Practicable Date, it was wholly-owned by two Independent Third Party individuals.

山東聖世達化工有限責任公司 (Shandong Shengshida Chemical Co., Ltd.*) is a limited liability company established in the PRC in March 2000 with a registered capital of RMB20.0 million, which is primarily engaged in the manufacturing and the sales of hardware products, plastic products, mining machineries, the production and sale of explosives and the operation of hazardous chemical business. As at the Latest Practicable Date, it was owned as to approximately 99.8% by a company whose shares are listed on the Shenzhen Stock Exchange and approximately 0.2% by an individual, both were Independent Third Parties.

All of our major suppliers during the Track Record Period were Independent Third Parties. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their close associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers.

During the Track Record Period, we had not experienced any material shortage or delay of service supply due to defaults of supplies from our suppliers. Our Directors confirmed that none of our suppliers was our customer during the Track Record Period.

Subcontractors

In line with the industry practice in the PRC, we outsource refining and logistics to qualified subcontractors, as well as lease certain drilling equipment from equipment leasing subcontractor to support our mining operations. Prior to February 2021, we also outsourced a substantial portion of our mining works comprising demolition, blasting, drilling and excavation works to qualified subcontractors. Engagement of subcontractors enables us to achieve better cost controls, reduce our capital expenditures and operating cash costs and minimise our exposure to operational risks associated with labour and safety. We believe that the services provided by our subcontractors are common in the market, and it would not be difficult for us to find alternative subcontractors to provide similar services on terms comparable with those between our existing subcontractors and us.

The table below sets forth the number of our subcontractors by major activities as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
Mining activities	2	2	3
Refining	2	2	1
Logistics	37	63	71
Equipment leasing	—	—	1
Total	41	67	76

During the Track Record Period, purchases from our five largest subcontractors amounted to approximately RMB25.5 million, RMB19.7 million and RMB8.0 million, respectively, accounted for approximately 30.0%, 22.4% and 14.4% of our total purchases. Purchases from our largest subcontractor amounted to approximately RMB10.1 million, RMB9.0 million and RMB4.1 million, respectively, for the same period, accounted for approximately 11.9%, 10.2% and 7.3% of our total purchases.

Mining activities

Prior to February 2021, we outsourced substantially all of our mining works comprising demolition, blasting, drilling and excavation works to two mining subcontractors in the Shandong Province, namely Liaoyuan Zhouli and Shandong Zhangjian to provide mining works at our Songjiagou Open-Pit Mine and Songjiagou Underground Mine, respectively. We require these subcontractors to be a qualified mine construction company holding the requisite production safety licences. During FY2020, we decided to carry out the mining works ourselves, seeking to reduce our cost of mining. As such, we have terminated the mining subcontracting arrangement with Liaoyuan Zhouli in September 2020 and Shandong Zhangjian in January 2021, respectively. In 2021, we subcontract blasting engineering works in respect of our Songjiagou Underground Mine to an Independent Third Party.

Salient terms of the contracts with subcontractors in respect of mining works

The following summarises the salient terms of the contracts with our subcontractors in respect of mining works prior to February 2021:

- ***Contract price and payment***. Agreed charges ranging from RMB4.2 per tonne to RMB4.8 per tonne in relation to our Songjiagou Open-Pit Mine and an agreed fixed charge of approximately RMB100 per tonne in relation to our Songjiagou Underground Mine, subject to adjustment according to the grade of ore extracted. The charges are paid on a monthly basis.

- ***Term***. Fixed term, generally for one to three years.

- ***Scope***. The subcontractor shall provide, among other things, demolition, blasting, drilling and excavation works in accordance with the relevant PRC laws and regulations. In general, our subcontractors are responsible for purchasing explosive materials required for blasting works.

- ***Subcontractors' obligations***. The mining works must meet our quality standards and the subcontractor must comply with the standards and requirements as set out in the contract. The performance and conduct of the subcontractor is also subject to the supervision of our personnel. The subcontractor shall be responsible for all risks and losses associated with any accidents and quality issues arising from the works carried out by the subcontractor.

- ***Warranty and indemnity***. The subcontractor shall compensate us for any losses suffered by us due to any quality issues of the subcontracting works.

- ***Termination***. We may terminate the contract by serving prior written notice to the subcontractor.

- ***Renewal***. The contract does not set out any renewal clause.

Refining works

During the Track Record Period, we have engaged two Independent Third Party subcontractors, namely Shandong Guoda and Shandong Humon for the smelting and refining of gold concentrate produced by us into gold bullion of Au99.95. It usually takes around one day to refine gold concentrate into gold bullion of Au99.95.

Salient terms of the contracts with subcontractors in respect of refining works

The following summarises the salient terms of the contracts with our subcontractors in respect of refining works:

- ***Contract price and payment***. Prior to October 2021, the agreed processing charges ranging from RMB100 per tonne to RMB150 per tonne of gold concentrate for processing, subject to adjustments due to impurities found in our gold concentrate. Such processing charges were determined after considering, among other factors, gold grade and recovery rate of gold contrate, as well as the value of by-products (such as sulfuric acid in gold concentrate) generated during the smelting process which will not be separately accounted for. Since October 2021, in view of the significant increase in price of sulfuric acid, we renegotiated with our refining subcontractors to receive a separate compensation for sulfuric acid generated during the smelting process at RMB140 per tonne to RMB150 per tonne of gold concentrate processed. At the same time, the refining processing charges has been revised to RMB200 per tonne to RMB220 per tonne.

- ***Term***. Valid for an indefinite period until terminated.

- ***Scope***. The subcontractors shall refine the gold concentrate produced by us in accordance with the gold recovery rate as set out in the contract. The subcontractors shall bear the delivery cost of delivering the gold concentrate from our ore processing plant to the gold smelters.

- ***Subcontractors' obligations***. Both parties shall take a sample from each batch of gold concentrate being delivered to the subcontractors for refining with an extra sample being kept for a third-party assessment, the result of which shall, in case of any material discrepancies in the gold content of our gold concentrate, be final and conclusive. The refining work of the subcontractors must meet the gold recovery rate according to the gold content of our gold concentrate as set out in the contract.

- ***Warranty and indemnity***. No warranties or indemnities are provided in the contract.

- ***Termination***. No provision on termination rights of either parties is set out in the contract.

- ***Renewal***. No renewal clause is set out in the contract.

Logistics works

During each year of the Track Record Period, engaged up to around 70 Independent Third Party subcontractors, who are mostly individuals or local villagers in the Shandong Province for the provision of transportation services to transport ore and waste rocks from our Songjiagou Open-Pit Mine and Songjiagou Underground Mine to our ore processing plant. In 2021, we also engaged an Independent Third Party subcontractor for the provision of transportation services to transport explosives from our suppliers to our mines. We did not engage logistics contractors for transporting gold concentrate from our ore processing plant to the smelters as the smelters are responsible for such transportation.

Salient terms of the contracts with subcontractors in respect of logistics works

The following summarises the salient terms of the contracts with our subcontractors for the logistics works:

A. ***Ore and waste rocks transportation***

- ***Contract price and payment***. Agreed fixed charges of RMB4.0 per tonne. The charges are paid on a monthly basis by way of bank transfers.
- ***Term***. Generally for a fixed term of one year.
- ***Scope***. The subcontractors shall transport the ore and waste rocks extracted from our mining sites to our ore processing plant or other designated location.
- ***Subcontractors' obligations***. The subcontractors shall ensure the logistics works are carried out in a safe and lawful manner and they shall be responsible for over-loadings, traffic accidents, administrative proceedings, safety accidents, personal injuries and loss of properties.
- ***Warranty and indemnity***. No warranties or indemnities are provided in the contract.
- ***Termination***. No provision on termination rights of either parties is set out in the contract.
- ***Renewal***. Automatically renewed upon expiry of the contract.

B. ***Explosives transportation***

- ***Contract price and payment.*** Agreed fees of RMB12,000 per vehicle per month and RMB4,360 per driver per month. The charges are paid on a monthly basis by way of bank transfers.
- ***Term.*** Generally for a fixed term of one year.
- ***Scope.*** The subcontractor shall provide two prescribed vehicles with two qualified drivers.

- ***Subcontractors' obligations.*** The subcontractor shall ensure it has the relevant licences or permits and insurance, as well as compliance with the relevant laws and regulations for the delivery of dangerous items.

- ***Warranty and indemnity.*** No warranties or indemnities are provided in the contract.

- ***Termination.*** The contract will be terminated if there is any change in government policy or force majeure event, or due to the subcontractor no longer having the relevant licences or permits to deliver dangerous items or any reasons caused by our Group that render contract cannot be performed one month after the date of execution of the contract.

- ***Renewal.*** No provision on renewal of contract after the fixed term of one year.

Equipment leasing

In 2021, we have leased drilling equipment from an Independent Third Party equipment leasing subcontractor to support our mining operations.

Salient terms of the contract with equipment leasing subcontractor

The following summaries the salient terms of the contract with our equipment leasing subcontractor for the leasing of drilling equipment:

- ***Contract price and payment.*** Agreed fees of RMB29 per metre drilled. The charges are paid on a monthly basis by way of bank transfers.

- ***Term.*** Generally for a fixed term of one year.

- ***Scope.*** The subcontractor shall lease the whole set of the drilling equipment and provide regular maintenance services for wear and tear.

- ***Subcontractors' obligations.*** The subcontractor shall be responsible to replace any spare parts and bear the fuel costs to ensure the drilling equipment can function normally. The subcontractor shall provide technician to guide and supervise the usage of such drilling equipment.

- ***Warranty and indemnity.*** No warranties or indemnities are provided in the contract.

- ***Termination.*** No provision on termination rights of either parties is set out in the contract.

- ***Renewal.*** Our group shall give first right of refusal to renew the contract upon expiry based on same terms and conditions.

Our Group considers the market for such third party logistics subcontractors to be competitive, which can be replaced with other third party subcontractors in the market offering similar services at similar terms and fees.

Selection and management of subcontractors

In general, we select subcontractors through a selective tendering process taking into account the subcontractors' competence, qualification, expertise and experience. We require candidates to provide their licencing record and information on their previous engagement in the relevant works, enabling us to evaluate their technical know-how, management competence and financial condition to determine whether they are able to perform the outsourced works. Based on the review of the candidates and the materials submitted by them, we negotiate commercial terms with them and make the final decision.

All of our subcontractors must possess the requisite qualifications for undertaking the works for which they are commissioned. During the Track Record Period, to the best knowledge of our Directors, each of our subcontractors held all necessary qualifications for them to provide the relevant services to us.

We assign technical personnel to conduct daily on-site supervision of our subcontractors, which ranges from reviewing engineering quality and quantifying mineral losses and depletion to supervising and managing the process, ensuring that they operate in accordance with the technical specifications of our project and industry standards. We require our subcontractors to comply with the applicable laws and regulations in respect of safety and environmental protection and to hold the requisite permits and licences.

In the event we find deficiencies in our subcontractors' work or safety management, we would provide rectification directives to such subcontractors and require them to take corrective measures. In the event that we discover any significant safety hazards in the safety management of our subcontractors, we are entitled to suspend their work and require them to pay penalties for breaching our internal control policies. In addition, we require our subcontractors to purchase insurances for their employees and properties and to provide physical check-ups for their employees.

We have more than two years of relationship with a majority of our subcontractors. For further details on background information of our five largest subcontractors during the Track Record Period, please see the paragraph headed "Background information of our top five subcontractors during the Track Record Period" in this section. During the Track Record Period, our Directors confirmed that we had not experienced any material dispute with our subcontractors or any suspension or delay of operations as a result of subcontractors' safety issue.

The tables below set forth the breakdown of our purchases from our five largest subcontractors in each of the years ended during the Track Record Period:

For the year ended 31 December 2019

Rank	Subcontractor	Business relationship since year	Services provided to us	Credit term and payment method	Purchases	Approximate% of our Group's total purchases
					RMB'000	%
1	Shandong Zhangjian	2017	Mining works at our Songjiagou Underground Mine	Ten days from the end of the calendar month and bank transfer	10,080	11.9
2	Liaoyuan Zhuoli	2018	Mining works at our Songjiagou Open-Pit Mine	7 days from the date of invoice and bank transfer and bank acceptance bills	8,374	9.9
3	Shandong Guoda	2017	Refining services	Prepayment and bank transfer and bank acceptance bills	3,736	4.4
4	Shandong Humon	2008	Refining services	Ten days from the date of delivery and bank transfer	3,068	3.6
5	Wang Hongwu (王洪武)	2017	Logistics services	60 days from the end of month and cheque	222	0.2
	Total				25,480	30.0

For the year ended 31 December 2020

Rank	Subcontractor	Business relationship since year	Services provided to us	Credit term and payment method	Purchases	Approximate% of our Group's total purchases
					RMB'000	%
1	Shandong Zhangjian	2017	Mining works at our Songjiagou Underground Mine	Ten days from the end of the calendar month and bank transfer	8,992	10.2
2	Shandong Guoda	2017	Refining services	Prepayment and bank transfer and bank acceptance bills	5,317	6.0
3	Liaoyuan Zhuoli	2018	Mining works at our Songjiagou Open-Pit Mine	7 days from the date of invoice and bank transfer	4,733	5.4
4	Shandong Humon	2008	Refining services	Ten days from the date of delivery and bank transfer	389	0.4
5	Wang Qingsong (王青松)	2017	Logistics services	60 days from the end of month and cheque	281	0.3
	Total				19,712	22.4

For the year ended 31 December 2021

Rank	Subcontractor	Business relationship since year	Services provided to us	Credit term and payment method	Purchases	Approximate% of our Group's total purchases
					RMB'000	%
1	Shandong Guoda	2017	Refining services	Prepayment and bank transfer	4,067	7.3
2.	煙台海泰機械租賃有限公司 (Yantai Haitai Machinery Leasing Co., Ltd.*)	2021	Drilling equipment rental services	7 days from the date of invoice and bank transfer	2,286	4.1
3	Shandong Zhangjian	2017	Mining works at our Songjiagou Underground Mine	Ten days from the end of the calendar month and bank transfer	809	1.4
4	Liaoyuan Zhuoli	2018	Mining works at our Songjiagou Open Pit Mine	7 days from the date of invoice and bank transfer	519	0.9
5	河南八達平安運輸有限公司 (Henan Bada Pingan Transportation Co., Ltd.*)	2021	Transportation services of explosives	10 days from the end of month and bank transfer	366	0.7
	Total				8,047	14.4

Background information of our top five subcontractors during the Track Record Period

Shandong Zhangjian, a limited liability company established in the PRC in June 2006 with a registered capital of approximately RMB66.0 million, is primarily engaged in the business of underground and open-pit mining works, mining construction, earthmoving, tunnelling, culvert engineering in accordance with qualifications; sales of mineral products; development of mining technology, enterprise management consulting services; and engineering of mechanical and electrical installation for construction. As at the Latest Practicable Date, Shandong Zhangjian was owned by two Independent Third Party individuals.

Liaoyuan Zhuoli, a limited liability company established in the PRC in October 2001 with a registered capital of RMB17.0 million, is primarily engaged in manufacturing of emulsified explosives; manufacturing of chemical products (excluding dangerous chemical articles that are flammable or explosive); manufacturing of packaging products; and design and construction. As at the Latest Practicable Date, Liaoyuan Zhuoli is owned as to 80% by 中國葛洲壩集團易普力股份有限公司 (China Gezhuoba Group Yipuli Co., Ltd.*), which in turn is a subsidiary of 中國葛洲壩集團股份有限公司 (China Gezuoba Group Co., Ltd.), a company that was listed on the Shanghai Stock Exchange (stock code: 600068.SS) prior to its cancellation of listing upon the completion of a share swap and merger with China Energy Engineering Corporation Limited (a joint stock company listed on the Stock Exchange (stock code: 3996.HK) and the Shanghai Stock Exchange (stock code: 601868.SS)), and 20% by 遼源礦業(集團)有限責任公司 (Liaoyuan Mining Group Co., Ltd.*) which is indirectly wholly owned by the State-Owned Assets Supervision and Administration Commission of the PRC of Jilin Province.

Wang Hongwu (王洪武) is an Independent Third Party individual subcontractor for transportation of ore based in the PRC.

Wang Qingsong (王青松) is an Independent Third Party individual subcontractor for transportation of ore based in the PRC.

煙台海泰機械租賃有限公司 (Yantai Haitai Machinery Leasing Co., Ltd.*) is a limited liability company established in the PRC in October 2021 with a registered capital of RMB700,000, which is primarily engaged in the leasing of construction machineries and equipment and earthwork construction. As at the Latest Practicable Date, it was wholly-owned by two Independent Third Party individuals.

河南八達平安運輸有限公司 (Henan Bada Pingan Transport Co., Ltd.*) is a limited liability company established in the PRC in November 2006 with a registered capital of RMB1.0 million, which is primarily engaged in the provision of road transportation services. As at the Latest Practicable Date, it was wholly-owned by two Independent Third Party individuals.

All of our major subcontractors during the Track Record Period were Independent Third Parties. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their close associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest subcontractors. Please also refer to the paragraph headed "Sales and customers — Our relationships with Shandong Guoda and Shandong Humon" in this section for the background information of Shandong Guoda and Shandong Humon.

During the Track Record Period, we had not experienced any material shortage or delay of supply due to defaults of our subcontractors. Please see the section headed "Risk factors — Risks relating to the business operations of our Group — Our operations may face risks in relation to production delays and increased production costs resulting from design defects, production safety and occurrence of accidents" in this document for further details. Save as disclosed in the paragraph headed "Major customers who are also our subcontractors" in this section, our Directors confirmed that none of our subcontractors was our customer during the Track Record Period.

INVENTORY MANAGEMENT

Our inventories mainly include gold concentrate, ore stockpile and raw materials. We manage our inventories by monitoring the inventory levels by expected demand and our production plan. Our production manager maintains perpetual records for all major types of supplies to facilitate the obsolescence provision analysis and coordinates physical inventory counts. Our mining manager reconciles sub-ledgers of the inventory records to the general ledger on a monthly basis, and calculates the provision for obsolescence on a quarterly basis.

To manage our raw ore, we require our mine operations to maintain perpetual inventory records. Our chief geologist or engineer determines the grade in raw ore to enable a net realisable value calculation. Our site controller ensures that all direct and mining department costs are properly allocated to raw ore and that all inventory-related transactions are completely and accurately reported. Our site controller also completes impairment tests on raw ore quarterly and our financial manager reviews and approves impairment adjustments.

QUALITY CONTROL

As a gold mining and production company, quality control is crucial to our operations. We have established a stringent quality control system to ensure the quality of our products throughout the mining and ore processing stages. To ensure our refining subcontractors deliver quality works, we take a sample from each batch of gold concentrate being delivered to them for refining with an extra sample being kept for a third-party assessment, the result of which shall, in case of any material discrepancies in the gold content of our gold concentrate, be final and conclusive. They have also contractually agreed that their refining works must meet the gold recovery rate according to the gold content of our gold concentrate as specified by us in the refining services agreement. During the Track Record Period, we did not receive any material complaints due to quality issues of our products.

With respect to mining and ore processing, we implement a comprehensive quality control system to monitor the quality at each key stage of mining and ore processing. We establish specific guidelines for the size of ore mined and the mining process to manage the quality of ores mined. Ores mined from each of our Songjiagou Open-Pit Mine and Songjiagou Underground Mine are sample-tested at our laboratories to monitor the grade of the ore. We designate competent and experienced managerial personnel to supervise our mining and ore processing activities.

We provide quality and technical specifications to suppliers and generally require suppliers to provide warranty for the supplies we procure. We inspect the physical conditions and the quantities received of each shipment of raw materials, consumables, parts and replacement before accepting the shipments into our inventory. We engage subcontractors for certain parts of the operation and we require all these subcontractors to meet our qualification requirements and conduct their operations in accordance with our internal standards, industry standards and the relevant PRC laws and regulations. We routinely supervise and regularly inspect their works to ensure their works are undertaken in accordance with our quality standards. We conduct quality inspections when they have completed the works before we accept their works.

AWARDS AND RECOGNITIONS

The following table sets out our achievements over the years:

Award/recognition	Year/period	Issuer
Advanced Taxpayer Enterprise of the Region in 2012 (2012年度全區納稅先進企業)	February 2013	Government authority of Muping District in Yantai city
Advanced Taxpayer Enterprise of the Region in 2013 (2013年度全區納稅先進企業)	February 2014	Government authority of Muping District in Yantai city
The Advanced Unit in Production Safety at the District Level (年度區級安全生產工作先進單位)	February 2014	Government authority of Muping District in Yantai city
Advanced Taxpayer Enterprise of the Region in 2014 (2014年度全區納稅先進企業)	February 2015	Government authority of Muping District in Yantai city
Advanced Taxpayer Enterprise of the Region in 2015 (2015年度全區納稅先進企業)	February 2016	Government authority of Muping District in Yantai city
Advanced Taxpayer Enterprise of the Region in 2017 (2017年度全區納稅先進企業)	February 2018	Government authority of Muping District in Yantai city
Outstanding Taxpayer Enterprise of the Region in 2018 (2018年度全區納稅優秀企業)	February 2019	Government authority of Muping District in Yantai city
Advanced Taxpayer Unit (納稅先進單位)	February 2019	Government authority of Wanggezhuang Town
Outstanding Taxpayer Enterprise of the Region in 2019 (2019年度全區納稅優秀企業)	March 2020	Government authority of Muping District in Yantai city
High-tech Enterprise (高新技術企業)	December 2020	Department of Science and Technology of Shandong, Department of Finance of Shandong and Tax Department of Shandong
Star Taxpayer Enterprise of the Region in 2020 (2020年度全區納稅明星企業)	March 2021	Government authority of Muping District in Yantai City

RESEARCH AND DEVELOPMENT

During the Track Record Period, we carried out a number of research and development projects ourselves, and we engaged an Independent Third party company to conduct research to improve our ore processing efficiency by preventing blockage during ore processing and to design screening plates to improve the efficiency of screening. Our research and development projects mainly focus on improving our production process, ore concentrate processing efficiency, precision of ore selection to reduce production cost and to improve safety protection to reduce safety risks at our mining facilities and equipment.

Our research and development projects are mainly carried out by our technical team, comprised four mining operations engineers and six geologists as at the Latest Practicable Date, a majority of whom hold a bachelor's degree. On average, our technical team members have over 15 years of experience in mining related industries. During the Track Record Period, our technical team had developed a number of mining related softwares such as blasting supervision dynamic control software, 3D scene reproduction and visualisation management system, online safety monitoring and controlling system of our tailings dam, open truck digital dispatching system and 3D mine surveying integrated information management software, and a number of devices for use in our mines, such as devices for precise measurement of tailings, strengthening the stability of rocky slopes, monitoring of rockfalling in an open-pit mines and testing of filling materials in underground mines. Due to the research and development efforts of our technical team, we have successfully developed one invention and 15 utility models. As at the Latest Practicable Date, we had filed and registered these softwares, invention and utility models in the PRC. For further details, please see the section headed "Statutory and general information — B. Further information about our business — 2. intellectual property rights of our Group" in Appendix V to this document. For FY2019, FY2020 and FY2021, we have recognised research and development expenses of nil, approximately RMB4.9 million and RMB5.0 million, respectively. Our research and development costs are charged to our statements of profit and loss as incurred.

INSURANCE

As at the Latest Practicable Date, we maintained the following insurance policies:

(a) property insurance;

(b) machinery and equipment insurance;

(c) employer liability insurance; and

(d) work safety liability insurance.

We maintain insurance policies that are required under the PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. Our Directors consider that our existing insurance coverage is sufficient for our present operations and in line with the industry practice in the PRC.

During the Track Record Period, our total insurance expenses amounted to approximately RMB0.4 million, RMB0.4 million and RMB0.5 million, respectively. During the Track Record Period and up to the Latest Practicable Date, no material claims had been made in respect of any insurance policies maintained by members of our Group.

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, we had registered one trademark each in the PRC and Hong Kong, and registered one patent for invention, 15 patents for utility models, five software copyrights and one art copyright in the PRC. We had also registered two domain names www.sinogoldresources.com and www.zj-mining.cn, and applied for registration of a trademark in the PRC. For further details, please see the section headed "Statutory and general information — B. Further information about our business — 2. Intellectual property rights of our Group" in Appendix V to this document.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any dispute or infringement of intellectual properties. As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us and we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the material infringement of any intellectual property rights of third parties that would have a material and adverse effect on our business.

PROPERTIES

Owned land and buildings

As at the Latest Practicable Date, we owned one parcel of land in the PRC covering a site area of approximately 3,306.6 sq.m. (the "**Owned Land**") and certain buildings constructed on the Owned Land ("**Owned Buildings**") with a total GFA of approximately 2,737.3 sq.m. for the mining and production operations and ancillary activities of our Songjiagou Underground Mine. As at the Latest Practicable Date, details of the land use right in respect of the Owned Land and the usages of the Owned Buildings are set out in the tables below:

Owned Land

Owner	Location	Total site area *(sq.m.)* *(approximately)*	Nature	Expiry date of land use right
Yantai Zhongjia	South of Tanjia Village Shandong Province, PRC (中國山東省譚家村南)	3,306.6	Mining	25 August 2069

Owned Buildings

As at the Latest Practicable Date, we owned 15 buildings erected on our Owned Land, with an aggregate GFA of approximately 2,737.3 sq.m.. These buildings were used by us for administrative purpose, including office, dormitory and staff canteen, and for ancillary mining activities, including maintenance plant, car wash and waster holding facility, winding tower and air compressor room among others.

Leased land and buildings

As at the Latest Practicable Date, we leased (i) 11 parcels of collectively-owned land, of which nine parcels are rural land collectively owned by villagers (the "**Collectively-owned Rural Land**") and two parcels are construction land collectively owned by villagers (the "**Collectively-owned Construction Land**"), for our Songjiagou Open-Pit Mine site ancillary mining operations and administrative use, details of which are set out in the table below:

No.	Location	Total site area/GFA *(sq.m.)* *(approximately)*	Lessor	Land nature	Rental	Usage by our Group	Lease period
Leased land							
1.	Southwest of Fayunkuang Village, Shandong Province, PRC (中國山東省發雲夼村西南山小馬後夼地段) *(Note 1)*	206,667.7	Dahedong	Collectively-owned Rural Land	A one-off payment of RMB8,990,000	Mining area of Songjiagou Open-Pit Mine	September 2007 to September 2027 *(Note 2)*
2.	South and southeast of Songjiagou Village, Shandong Province, PRC (中國山東省宋家溝村南及東南山地段) *(Note 1)*	106,667.2	Dahedong	Collectively-owned Rural Land	A one-off payment of RMB3,744,000	Mining area of Songjiagou Open-Pit Mine	September 2007 to September 2027 *(Note 2)*
3.	West of Qiansongjiao Village, Shandong Province, PRC (中國山東省前松椒村西土地)	667.0	Qiansongjiao Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively-owned Construction Land	An annual rental fee of RMB20,000 *(Notes 3 and 6)*	Office	August 2012 to July 2032 *(Note 2)*

No.	Location	Total site area/GFA *(sq.m.)* *(approximately)*	Lessor	Land nature	Rental	Usage by our Group	Lease period
4.	Southeast of Dahedong Village, Shandong Province, PRC (中國山東省大河東村東南地帶)	270,001.4	Dahedong Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively-owned Rural Land	RMB18,630,000 (paid in two instalments)	Tailings dam	March 2010 to February 2030 *(Note 2)*
5.	Northeast of Jincheng Village, Shandong Province, PRC (中國山東省金城村東北地帶)	214,001.1	Jincheng Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively-owned Rural Land	RMB14,766,000 (paid in two instalments)	Tailings dam	March 2010 to February 2030 *(Note 2)*
6.	Northwest of Wangezhuang Village, Shandong Province, PRC (中國山東省萬格莊村西北地帶)	221,334.4	Wangezhuang Village Committee of Yazi Town, an Independent Third Party	Collectively-owned Rural Land	RMB15,272,000 (paid in two instalments)	Tailings dam	March 2010 to February 2030 *(Note 2)*
7.	Southeast of Qiansongjiao Village, Shandong Province, PRC (中國山東省前松椒村東南地帶)	294,668.1	Qiansongjiao Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively-owned Rural Land	RMB20,332,000 (paid in two instalments)	Tailings dam	March 2010 to February 2030 *(Note 2)*
8.	Southwest of Fayunkuang Village, Shandong Province, PRC (中國山東省發雲夼村西南)	146,667.4	Fayunkuang Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively-owned Rural Land	A one-off payment of RMB10,120,000	Waste rock dump	February 2011 to February 2031 *(Note 2)*

No.	Location	Total site area/GFA *(sq.m.)* *(approximately)*	Lessor	Land nature	Rental	Usage by our Group	Lease period
9.	Northwest of Songjiagou Village, Shandong Province, PRC (中國山東省宋家溝村西北)	456,669.0	Songjiagou Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively-owned Rural Land	A one-off payment of RMB31,510,000	Waste rock dump	February 2011 to February 2031 *(Note 2)*
10.	South of Dahedong Village, Shandong Province, PRC (中國山東省大河東村南) *(Note 4)*	6,667.0	Dahedong	Collectively-owned Construction Land	The rental fee is included in the rental fee of the leased building and related facilities erected thereon *(Note 4)*	Ore processing	December 2011 to December 2031 *(Note 2)*
11.	Housongjiao Village, Shandong Province, PRC (中國山東省後松椒村)	103,760.5	Housongjiao Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively owned Rural Land	A one-off payment of RMB1,572,660 *(Note 5)*	Rubble dump	September 2019 to September 2039
Leased buildings							
1.	West of Qiansongjiao Village, Shandong Province, PRC (中國山東省前松椒村西土地)	518.0	Qiansongjiao Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively-owned Construction Land	RMB2,076,029.53 *(Note 6)*	Office building	December 2014 to December 2034 *(Note 7)*

No.	Location	Total site area/GFA *(sq.m.)* *(approximately)*	Lessor	Land nature	Rental	Usage by our Group	Lease period
2.	West of Qiansongjiao Village, Shandong Province, PRC (中國山東省前松椒村西土地)	2,430.0	Qiansongjiao Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively-owned Construction Land	RMB29,563,515 *(Note 6)*	Office building	December 2012 to December 2032 *(Note 7)*
3.	South of Dahedong Village, Shandong Province, PRC (中國山東省大河東村南)	7,075.3	Dahedong	Collectively-owned Construction Land	RMB54,695,541.04 *(Note 4)*	Ore processing plant and related facilities	December 2011 to December 2031 *(Note 2)*
4.	South of Dehedong Village, Shandong Province, PRC (中國山東省大河東村南)	764.1	Dahedong	Collectively-owned Construction Land	RMB1,676,311.60 *(Note 6)*	Dormitory	September 2021 to September 2041 *(Note 2)*
5.	Southwest of Fayunkuang Village, Shandong Province, PRC (中國山東省發雲夼村西南地段)	196.6	Fayunkuang Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively-owned Rural Land	RMB3,289,239.81 *(Note 6)*	Explosive storage	December 2014 to December 2034 *(Note 7)*
6.	Southwest of Fayunkuang Village, Shandong Province, PRC (中國山東省發雲夼村西南地段)	177.4	Fayunkuang Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively-owned Rural Land	RMB2,575,268.30 *(Note 6)*	Explosive storage and power distribution room	September 2020 to September 2037 *(Note 7)*
7.	Northeast of Jincheng Village, Shandong Province, PRC (中國山東省金城村東北)	179.7	Jincheng Village Committee of Wanggezhuang Town, an Independent Third Party	Collectively-owned Rural Land	RMB719,991 *(Note 6)*	Dormitory and warehouse	July 2021 to December 2040 *(Note 7)*

Notes:

1. These parcels of land and buildings had been sub-leased throughout the Track Record Period by our Group from Dahedong, which had in turn entered into separate lease agreements with the relevant villager committees.

2. The respective lessors agreed to sign an agreement to renew the relevant lease for a further 10 years upon the expiry of the relevant lease period.

3. As Yantai Zhongjia paid for the construction costs in relation to the office building erected on such parcel of land, it has been agreed between the lessor and Yantai Zhongjia that the annual rental fee of such parcel of land would be adjusted from RMB20,000 to nil during the entire lease period.

4. Such land, building and related facilities are leased by Yantai Zhongjia from Dahedong, a minority shareholder of Yantai Zhongjia and a connected person of our Company. The relevant rental was set off by the construction costs paid by Yantai Zhongjia. Dahedong is the holder of building certificate and land use right certificate for such land and building.

5. Pursuant to the lease agreement, Yantai Zhongjia paid a one-off payment of management fee of RMB80,000 for 2019 and is required to pay an annual management fee of RMB20,000 commencing from 2020 to the end of the lease period.

6. Yantai Zhongjia paid for the respective construction costs of these buildings, which were used to set off the respective rental fees of these buildings during the respective lease periods.

7. Pursuant to the respective lease agreements of these leased buildings, Yantai Zhongjia has a right of pre-emption to renew the lease upon the expiry of the respective lease periods.

As at the Latest Practicable Date, our Owned Buildings and certain of our leased buildings (all of our leased buildings except for the ore processing plant) were with defective titles ("**Defective Leased Buildings**"). Our Directors confirmed that there has been no claims or disputes due to title defects of any of our owned and leased properties during the Track Record Period and up to the Latest Practicable Date.

Properties with defective titles

During the Track Record Period and up to the Latest Practicable Date, (i) Yantai Zhongjia had not obtained valid ownership certificates (不動產權證) for the Owned Buildings; and (ii) the lessors of Defective Leased Buildings had not obtained valid ownership certificates. This was due to the failure to obtain the construction work planning permits (建設工程規劃許可證), the construction work commencement permits (建築工程施工許可證), the construction work completion inspection certificates (建設工程竣工驗收備案文件), and hence, in breach of the Urban and Rural Planning Law of the PRC (2019 Amendment) (《中華人民共和國城鄉規劃法》(2019年修正)) and the Construction Law of the PRC (2019 Amendment) 《中國人民共和國建築法(2019修正)》. For details, please refer to the section headed "Risk factors — Risks relating to the business operations of our Group — 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" of this document.

(i) *Reasons for non-compliance*

The reason for the non-compliance in respect of the Owned Buildings and the Defective Leased Buildings was due to the lack of comprehensive understandings of the relevant regulatory requirements in respect of the construction and leasing of buildings by our responsible staff at the relevant time.

(ii) *Primary use of the Owned Buildings and the Defective Leased Buildings*

During the Track Record Period and up to the Latest Practicable Date, Yantai Zhongjia uses the Owned Buildings as staff dormitory, staff canteen, offices, and other areas for ancillary mining activities including shaft and winding towers, equipment room, power distribution room and mine water reservoirs with an aggregate GFA of approximately 2,737.3 sq.m.

During the Track Record Period and up to the Latest Practicable Date, we used the Defective Leased Buildings as our office, canteen, dormitories, explosives and other storage areas, power distribution room with an aggregate GFA of approximately 6,056 sq.m.

(iii) *Applicable laws, maximum penalty and potential legal impact*

Pursuant to the Urban and Rural Planning Law of the PRC (2019 Amendment) (《中華人民共和國城鄉規劃法》(2019年修正)), a construction work planning permit must be obtained from the relevant authority before the commencement of construction in the urban and rural areas, the failure of which may lead to the urban and rural planning authorities of the PRC government at or above the county level ordering for corrective measures to dismantle the relevant buildings within a specified time frame and subject to a maximum penalty of 10% of the construction cost. Further, pursuant to the Measures for the Administration of Construction Permits for Construction Projects (2021 Amendment), a maximum penalty of 2% of the construction cost will be imposed for failure to obtain a construction work commencement permit prior to commencement of construction for buildings with construction value exceeding RMB300,000 or construction area exceeding 300 square meters.

Based on the above applicable laws and as advised by our PRC Legal Advisers, the aggregate maximum penalty that Yantai Zhongjia may be subject to in respect of the Owned Buildings for its failure to obtain construction work planning permits and construction work commencement permits before construction of the Owned Buildings and to make the necessary filing with the relevant authority amounted to approximately RMB370,000, which we had made a full provision as at 31 December 2021 for the penalty in respect of the Owned Buildings with defective titles. Further, we may be subject to the business risk of relocation if these buildings are required by the local authorities to be demolished. In relation to Defective Leased Buildings, although Yantai Zhongjia is the lessee and may not be subject to penalties as such penalties may be imposed on the lessors (if any), Yantai Zhongjia may be required to relocate if any of the Defective Leased Buildings are required to be demolished.

(iv) ***Remedial actions***

In respect of the Owned Buildings, as advised by our PRC Legal Advisers, Yantai Zhongjia must obtain the construction work planning permits, followed by the construction work commencement permits and construction work completion inspection certificates in order to proceed with its application for the ownership certificates to rectify the defective titles. As at the Latest Practicable Date, Yantai Zhongjia had obtained the construction land planning permit (建設用地規劃許可證) in respect of the Owned Buildings. Our Directors will, with the cooperation of Yantai Municipal Housing and Urban-Rural Development Bureau Muping Branch* (煙台市牟平區住房和城鄉建設局) (the "**Housing Bureau**"), use their best endeavours to complete the relevant rectification procedures to obtain the other relevant permits and certificates in respect of the Owned Buildings as soon as practicable.

In respect of Defective Leased Buildings, while it is not our primary obligations to do so, we have communicated with and will endeavour to procure the relevant lessors to make supplemental applications to obtain the construction work planning permits, construction work commencement permits, construction work completion inspection certificates and ownership certificates.

We have engaged an independent inspection institution (the "**Inspection Institution**") to examine the structures of all Owned Buildings and the Defective Leased Buildings including cement foundation, walls, indoor components and outdoor appearance, respectively. According to the reports issued by the Inspection Institution, all Owned Buildings and the Defective Leased Buildings are in conformity of the relevant safety requirements in material respects under the applicable PRC laws and regulations and can be used safely under the applicable PRC laws and regulations. In addition, our Songjiagou Open-Pit Mine and Songjiagou Underground Mine have passed the safety inspection conducted by the government in relation to the Temporary Operation Suspension.

In the meantime, our Controlling Shareholder has provided an irrevocable indemnity in our favour against all claims, actions, demands, costs, charges, fees, expenses and fines suffered or incurred or to be suffered or incurred by us due to the title defects of our properties.

(v) ***Views of our PRC Legal Advisers and Directors***

Owned Buildings

To assess the possible legal risks and consequences for the title defects of the Owned Buildings, we have conducted interviews with the Housing Bureau and were confirmed, among other things, that (a) on the basis that Yantai Zhongjia has promptly carried out the rectification procedures for the title defects and conducted safety inspection on the Owned Buildings, the Housing Bureau did not consider the title defects to be material non-compliance, and Yantai Zhongjia may continue to use the Owned Buildings; (b) the Housing Bureau would not impose any penalty on Yantai Zhongjia; and (c) the Housing Bureau would cooperate with Yantai Zhongjia to complete its rectification procedures.

Our PRC Legal Advisers confirmed that the Housing Bureau is the competent authority to give the above confirmation, and based on the results of the interviews with the Housing Bureau, our PRC Legal Advisers are of the view that: (a) Yantai Zhongjia may continue to use the Owned Buildings as it has been working with the Housing Bureau to complete the relevant rectification procedures; (b) the possibility of Yantai Zhongjia being required to dismantle the Owned Buildings or penalties to be imposed on Yantai Zhongjia is remote; and (c) there is no material legal impediment to obtain ownership certificates for the Owned Buildings after obtaining the aforesaid permits and certificates from relevant government authorities.

Further, the Yantai People's Government has, in its policy of "Three-year actions plan for promoting the listing of companies" issued in July 2021, indicated that it would, among others, grant timely supports and guidance in assisting companies seeking listing in resolving any historical land and other legal issues, and prior notification to the working group that promotes listing of companies is required prior to taking any enforcement actions. On the basis that (a) our Group, being identified by the Yantai People's Government as one of the key target companies for listing, would benefit under such policy to be prioritised in seeking assistance from the relevant government authority in our rectification measures in a timely manner and protection against enforcement actions; (b) the Housing Bureau has confirmed, among other things, that (i) Yantai Zhongjia may continue to use the Owned Buildings, (ii) the abovementioned historical non-compliances did not constitute material non-compliances, (iii) the Housing Bureau would not impose any penalties on Yantai Zhongjia, and (iv) the Housing Bureau would cooperate with Yantai Zhongjia to complete its rectification procedures; and (c) our PRC Legal Advisers are of the view that there is no material legal impediment for Yantai Zhongjia to rectify the title defects, our Directors believe that the title defects and non-compliances in respect of all of the Owned Buildings, individually or collectively, would not have a material and adverse effect on the results of our operations or business.

Defective Leased Buildings

While it is not our primary obligations to rectify the title defects in respect of the Defective Leased Buildings, to assess the possible impacts on Yantai Zhongjia, we have obtained a written confirmation from Yantai Municipal Muping District Natural Resources Bureau* (煙台市牟平區自然資源局) (the "**Natural Resources Bureau**") that (i) the land that Yantai Zhongjia had been occupying for its operations were categorised as mining areas under the Third National Land Survey (as defined below in this section) which was consistent to the current land usage of Yantai Zhongjia, as such Yantai Zhongjia could continue to occupy the relevant land and the buildings erected thereon, which included the Defective Leased Buildings; and (ii) Yantai Zhongjia had not been and will not be investigated or penalised in any form for the use of relevant buildings, including the Defective Leased Buildings. Further, we conducted an interview with the Housing Bureau and were confirmed that (i) based on the result of the national land survey, the Defective Leased Buildings did not violate any planned use of land and the fact that Yantai Zhongjia conducted safety inspection on the Defective Leased Buildings, Yantai Zhongjia may continue to use the Defective Leased Buildings; (ii) the Housing Bureau would not impose any penalty on Yantai Zhongjia; and (iii) the Housing Bureau would cooperate with the village committees for the rectification procedures.

Our PRC Legal Advisers are of the view that the Natural Resources Bureau and the Housing Bureau are the competent authorities to give the above confirmation based on the confirmation from the Natural Resources Bureau and the interview with the Housing Bureau, the risk of Yantai Zhongjia being required to relocate from the Defective Leased Buildings is remote.

On the basis of (i) our Group being identified by the Yantai People's Government as one of the key target companies for listing would benefit under Yantai People's Government's policy of "Three-year actions plan for promoting the listing of companies" issued in July 2021 to be prioritised in seeking assistance from the government to rectify the non-compliance; (ii) the confirmations obtained from the relevant government authorities; and (iii) the opinion of our PRC Legal Advisers, our Directors are of the view that any enforcement actions including a corrective order or a penalty are unlikely and remote, and the title defects and the lack of the permits and certificates required to be obtained by the relevant lessors in respect of the Defective Leased Buildings, individually or collectively, would not have a material and adverse effect on our business.

(vi) ***Enhanced internal control measures***

To prevent the reoccurrence of the above non-compliances in the future, we have enhanced our internal control measures including: (a) having our internal audit department to check whether all necessary permits and certificates have been obtained before the commencement of any construction works, otherwise the construction should be strictly prohibited; (b) seeking legal advices from legal advisers qualified under the PRC laws when it is unclear whether any permits and certificates must be obtained before construction; (c) obtaining written approval from the management of our Group before construction; (d) conducting internal audit department meeting regularly to discuss and monitor whether the required permits and certificates have been obtained; and (e) providing ongoing training to managers regularly to keep them abreast of the latest legal requirements.

We leased Collectively-owned Rural Land for non-agricultural purposes

As at the Latest Practicable Date, out of the 11 parcels of leased land, nine parcels are Collectively-owned Rural Land leased from seven villages which we had been using them for non-agricultural purposes for our mining operations and ancillary activities for our Songjiagou Open-Pit Mine in breach of the Land Administration Law. Whereas, the remaining two parcels of leased land are Collectively-owned Construction Land, which we are allowed to use for our operations in compliance with the relevant PRC laws.

(i) ***Reasons for non-compliance***

The non-compliance was mainly caused by the unfamiliarity with the relevant regulatory requirements of our responsible staff at the relevant time.

(ii) ***Primary use of the properties***

During the Track Record Period and up to the Latest Practicable Date, Yantai Zhongjia had been leasing two parcels of Collectively-owned Rural Land with an aggregate site area of approximately 313,334.9 sq.m. as the mining area of our Songjiagou Open-Pit Mine, and the remaining parcels of the Collectively-owned Rural Land with an aggregate site area of approximately 1,707,101.9 sq.m. as tailings dam, waste rock dumps and rubble dump.

(iii) ***Applicable laws and potential legal impact***

Pursuant to the Land Administration Law, a parcel of Collectively-owned Rural Land must not be used for non-agricultural purposes without the permission of the relevant PRC government authority, whether through assignment, reassignment or lease. In the event that any unlawful use of such land is in violation of the provisions of the general plans for the utilisation of land, namely the overall plan for land utilisation (土地利用總體規劃) (the "**Overall Plan for Land Utilisation**"), the natural resources authorities of the PRC government at or above county level may order for corrective action, such as an order for dismantling buildings or other facilities illegally built on the land, returning and restoring such land to the original state, within a specified period, confiscation of the construction and impose a penalty. As such, if an order is issued to dismantle the properties and other facilities on the Collectively-owned Rural Land, we must stop the operation of our Songjiagou Open-Pit Mine on the agricultural land.

Further, pursuant to the Land Administration Law and its implementation rules, occupying farmland for non-agricultural purposes, such as mining, without authorisation, and damaging the conditions for growing crops or causing desertification and salinisation due to land development in breach of the Land Administration Law, the natural resources authorities, the agriculture and rural affairs authorities, and other authorities of the PRC government at and above the county level may order for correction or improvement within a prescribed time limit and impose a penalty.

(iv) ***National spatial planning (國土空間規劃) is underway***

To support the planning of sustainable economic developments and the use of land in urban and rural areas, the PRC had conducted two national wide land surveys before 2018, which resulted in the implementation of the Overall Plan for Land Utilisation for the periods from 1996 to 2005 and 2006 to 2020, respectively. With the Overall Plan for Land Utilisation expiring in 2020, the State Council has officially announced the commencement of third national land survey (the "**Third National Land Survey**") in September 2018. Similar to the national wide land surveys, the Third National Land Survey is a fundamental investigation of the status of natural resources in the PRC conducted in a unified manner by the PRC government in preparation for an overall national spatial planning (the "**National Spatial Planning**") for the next decades, which will replace the Overall Plan for Land Utilisation for 2006 to 2020. In August 2021, the Office of the Leading Group for the Third National Land Survey of the State Council (國務院第三次全國國土調查領導小組辦公室), the MNR and the National Bureau of Statistics jointly released the key data results of the Third National Land Survey.

Under the Overall Plan for Land Utilisation for 2006 to 2020, nine parcels of Collectively-owned Rural Land currently leased by us for our operations are categorised as agricultural use. However, pursuant to the results of the Third National Land Survey, all nine parcels of Collectively-owned Rural Land including the land parcels for our mining area (namely, our Songjiagou Open-Pit Mine) have been categorised as land for mining. We have obtained confirmations from and conducted interviews with the Natural Resources Bureau to confirm the details of the Third National Land Survey and the National Spatial Planning and the relevant impact on us. According to the Natural Resources Bureau, the result of the Third National Land Survey would be adopted as the National Spatial Planning.

As further confirmed by the Natural Resources Bureau, prior to the finalisation of the National Spatial Planning, the Overall Plan for Land Utilisation which was effective from 2006 to 2020 will continue to be valid; however, it will not require Yantai Zhongjia during the transitional period to rectify the use of land in respect of the nine parcels of Collectively-owned Rural Land according to the Overall Plan for Land Utilisation as the Third National Land Survey had indicated such land as mining land.

(v) *Remedial actions*

Pursuant to the Natural Resources Bureau, all nine parcels of Collective-owned Rural Land would be categorised as mining land eventually under the National Spatial Planning which conformed to our current usage of the relevant land and no enforcement actions would be taken during the interim, it was not necessary for us to conduct any remedial actions in respect of our use of the relevant land.

(vi) *Views of our PRC Legal Advisers and Directors*

To assess the possible penalty and legal consequence, we have obtained confirmations from and conducted interview with the Natural Resources Bureau and we were confirmed, among other things, that (i) the land use of the collectively-owned land (including Collectively-owned Rural Land and Collectively-owned Construction Land) leased by us was categorised as mining use upon the Third National Land Survey, which would be included in the National Spatial Planning; (ii) it would not make a corrective order or impose a penalty on Yantai Zhongjia for using the Collectively-owned Rural Land for non-agricultural purposes and Yantai Zhongjia may continue to use the Collectively-owned Rural Land for its mining and production activities during the transition period; and (iii) it was not necessary for us to carry out any rectification procedures for our current use of land.

Based on the above and the confirmations from the Natural Resources Bureau, our PRC Legal Advisers are of the view that (a) the Natural Resources Bureau is the competent authority to give the above confirmations; (b) any order and/or penalty to be imposed by the Natural Resources Bureau causing a material adverse effect on Yantai Zhongjia for its continuous use of such Collectively-owned Rural Land and buildings constructed thereon for its current mining and production activities is remote; and (c) there are no matters they are aware of that could have a material adverse effect on Yantai Zhongjia for using the Collectively-owned Rural Land for its operations.

Our Directors are of the view that, given (i) the results of the Third National Land Survey; (ii) and the confirmations from the Natural Resources Bureau confirming that all those nine parcels of Collective-owned Rural Land would be categorised as mining area eventually under the National Spatial Planning; and (iii) our Group being identified by the Yantai People's Government as one of the key target companies for [REDACTED], our use of Collectively-owned Rural Land for non-agricultural use would not have a material and adverse impact on the results of our operations or business.

(vii) ***Enhanced internal control measures***

To prevent the reoccurrence of the above non-compliances in the future, we have enhanced our internal control measures concerning the leasing of Collectively-owned Rural Land including: (a) designating a responsible staff for making the necessary applications to the relevant government authorities to change the land use nature of any Collectively-owned Rural Lands to be leased by our Group; (b) conducting inspections regularly by the internal audit department to ensure compliance with the PRC laws; and (c) providing ongoing training to managers regularly to keep them abreast of the latest legal requirements.

Property valuation

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

LITIGATION

We may be involved in legal proceedings, disputes or administrative proceedings in the ordinary course of our business from time to time, including claims primarily relating to disputes arising from agreements with third party contractors and suppliers. We were involved in the following legal proceedings of material importance during the Track Record Period.

Legal proceedings relating to a corporate guarantee

In 2019, in consideration of 山東東方海洋集團有限公司 (Shandong Eastern Ocean Group Co., Ltd*) ("**Shandong Eastern**"), an Independent Third Party, providing a corporate guarantee in the principal amount of RMB50 million in favour of a bank from which Yantai Zhongjia obtained certain bank facilities since September 2018, at the request of Shandong Eastern, Yantai Zhongjia entered into a corporate guarantee in favour of a financial institution (the "**Shandong Eastern Corporate Guarantee**"), pursuant to which Yantai Zhongjia guaranteed the repayment obligations of Shandong Eastern in respect of its loan in the principal amount of RMB50 million (the "**Shandong Eastern Loan**"). The Shandong Eastern Loan was also secured by a pledge of shares by Shandong Eastern in a listed company owned by Shandong Eastern and a pledge of certificate of deposit of RMB50 million provided by an Independent Third Party. According to the F&S Report, it is an industry practice for companies in Shandong Province, especially private companies, to obtain banking facilities by seeking third-party companies to provide corporate guarantees for bank, and vice versa. Following the defaults by Shandong Eastern under the Shandong Eastern Loan, the financial institution filed a law suit against Yantai Zhongjia and the other co-guarantors at the Beijing City Second Intermediate People's Court (the "**Second Intermediate Court**") claiming for the outstanding sums owed by Shandong Eastern together with the relevant interests, penalties and costs. In August 2019, the Second Intermediate Court issued a civil mediation paper (the "**Civil Mediation Paper**") and confirmed the arbitration mediation paper issued by the Beijing Arbitration Committee, pursuant to which (i) the financial institution as the lender shall have the priority to dispose the pledged shares and receive the proceed of such disposal; (ii) Yantai Zhongjia and the co-guarantors are jointly and severally liable for the repayment obligations under the Shandong Eastern Loan; and (iii) Yantai Zhongjia and the other co-guarantors shall have the right to recover from Shandong Eastern after performing their respective payment obligations under the Shandong Eastern Corporate Guarantee.

Subsequently, in March 2021, the financial institution sold and transferred its debts under the Shandong Eastern Loan to another company, which is an Independent Third Party. In August 2021, the Independent Third Party has fully released and discharged Yantai Zhongjia from all liabilities and obligations under the Shandong Eastern Corporate Guarantee. As confirmed by our PRC Legal Advisers, Yantai Zhongjia has been fully released and discharged from all liabilities and obligations under the Shandong Eastern Corporate Guarantee, and the matter is now concluded.

Our Directors confirmed that, during the period from August 2019 and up to 29 August 2021, being the date when Yantai Zhongjia was fully released and discharged from the Shandong Eastern Corporate Guarantee, Yantai Zhongjia was not notified or requested to make any repayment under the Shandong Eastern Corporate Guarantee pursuant to the Civil Mediation Paper. Therefore, no provision for loss in connection with the aforementioned was made by our Group during the Track Record Period. In addition, Shandong Eastern and its group of companies have separately entered into back-to-back agreements with Yantai Zhongjia in December 2019 to indemnify us against all losses suffered or incurred by us as a result of or in connection with the Civil Mediation Paper, including the repayment obligations under the Shandong Eastern Corporate Guarantee together with the relevant interests, penalties and costs.

During the Track Record Period, our Group has obtained several loans from five banks for our working capital and operations that were guaranteed by third party companies (including Shandong Eastern, Dahedong and Baiheng). As at the Latest Practicable Date, our Group only had one bank loan outstanding and there was no corporate guarantee outstanding that was provided by our Group in favour of bank for the benefit of third party companies. For further details of such corporate guarantees, please refer to the section headed "Financial information — Indebtedness — Interest-bearing bank borrowings" and "Financial information — Indebtedness — Contingent liabilities — Guarantees issued" in this document.

We have in place a set of internal control and risk management procedures to address various potential operational, financial and legal risks identified in relation to our operations, including the Group's exposure of counterparty risk under the cross guarantee arrangement and performing ongoing evaluations of our guaranteed parties' financial condition. Our Directors are of the view that our current internal control measures in this connection are adequate and effective.

Saved as disclosed above, during the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any claim, litigation, arbitration or administrative proceedings of material importance and no claim, litigation, arbitration or administrative proceedings of material importance was known to our Directors to be pending or threatened against any member of our Group. As at the Latest Practicable Date, none of our Directors or senior management was involved in any material litigation, arbitration or administrative proceedings.

COMPLIANCE WITH LAWS AND REGULATIONS

As at the Latest Practicable Date and save as disclosed in this document, we had, in all material aspects, complied with all the relevant and applicable PRC laws and regulations and we had obtained all licences, permits and certificates for the purpose of operating our business.

Based on the confirmation letters issued by the relevant PRC government authorities, our Directors confirmed that, with the support of the legal opinion of our PRC Legal Advisers, during the Track Record Period and as at the Latest Practicable Date, we have complied with all of the relevant PRC laws and regulations in all material respects, and we had obtained all of the approvals, licences and permits from appropriate regulatory authorities that are material for our business operations.

Non-compliant bill arrangements

Overview

In 2019 and up to May 2020, our principal operating subsidiary, Yantai Zhongjia obtained bank acceptance bills without being supported by underlying trade or debt transactions, which were not in compliance with Article 10 of the PRC Negotiable Instruments Law (the "**Non-compliant Bill Arrangements**") from the following two sources:

(i) **Scenario 1:** bank acceptance bills issued by a PRC commercial bank (the "**Endorsing Bank**") in 2019 and up to May 2019 pursuant to the bank acceptance bills agreements entered into between Yantai Zhongjia and the Endorsing Bank (the "**BAB Agreements**") for the purpose of purchasing ore from Baiheng, which purchases did not proceed and such bank acceptance bills were transferred to Yantai Zhongjia by Baiheng without any consideration; and

(ii) **Scenario 2:** the purchases of bank acceptance bills from Dahedong and Qingjia with cash equivalent to the face value of the bills.

Scenario 1 has ceased since November 2019 while Scenario 2 has ceased since May 2020.

Each of Dahedong, Baiheng and Qingjia is a connected person of our Company for the purpose of the Listing Rules. As at the Latest Practicable Date:

(i) Dahedong was owned as to 50% by Mr. Kong Fanbo, a director of our subsidiary, Yantai Zhongjia, with the remaining equity interests held in equal share of approximately 16.67% by each of Mr. Kong Fanzhong, Mr. Wang Lei (王磊) and SDZJ. Mr. Kong Fanbo and Mr. Kong Fanzhong are brothers and Mr. Wang Lei is their brother-in-law, and SDZJ is a connected person of our Company by virtue of the aggregate interests of approximately 97% held directly and indirectly by Mr. Kong Fanbo and Mr. Kong Fanzhong as at the Latest Practicable Date;

(ii) Baiheng was a wholly-owned subsidiary of SDZJ; and

(iii) Qingjia was wholly-owned by Mr. Kong Fanqiang (孔凡強), who is the brother of Mr. Kong Fanbo and Mr. Kong Fanzhong.

Subsequently, Yantai Zhongjia used such bank acceptance bills (i) 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; (ii) to settle amounts due to Baiheng, supported by underlying debt transactions, which was in compliance with the PRC Negotiable Instruments Law; and (iii) to sell to Dahedong, Baiheng and Qingjia for cash, which was not in compliance with the PRC Negotiable Instruments Law.

The table below sets forth a breakdown of transactions involving bank acceptance bills obtained from non-compliant sources for the years indicated:

	FY2019 (RMB'000)				FY2020 (RMB'000)			
Usages / Sources	Settlement of purchases from vendors/ suppliers/ subcontractors	Settlement of amount due to Baiheng	Sold to Dahedong, Baiheng and Qingjia for cash	Subtotal	Settlement of purchases from vendors/ suppliers/ subcontractors	Settlement of amount due to Baiheng	Sold to Dahedong, Baiheng and Qingjia for cash	Subtotal
Scenario 1								
The Endorsing Bank	15,250	Nil	16,200	31,450	Nil	Nil	Nil	Nil
Scenario 2								
Purchased from Dahedong and Qingjia	16,650	500	300	17,450	10,200	Nil	Nil	10,200
Subtotal	31,900	500	16,500	48,900	10,200	Nil	Nil	10,200

Our Group has not received bank acceptance bills from customers for sales of gold bullion. On the other hand, during the Track Record Period, we acquired certain bank acceptance bills from compliant sources, primarily from Dahedong in relation to the lease of tailings dam in compliance with the PRC Negotiable Instruments Law, which amounted to approximately RMB1.7 million, RMB2.0 million and nil, respectively.

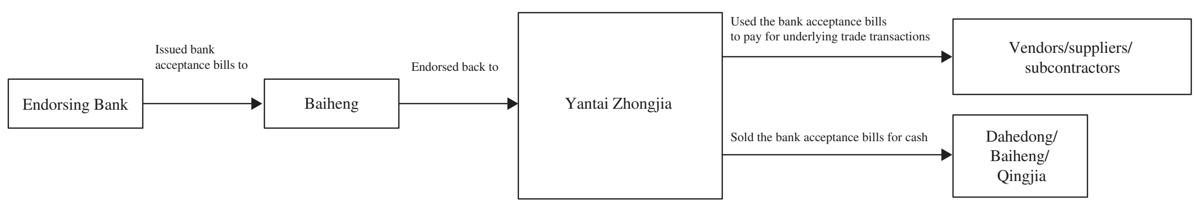
Background facts

Scenario 1 — Bank acceptance bills obtained by us from the Endorsing Bank

From January to May 2019, Yantai Zhongjia obtained bank acceptance bills in the total amount of approximately RMB31.5 million pursuant to the BAB Agreements with the Endorsing Bank for the purpose of purchasing ore from Baiheng. These bank acceptance bills were addressed and provided to Baiheng. As the ore purchases did not proceed, the bank acceptance bills were subsequently endorsed by Baiheng back to Yantai Zhongjia so that Yantai Zhongjia could then utilise the same for other uses. Such obtaining and transfer of the bank acceptance bills without underlying trade transactions were in breach of the PRC Negotiable Instruments Law.

Part of these bank acceptance bills in the total amount of approximately RMB15.3 million were subsequently used by Yantai Zhongjia to settle payments for purchases from its 26 vendors, suppliers and subcontractors (of which five of them were our major largest suppliers and subcontractors in FY2019) in its ordinary course of business supported by underlying trade transactions, which were in compliance with the PRC Negotiable Instruments Law. The remaining bank acceptance bills in the total amount of approximately RMB16.2 million were sold to Dahedong, Baiheng and Qingjia for cash of the equivalent value, which were not in compliance with the PRC Negotiable Instruments Law.

The following diagram illustrates the flow of bank acceptance bills in Scenario 1, which has ceased since November 2019:



In FY2019, the amount of bank acceptance bills used by Yantai Zhongjia in the Non-compliant Bill Arrangements in Scenario 1 amounted to approximately RMB16.2 million, representing approximately 33.1% of the total amount of transactions involving bank acceptance bills. Yantai Zhongjia has ceased all the Non-compliant Bill Arrangements in Scenario 1 and fully settled all such bank acceptance bills since November 2019.

Reasons for engaging in the Non-compliant Bill Arrangements in Scenario 1

As confirmed by our Directors and the Endorsing Bank, the principal reason for entering into the BAB Agreements with the Endorsing Bank was to maintain good relationship with the Endorsing Bank in response to the bank's promotion of bill financing business. Should we not accept such business arrangement, it might give rise to uncertainties in the renewal of our yearly term loan facilities with the Endorsing Bank. The Endorsing Bank first approached Yantai Zhongjia and introduced the relevant bank acceptance bill arrangements to Yantai Zhongjia in 2015. As some of our vendors, suppliers and subcontractors accept bank acceptance bills as a method of repayment in the ordinary course of business, we concluded that we could utilise such bank acceptance bills and given that we were only required to pay minimal transaction costs for such bank acceptance bills, there would not be any risks or financial effects on our Group. After considering factors, such as our financial position at that time and funding needs during the extension of the mining area of our Songjiagou Open-Pit Mine, various construction stages of our Songjiagou Underground Mine and the potential interruption to our operations and development in the event that the Endorsing Bank did not renew our then yearly term loan facilities should we not maintain good relationship with it by adopting their recommended financial instruments/ products, Yantai Zhongjia entered into the BAB Agreements with the Endorsing Bank.

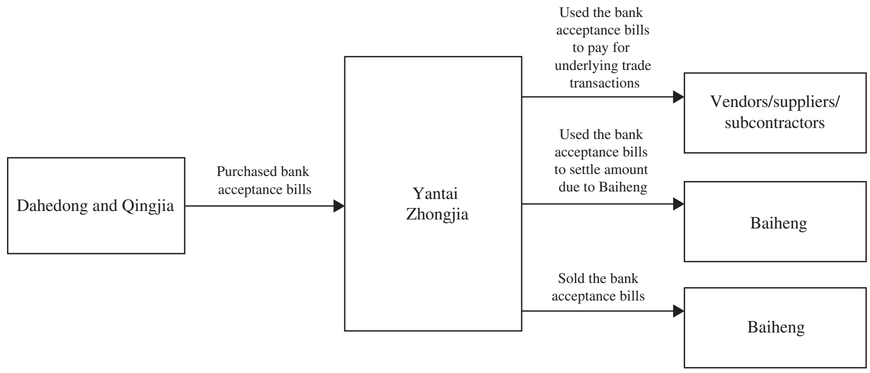
Pursuant to the BAB Agreements, the bank acceptance bills were issued on the condition that Yantai Zhongjia pledged fixed deposits or placed cash into a security deposit account maintained at the Endorsing Bank for amounts equivalent to 100% of the face value of the bank acceptance bills issued in order to secure repayment of the bank acceptance bills at the relevant maturity dates. Hence, our Group did not obtain any financing from such arrangement. No interest was charged by the Endorsing Bank for the issuance of the bank acceptance bills because the Endorsing Bank confirmed that they did not regard these as trade financing as the amount of pledged fixed deposits and security deposits fully covered the face value of the bank acceptance bills. Instead, the Endorsing Bank paid interest to Yantai Zhongjia at prevailing bank interest rate for the pledged fixed deposits and security deposits. The Endorsing Bank also charged Yantai Zhongjia for a minimal transaction cost at a rate of 0.05% of the face value of the bank acceptance bills issued.

Scenario 2 — Bank acceptance bills purchased by us from Dahedong and Qingjia

In 2019 and up to May 2020, Yantai Zhongjia purchased bank acceptance bills from Dahedong and Qingjia by cash for the equivalent value, which were not in compliance with the PRC Negotiable Instruments Law as they were not supported by underlying trade or debt transactions.

The total amount of bank acceptance bills involved in Scenario 2 amounted to approximately RMB17.5 million and RMB10.2 million in FY2019 and FY2020, respectively. Yantai Zhongjia used most of these bank acceptance bills (i) to pay for purchases from its 28 and 18 vendors, suppliers and subcontractors (of which five of them were our major suppliers and subcontractors in FY2019 and FY2020, respectively) in its ordinary course of business in the total amount of approximately RMB16.7 million and RMB10.2 million in FY2019 and FY2020, respectively. All of the vendors, suppliers and subcontractors are Independent Third Parties; and (ii) to pay Baiheng as the refund of deposit in the total amount of approximately RMB0.5 million in FY2019, which were based on underlying trade or debt transactions and therefore in compliance with the PRC Negotiable Instruments Law. Yantai Zhongjia sold the remaining small amount of unutilised portion of the bank acceptance bills that were close to their respective maturity dates in the total amount of approximately RMB0.3 million in FY2019 for cash at the equivalent amount to Baiheng, which was not in compliance with the PRC Negotiable Instruments Law. Such amount represents approximately 0.6% of the total amount of transaction involving bank acceptance bills in FY2019. There was no sale of unutilised bank acceptance bills in FY2020 and onward.

The following diagram illustrates the flow of bank acceptance bills in Scenario 2, which has ceased since May 2020:



Yantai Zhongjia has ceased all the Non-compliant Bill Arrangements in Scenario 2 and fully settled all such bank acceptance bills since May 2020.

Reasons for engaging in the Non-compliant Bill Arrangements in Scenario 2

Our Directors confirmed that the purchases of bank acceptance bills from Dahedong and Qingjia by Yantai Zhongjia were conducted at their requests to facilitate their need of working capital and due to a lack of understanding of the laws and regulations in the PRC by our personnel involved, which led to such inadvertent breach of the Law on Negotiable Instruments. In essence, the purchases of bank acceptance bills from Dahedong and Qingjia for cash is similar in nature to inter-group transaction between our Group and our related parties (e.g. amount due to/due from related parties).

Immaterial impacts on our business operation and financial condition

Our Directors confirmed that the Non-compliant Bill Arrangements and the cessation thereof did not materially affect our Group's financial performance for FY2019 and FY2020. Such Non-compliant Bill Arrangements have ceased for more than 12 months since May 2020 and up to the Latest Practicable Date:

(a) ***The use of bank acceptance bills was not essential to our Group's treasury management.*** As mentioned above, the acquisitions of bank acceptance bills by our Group under Scenario 1 and Scenario 2 were primarily due to maintaining good relationships among the relevant parties namely, the Endorsing Bank, Dahedong, Baiheng and Qingjia. Nevertheless, the cessation of the Non-compliant Bill Arrangements has not had any impact on the business relationship between Yantai Zhongjia and the relevant parties. For example, the Endorsing Bank continues to provide bank loans to Yantai Zhongjia after the Non-compliant Bill Arrangements have ceased. Further, given that Yantai Zhongjia was required to pledge fixed deposits or place cash into a security deposit account maintained at the Endorsing Bank for amounts equivalent to 100% of the face value of the bank acceptance bills issued in order to secure repayment of the bank acceptance bills at the relevant maturity dates, in the event that our Group did not obtain any bank acceptance bills from the Endorsing Bank, our Group would have been able to freely utilise the cash that was pledged to the Endorsing Bank for securing the bank acceptance bills issued to pay for its vendors, suppliers and subcontractors. As such, the cessation of the Non-compliant Bill Arrangements did not materially affect the financial performance of our Group;

(b) ***The use of bank acceptance bills under the Non-compliant Bill Arrangements did not improve the liquidity position of our Group.*** During the Track Record Period, Yantai Zhongjia utilised most of the bank acceptance bills acquired from the Endorsing Bank, Dahedong and Qingjia to settle its purchases from vendors, suppliers and subcontractors in the ordinary course of business. For the unutilised bills, they were sold to Baiheng. Our Group did not obtain financing or additional cash from such Non-compliant Bill Arrangements;

(c) ***Our Group has not incurred nor saved interests or financing costs in respect of the Non-compliant Bill Arrangements.*** Save for (i) the one-off transaction cost of 0.05% of the face value of the bank acceptance bills incurred of approximately RMB15,000 in FY2019; and (ii) the interest income of approximately RMB165,000 in FY2019 generated from the pledged fixed deposits and the cash placed into a security deposit account maintained at the Endorsing Bank, both of which were immaterial compared to our financial statements, our Group has not incurred any interest expenses or other finance costs or received any income or gain arising from the Non-compliant Bill Arrangements. On the other hand, our Group has not saved any interest nor finance costs under the Non-compliant Bill Arrangements since our Group has obtained no financing from the arrangement;

(d) during the Track Record Period, we did not recognise any revenue and cost of sales beyond the actual sales and trade purchases; and

(e) the Non-compliant Bill Arrangements in both Scenario 1 and Scenario 2 had no effect on our cash flow or financial position or brought any cost saving or benefits to us financially, as demonstrated by our operating results and cash flow in FY2020 (being more than twelve months and seven months after we ceased the Non-compliant Bill Arrangements in Scenario 1 and Scenario 2 respectively) which were much better than that of FY2019. We were equally able to carry out operations and maintain a healthy liquidity position without the Non-compliant Bill Arrangements.

Legal implications

Applicable laws, maximum penalty and potential legal impact

Pursuant to Article 10 of the PRC Negotiable Instruments Law, the issuance, obtaining and transfer of bank acceptance bills must be supported by underlying trade or debt transactions. As such, (i) the obtaining and purchase of bank acceptance bills by Yantai Zhongjia from the aforementioned two sources without underlying trade or debt transactions; and (ii) the sale of bank acceptance bills without underlying trade or debt transactions, were in breach of the PRC Negotiable Instruments Law. However, there are no express provisions in the PRC Negotiable Instruments Law which impose penalties and other legal consequences on our PRC subsidiary, Yantai Zhongjia, its legal representative, directors and senior management for engaging in such Non-compliant Bill Arrangements. All bank acceptance bills issued and transferred remained valid and recognised by the Endorsing Bank or the relevant banks that issued the same (as regards to those bank acceptance bills purchased or exchanged) for payment at the relevant maturity dates.

Confirmations from the relevant government authorities and the Endorsing Bank

We have obtained a confirmation via an interview from the Yantai Muping branch of PBOC ("**PBOC Muping**") on 5 January 2021 confirming, among other things, that (i) no administrative penalty was promulgated in relation to the Non-compliant Bill Arrangements under the current PRC laws and regulations, and it had not conducted any investigation nor imposed any administrative penalties nor taken any legal actions against Yantai Zhongjia, its shareholders, directors or senior management; and (ii) the Non-compliant Bill Arrangement (a) did not constitute a material non-compliance; (b) did not involve any economic benefits, including rebate, fee or commission to Yantai Zhongjia, its shareholders, directors or senior management; and (c) did not involve any fraudulent acquisition of bank acceptance bills nor money laundering. Our PRC Legal Advisers confirmed that according to the PRC People's Bank of China Law (2003 Amendment) (《中華人民共和國中國人民銀行法(2003修正)》), the Procedures on Administrative Penalties of the People's Bank of China (《中國人民銀行行政處罰程序規定》) and the Implementation Measures for the Administration of Negotiable Instruments (2011 Revision) 《票據管理實施辦法(2011修訂)》, the PBOC Muping is the competent authority for the administration of negotiable instruments and anti-money-laundering management in financial industry, and its branches are responsible for investigation and punishment over illegal financial activities conducted by financial institutions, entities and individuals within their jurisdiction.

We have also obtained a confirmation from the Endorsing Bank acknowledging the existence of the Non-compliant Bill Arrangements and confirming that (i) such bank acceptance bills issued for Yantai Zhongjia were not trade financing because they were backed by pledged fixed deposits or cash placed into security deposit account maintained at the Endorsing Bank equivalent to 100% of the face value of the bank acceptance bills. The Endorsing Bank did not charge Yantai Zhongjia any interest for issuing of such bank acceptance bills other than one-off transaction cost at the rate of 0.05% on the face value of the bank acceptance bills issued, therefore, there was no risk to the Endorsing Bank or to Yantai Zhongjia; (ii) the Endorsing Bank had not granted any rebates or commissions or other benefits in connection with the bank acceptance bills to Yantai Zhongjia or any of its directors or senior management; (iii) the Endorsing Bank was aware that Yantai Zhongjia had requested Baiheng to enter into the ore purchase contracts, and it acknowledged that the ore purchase contracts would not be proceeded; (iv) the BAB Agreements entered into between it and Yantai Zhongjia for the issuance of bank acceptance bills have been fully performed and discharged; (v) the bank acceptance bills issued pursuant to the BAB Agreements have been fully settled; (vi) the Endorsing Bank did not sustain any economic loss as a result of the Non-compliant Bill Arrangements; and (vii) it had not had any disputes or arguments with, and would not take any further action against Yantai Zhongjia, its shareholders, directors or senior management which would cause them accountable for the Non-compliant Bill Arrangements. Our PRC Legal Advisers confirmed that according to the Civil Code of the PRC (《中華人民共和國民法典》) and the BAB Agreements, the Endorsing Bank, being the issuing bank and the endorsing bank under the BAB Agreements, is in the appropriate legal position to issue the above confirmation.

Opinion of our PRC Legal Advisers

As advised by our PRC Legal Advisers, the Non-compliant Bill Arrangements were not in compliance with the PRC Negotiable Instruments Law which provides that bank acceptance bills must be issued, acquired or transferred based on underlying trade or debt transactions. Our PRC Legal Advisers also advised that no administrative penalty or legal liability is promulgated under the PRC Negotiable Instruments Law for the Non-compliant Bill Arrangements in breach of Article 10 of the PRC Negotiable Instruments Law.

Our PRC Legal Advisers are of the view that the risk of penalty to be imposed by the relevant governmental competent authorities and the chance of the Endorsing Bank taking legal actions against Yantai Zhongjia for breach of contract due to the Non-compliant Bill Arrangements are remote, based on the following:

(i) there was no dispute between Yantai Zhongjia and each of the Endorsing Bank and counterparties who purchased or sold bank acceptance bills relating to the Non-compliant Bill Arrangements, and the BAB Agreements entered into between the Endorsing Bank and Yantai Zhongjia has been fully performed, discharged and settled, which the Endorsing Bank has confirmed that it did not sustain any economic loss due to the Non-compliant Bill Arrangements;

(ii) there are no express provisions in the PRC Negotiable Instruments Law imposing penalties and other legal consequences our PRC subsidiary, Yantai Zhongjia, its legal representative, directors and senior management for engaging in such Non-compliant Bill Arrangements;

(iii) Yantai Zhongjia has ceased all such Non-compliant Bill Arrangements since May 2020;

(iv) the confirmation of PBOC Muping confirming among other things, that such Non-compliant Bill Arrangements did not constitute a material non-compliance, nor involved obtaining bank acceptance bills fraudulently, nor violating the laws and regulations of the PRC relating to money laundering; and

(v) the confirmation from the Endorsing Bank, confirming among other things, that it would not take any legal actions against Yantai Zhongjia for breaching the BAB Agreements.

Views of our Directors

Our Directors confirmed that:

(a) the BAB Agreements, the relevant contracts and all the transactions under the Non-compliant Bill Arrangements were executed and approved by Mr. Kong Fanzhong, who was a former director and former legal representative of Yantai Zhongjia, in his capacity as legal representative of Yantai Zhongjia. Mr. Kong Fanzhong was then responsible to oversee our day-to-day operations including the approval of the Non-compliant Bill Arrangements with the Endorsing Bank, Dahedong, Baiheng and Qingjia. Despite Mr. Kong Fanzhong was then full time employees of Yantai Zhongjia, he is also a minority shareholder of Dahedong holding approximately 16.67% direct interests. Mr. Kong Fanzhong is the brother to Mr. Kong Fanbo, who is the major shareholder of Dahedong. Mr. Kong Fanzhong and Mr. Kong Fanbo also indirectly beneficially owned Baiheng as to approximately 67.9% and 29.1%, respectively, while Qingjia is a company owned by a brother of Mr. Kong Fanzhong and Mr. Kong Fanbo. At the time when the Non-compliant Bill Arrangements were entered into, Mr. Kong Fanzhong was aware that such kind of arrangement was not uncommon in the PRC, he was not adequately advised by professionals on matter pertaining to the PRC Negotiable Instruments Law and was not aware that the Non-compliant Bill Arrangements did not comply with the relevant PRC laws. He had no intention and no financial incentive to breach the relevant rules and regulations and/or did not obtain any direct and personal benefit from it. The reasons for him to enter into the Non-compliant Bill Arrangements were due to the introduction by the Endorsing Bank and working capital needs of companies held among his family members.

(b) our Board members only became aware of such transactions did not comply with the relevant PRC laws in or prior to May 2020 when they were informed by the Sole Sponsor and our PRC Legal Adviser in the course of our preparation for the [REDACTED];

(c) no fraudulent, bribery or other illegal activities under the PRC Negotiable Instruments Law were involved in the obtaining and using of bank acceptance bills involved in the Non-compliant Bill Arrangements as there was no connotation of unethical behaviour or lack of integrity by Mr. Kong Fanzhong in his capacity as legal representative of Yantai Zhongjia in procuring and approving the Non-compliant Bill Arrangements given that this kind of arrangement was not uncommon in the PRC;

(d) none of our Directors, senior management of our Group or any of their respective associates received any rebates, commissions or benefits in connection with the Non-compliant Bill Arrangements and they had no intention to obtain and had not obtained any personal benefit directly or indirectly from the Non-compliant Bill Arrangements;

(e) Yantai Zhongjia has ceased all Non-compliant Bank Acceptance Arrangements since May 2020 and will not have similar arrangements on bank acceptance bills with the Endorsing Bank or any other banks and/or other relevant parties going forward;

(f) as soon as our Directors became aware of the Non-compliant Bill Arrangements, we had notified and circulated to all of our Directors, management and relevant employees involved in finance and audit functions that all transactions involving bank acceptance bills without underlying trade or debt transactions are strictly prohibited and that no one is allowed to approved such transactions. Our Directors gave instructions and training to the staff of Yantai Zhongjia to cease the Non-compliant Bill Arrangements; and

(g) we had strengthened our internal control measures as elaborated in the paragraph headed "Enhanced internal control measures" below, especially on the approval, supervision and monitoring of the use of any banking facilities including bank acceptance bills and any other kind of payment method, to prevent future reoccurrence of any Non-compliant Bill Arrangements. As part of our efforts to strengthen our internal control management, we have also restructured our senior management composition at the level of Yantai Zhongjia in May 2021 including the change of our legal representative following the resignation of Mr. Kong Fanzhong and to segregate the line of reporting in relation the execution and supervision of our day-to-day business operations.

In view of the above, as none of our Directors was involved in the Non-compliant Bill Arrangements, there was no issue on our Directors' integrity or suitability as required under Rules 3.08 and 3.09 of the Listing Rules.

Enhanced internal control measures

We have ceased all Non-compliant Bill Arrangements and have fully settled all such bank acceptance bills in May 2020. We have engaged Avista PRO-WIS Risk Advisory Limited (the "**Internal Control Consultant**") to perform a detailed review of our internal control and risk management system, including the obtaining and use of bank acceptance bills by our Group, to identify deficiencies in our internal control system, and to furnish recommendations to enhance our internal control measures. To prevent the reoccurrence of the Non-compliant Bill Arrangements in the future, we have implemented the following enhanced internal control measures:

(i) in July 2020, we have implemented and enhanced our internal approval guidelines and policies for approving, reporting and monitoring all financing transactions, which we required Directors and senior management to review, check and verify all financial transactions before approving any financial transactions. We have designated responsible officers, being our Chief Financial Officer, deputy general manager and finance manager to approve, supervise and monitor all financing activities, including the use of bank acceptance bills without underlying trade or debt transactions. In the event of any financing transactions involving related entities and/or personal interests and/or their close associates, the relevant responsible officer must not involve in the approval and review process;

(ii) in July 2020, we notified and circulated to all of our Directors, management and relevant employees involved in finance and audit functions that all transactions involving bank acceptance bills without underlying trade or debt transactions are strictly prohibited and that no one is allowed to approve such transactions and have implemented a policy that management and employees entering into or approve any transactions involving bank acceptance bills in violation of the prohibition will be subject to various disciplinary actions, including financial and legal responsibilities;

(iii) in July 2020, our Directors gave instructions and training to the staff of Yantai Zhongjia in relation to the Non-compliant Bill Arrangements;

(iv) our finance department shall be responsible to maintain a register to record all bank acceptance bills to be received by our Group and the finance manager is required to conduct a monthly compliance check against the record of bank acceptance bills, including whether or not the amount of the bank acceptance bills exceeds the purchase amount, the validity of the bills and whether the bank acceptance bills are supported by underlying transactions, and record the result of the periodic check in a report to be submitted to our chief financial officer and deputy general manager for a further review;

(v) designated our chief financial officer and deputy general manager to review the monthly report prepared by the finance manager, and to conduct periodic checks on underlying supporting documents to ensure the bank acceptance bills are used by our Group in a compliant manner;

(vi) established an disciplinary mechanism and a report mechanism whereby a suspected violation of the enhanced internal control policy on bank acceptance bills will be reported to our chief financial officer and a confirmed violation should be escalated to our Board immediately;

(vii) required our chief financial officer, deputy general manager and finance manager to seek legal advice from Hong Kong legal advisers and PRC legal advisers on the PRC regulations about all transactions involving bank acceptance bills prior to entering into the same; and

(viii) established the Audit Committee comprising three independent non-executive Directors to oversee and review our internal control system, including the effectiveness of such system in controlling the use of bank acceptance bills in our financial activities.

The Internal Control Consultant conducted follow-up reviews on our enhanced internal control measures in respect of the obtaining and use of bank acceptance bills, for the period from 1 June 2020 to 31 December 2021. They were not aware of any significant deficiencies in the design and implementation (save for (viii), which will be implemented upon [REDACTED]) of the enhanced internal control measures in respect of our bank acceptance bills activities.

Considering that the Non-compliant Bill Arrangements has never occurred after May 2020 and the result of the follow-up review conducted by the Internal Control Consultant, our Directors are of the view, and the Sole Sponsor concurs, that such enhanced internal control measures are adequate and effective to prevent the occurrence of Non-compliant Bill Arrangements activities in the future.

We will engage Internal Control Consultant for at least 12 months after [REDACTED] to conduct periodic review and assessment of our internal control measures, report the results of such assessment to our Directors and the Audit Committee and propose additional measures for improvement (if any). We will also disclose in our first annual report after [REDACTED] whether there are any further bank acceptance bills activities identified by our Directors, senior management, Audit Committee and/or the Internal Control Consultant.

Indemnity from our Controlling Shareholder

Our Controlling Shareholder has provided us with an irrevocable indemnity to fully indemnify us from and against all liabilities, claims, actions, demands, costs, charges, fees, expenses and fines suffered or incurred or to be suffered or incurred by us arising from the Non-Compliant Bill Arrangements.

Non-compliance incidents

During the Track Record Period and up to the Latest Practicable Date, we had experienced certain non-compliance incidents in the PRC in relation to (i) properties with defective titles; and (ii) entering into Non-compliant Bill Arrangements. For more details, please refer to the paragraphs headed "Properties — Properties with defective titles" and "Compliance with laws and regulations — Non-compliant bill arrangements" in this section. We had also experienced other non-compliance incidents during the Track Record Period and up to the Latest Practicable Date, details of which are set out in the table below:

Non-compliance incidents	Reasons for non-compliance	Legal consequence and potential maximum penalties	Remedies and rectification and internal control measures taken to prevent future breach and ensure on-going compliance	Potential impact on our operations and financial condition
Under contribution of social insurance fund and housing provident fund				
In FY2019 and the five months ended 31 May 2020, we had not fully complied with the relevant regulations on payment of social insurance fund contribution for our employees, with an estimated under contribution amount of approximately RMB381,000 and RMB96,000, respectively. Further, in FY2019 and the four months ended 30 April 2020, we had not fully complied with the relevant regulations on payment of housing provident fund contribution for our staff, with an estimated under contribution amount of approximately RMB507,000 and RMB230,000, respectively.	The breach was not wilful and was caused by the unintentional oversight of the PRC laws and regulations by our human resources department.	According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), if an employer fails to pay its social insurance contribution, the competent authority may demand that the employer to pay all outstanding social insurance contributions within a prescribed time limit. If the employer fails to make such payment within the prescribed time limit, the relevant authority may apply to the relevant administrative department at county level for a decision to make a transfer of payment from the employer's bank account for the outstanding amount. The employer may also be subject to a fine at a daily rate of 0.2% on the outstanding amount, accruing from when the social insurance funds are due.	As for the non-compliance relating to social insurance fund, Yantai Zhongjia has completed the necessary rectification actions to comply with the relevant laws and regulations in the PRC concerning the payment of social insurance fund. Since June 2020, Yantai Zhongjia has made contribution payment for the social insurance fund in full in accordance with the relevant laws and regulations in the PRC. Since then, there has been no non-compliance in this aspect. Further, we have obtained a confirmation from Muping Branch of Yantai Municipal Human Resources and Social Insurance Bureau* (煙台市牟平區人力資源和社會保障局), confirming that Yantai Zhongjia had no record of administrative penalties due to breach of any laws or regulations related to social insurance. We have also conducted interview with the relevant authorities and confirmed among other things, that (i) the historical underpayment of social insurance did not constitute a material non-compliance; and (ii) it would not request Yantai Zhongjia to pay outstanding social insurance fund in FY2019.	Our PRC Legal Advisers are of the view that (i) Muping Branch of Yantai Municipal Human Resources and Social Insurance Bureau* (煙台市牟平區人力資源和社會保障局) and Muping Management Division of Yantai Municipal Housing Provident Fund Management Centre* (煙台市住房公積金管理中心牟平管理部) are competent authorities to issue the respective confirmations; and (ii) In light of the confirmations by competent authorities and on the basis that no employee would file a complaint in respect of the underpayment of social insurance fund and housing provident fund, the risk of penalty to be imposed by the relevant authorities is remote.

Non-compliance incidents	Reasons for non-compliance	Legal consequence and potential maximum penalties	Remedies and rectification and internal control measures taken to prevent future breach and ensure on-going compliance	Potential impact on our operations and financial condition
		According to the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》), a newly established entity shall, within 30 days of its establishment, register at the housing provident fund management centre, and shall, within 20 days from the date of registration, open a housing provident fund account for its employees at an entrusted bank with the approval documents of the housing provident fund management centre. The housing provident fund management centre may order an entity to make registration and open a bank account within a time limit if an entity fails to do so, and if the entity fails to make registration and open the relevant bank account within the prescribed time limit, a fine in the amount between RMB10,000 and RMB50,000 may be imposed. Further, if an employer fails to pay housing provident funds, the regulator has the power to order the employer to make contribution within a prescribed time limit and if the employer fails to act accordingly, an application of compulsory enforcement can be made the People's Court of the PRC. Full provision has been made for the under contribution for social insurance and housing provident funds during FY2019.	As for the non-compliance relating to housing provident fund, Yantai Zhongjia has registered with the housing provident fund management centre in June 2020, and has made payment for the housing provident fund in full in accordance with the relevant laws and regulations in the PRC since May 2020. We have accrued the estimated under contribution amount for the four months ended 30 April 2020 in our accounts for FY2020. Further, we have obtained a confirmation from Muping Management Division of Yantai Municipal Housing Provident Fund Management Centre* (煙台市住房公積金管理中心牟平管理部) confirming that Yantai Zhongjia has made contribution to housing provident fund for its employees since May 2020. We have also conducted interview with the relevant authority and confirmed among other things, that (i) on the basis that no employee would file a complaint in respect of the underpayment of housing provident fund, Muping Management Division of Yantai Municipal Housing Provident Fund Management Centre* (煙台市住房公積金管理中心牟平管理部) would not request Yantai Zhongjia to pay outstanding housing provident fund; and (ii) Yantai Zhongjia has no record of complaint filed against it. We have formalised a set of procedures to prevent the recurrence of failure to make social insurance and housing provident fund contributions in full, including: • designating our finance department and administration department to supervise whether our human resources department has implemented the relevant procedures to make social insurance and housing provident funds contributions according to the relevant laws and regulators for our employees; • providing training to our staff in the human resources department when the relevant laws and regulations relating to social insurance and housing provident fund have been amended; • implementing procedures to calculate and pay social insurance and housing provident funds for our employees; and • reviewing the implementation of the policies on social insurance and housing provident funds by our human resources department regularly to ensure they have been properly implemented in accordance with the PRC laws and regulations.	Our Directors confirm that as at the Latest Practicable Date, Yantai Zhongjia has not received any complaint from any of the employee in relation to the social insurance and housing provident fund contribution, and in case of any relevant complaints from employees received by Yantai Zhongjia, Yantai Zhongjia will rectify the issue timely, including but not limited to make adequate social insurance and housing provident fund contribution as required by then relevant laws and policy. We have adopted internal control procedures to prevent the recurrence of the non-compliance incidents. Our Controlling Shareholder has provided an irrevocable indemnity against all claims, actions, demands, costs, charges, fees, expenses and fines suffered or incurred or to be suffered or incurred by us due to the underpayment of social insurance fund and housing provident fund. Based on the foregoing, we are of the view that non-compliance incident does not have any material effect on the operations and financial condition of our Group.

Our Directors believe that the foregoing non-compliance incidents have not caused or will not cause any material and adverse financial or operational impact on us, as our Controlling Shareholder had irrevocably undertaken to fully indemnify us for all losses, claims, penalties, fines and expenses as a result of such non-compliances.

INTERNAL CONTROL AND RISK MANAGEMENT

We are subject to various risks during our operations. For further details, please see the section headed "Risk factors" in this document. We have established internal control and risk management systems and relevant policies and procedures which we consider suitable for our business operation. Our Directors are responsible for formulating and overseeing the implementation of internal control measures and the effectiveness of our risk management system, which are designed to provide reasonable assurance regarding the achievement of objectives relating to our operations, reporting and compliance. Our policies and procedures are aimed at managing our mining and production operations, monitoring our business performance and minimising risk exposure.

In December 2019, we have appointed the Internal Control Consultant to perform a detailed review of our internal control and risk management systems, and to conduct follow-up reviews. The scope of work of the Internal Control Consultant included the reviewing of our internal control systems on control environment, risk assessment and monitoring, corporate governance, environmental and social governance, information disclosure system, financial reporting, income and procurement management, production process, inventory management, anti-fraud procedures, human resources and remunerations, treasury, taxation and general control on information technology.

The Internal Control Consultant has identified the following deficiencies in our internal control system and recommended certain measures to be implemented by our Group:

(i) we failed to make full contributions of social insurance and housing provident funds for our employees during the Track Record Period. Please refer to the paragraph headed "Compliance with laws and regulations — Non-compliance incidents — Under contribution of social insurance fund and housing provident fund" in this section for details of the internal control measures adopted by us;

(ii) Yantai Zhongjia did not hold the necessary permits and certificates in respect of 15 Owned Buildings on its Owned Land and had been leasing Collectively-owned Rural Land and buildings for non-agricultural use. Please refer to the paragraphs headed "Properties — Properties with defective titles" in this section for details of such internal control deficiencies and the respective enhanced internal control policies and measures adopted by us;

(iii) from January 2019 to May 2020, Yantai Zhongjia has engaged in certain Non-compliant Bill Arrangements in breach of the PRC Negotiable Instruments Laws. Please refer to the paragraph headed "Compliance with laws and regulations — Non-compliant bill arrangements" in this section for details of such internal control deficiency and the enhanced internal control policy and measures adopted by us; and

(iv) during the Track Record Period, our Group has provided corporate guarantees in favour of banks in the PRC in respect of banking facilities obtained by third parties, for details please refer to the section headed "Financial Information — Indebtedness — Contingent liabilities — Guarantees issued" in this document. Further, during the Track Record Period, certain of our bank borrowings have been cross guaranteed by such third parties. We intend to utilise internal resources to repay certain bank loan or utilise [REDACTED] from the [REDACTED] amounting to approximately [REDACTED]% or HK$[REDACTED] (RMB[REDACTED]) and such guarantees will be released upon repayment of the bank loans, for details please refer to the section headed "Future plans and [REDACTED] — [REDACTED]" in this document. Going forward, we intend to end all cross-guarantee arrangements after the loans have been fully repaid.

Our Directors confirmed that none of such deficiencies has caused material adverse effect on, or serious disruption to, the business operations and finance of our Group.

Our Internal Control Consultant conducted follow-up reviews covering periods up to 31 December 2021 and concluded that we had implemented (or will implement no later than the [REDACTED]) all of the recommendations made by our Internal Control Consultant and no further internal control deficiencies were identified during the follow-up review. We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the production and sales of products, administration of daily operations, financial reporting and recording, compliance procedures with applicable laws and regulations on safety, environmental protection and maintenance of required licences, permits and certificates, which shall be reviewed regularly by the Audit Committee of our Board after [REDACTED]. In addition to corporate governance related policies that we will adopt prior to the [REDACTED], we have also put in place various written policies in accordance with the Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. We cannot guarantee that our internal control measures will be effective in protecting us against various risks in our business. For further details, please see the sections headed "Risk factors — Risks relating to the business operations of our Group — We may not be able to detect and prevent fraud, bribery or other misconduct committed by our employees, customers or other third parties" and "Risk factors — Risks relating to the business operations of our Group — Our internal control and risk management systems may not fully protect against various risks inherent in our business" in this document.

CORPORATE GOVERNANCE

To further enhance the quality of our corporate governance, our Group has adopted or intended to adopt the following measures:

- our legal advisers as to Hong Kong laws have conducted training sessions to our Directors in June 2020 and February 2022, and provided to them training materials regarding ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies (Miscellaneous Provisions) Ordinance, the Companies Ordinance, the SFO and the Listing Rules;

- we have appointed Dr. Shao, our executive Director, Chairman and Chief Executive Officer, who will act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory and financial reporting compliance matters of our Group as well as the chief coordinator to oversee the internal control procedures in general. Details of Dr. Shao's qualifications and experience are set out in the section headed "Directors and senior management" in this document;

- our Company has appointed Innovax Capital as our compliance adviser to advise our Group on compliance matters upon [REDACTED] in accordance with Rule 3A.19 of the Listing Rules; and

- we have established an Audit Committee with written terms of reference in accordance with Appendix 14 to the Listing Rules to review the internal control system and procedures for compliance with the requirements of the Listing Rules, the Companies Ordinance and other applicable laws, rules and regulations.

Our Group aims to ensure that our operations are in compliance with the applicable laws, rules and regulations with respect to our business operations in the PRC. Our relevant senior management will continue to review and enhance our internal control system to ensure regulatory compliance in our business operations in the PRC and recommend remedial proposals on any internal control deficiency to our audit committee, which will then advise our Board. Any proposal approved by our Board will be implemented and closely monitored. Progress and effectiveness of any remedial plan will be reported to the audit committee. Any material internal control failing, weakness or deficiency identified during the review process and the relevant follow up or remedial measures (if applicable) taken by our Group will be disclosed in our annual report after [REDACTED].

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Governance structure of our Group for environmental, social and governance matters

Our Directors consider that as a responsible mining company and employer, establishing and implementing sound environmental, social and governance ("**ESG**") principles and practices are essential to our Group, and meanwhile it can increase the sustainable investment value of our Group and provide long-term returns to our Shareholders. In order to integrate ESG into our daily decision-making and operation more effectively, we have established an ESG working group (the "**ESG Working Group**") and an energy conservation and emission reduction leading group (the "**Emission Reduction Leading Group**"), and formulated a series of ESG policies setting out (i) the ESG functions and roles of our Board, the ESG Working Group and the Emission Reduction Leading Group; and (ii) the detailed policies and related measures for each of the ESG scope.

Our Board is responsible for formulating and supervising overall ESG strategies of our Group and determining the ESG-related risks. Our ESG Working Group and Emission Reduction Leading Group comprise many employees from different departments, and each of the groups is headed by the deputy general manager of Yantai Zhongjia. The ESG Working Group is responsible for assisting the formulation of ESG strategies and implementing the ESG policies and measures across all departments. It is also responsible for regularly identifying and reviewing the ESG issues and risks and putting forward improvement suggestions. In order to achieve the long-term emission reduction goals, Emission Reduction Leading Group is established to primarily focus on matters relating to energy consumption and emission. They will supervise and check the energy management of all departments, formulate the relevant management systems and work plans, and regularly conduct energy calculation for the production units, so as to continuously improve the energy utilisation efficiency of our Group. Emission Reduction Leading Group will organise annual meetings, summarise the work for the year and set the work goal for the next year, while the ESG Working Group will also supervise and check the relevant work progress. Both groups will report to our Board.

In addition to our internal operating environment, we also value the environmental and social risk management in the supply chain. We have formulated the environmental and social risk policies for the supply chain management, and encourage all the suppliers to proactively promote the environment protection and improve the employee benefits protection, so as to reduce the environmental and social risks in the supply chain.

Metrics and targets

In order to effectively evaluate and manage the ESG-related risks, we have adopted the following metrics and targets:

(i) in respect of greenhouse gas emissions, the metrics mainly include the amount of the energy indirect (Scope 2) greenhouse gas emissions calculated based on the CO_2-equivalent (tonnes). We plan to reduce the amount of greenhouse gas emissions produced in the course of operation;

(ii) in respect of energy use, the metrics mainly include the amount of energy consumption with the unit of megawatt hour (MWh). We plan to improve the energy efficiency and reduce the unnecessary energy consumption; and

(iii) in respect of resource utilisation, the metrics mainly include the volume of water consumed with the unit of cubic metre. Our target is to use water resource more effectively in our business operations and to save water resource.

We will strive to reduce the greenhouse gas emissions, improve the efficiency in the use of energy and other resources, and practically protect the environment.

A. Environment

Emissions management

Our Group's emissions and wastes are generated mainly from our mining activities and ore processing activities, which mainly include waste rocks and tailings, solid waste, wastewater, dust and noise. Our Group formulates different emission management depending on relevant government policies and environmental factors. We strictly comply with and implement the requirements of environmental laws and regulations of the PRC, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》) and the Law on Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》), and has developed relevant policies and measures to effectively manage emissions and ensure operational compliance. For further details, please refer to the section headed "Regulatory overview — Laws and regulations on environmental protection" in this document. Our Directors are of the opinion that our Group's operations do not generate significant emissions and wastes which would significantly pollute the environment, and we have conducted the Registration of Solid Waste Sources with the PRC government and obtained a Water Extraction Permit issued from the PRC government.

The environmental protection policies and procedures in respect of the emissions and wastes generated from our operations are summarised below:

	Emissions and wastes	**Major environmental protection measures adopted**
1.	Waste rocks and tailing management	All waste rocks generated from mining could be used as the construction materials for roads, tailing dams, retaining walls and swales. As such, during the Track Record Period, we supplied the waste rocks generated to external recycler for further utilisation.

	Emissions and wastes	**Major environmental protection measures adopted**
		In respect of the tailings produced during our ore processing activities, part of which will be used in the backfilling the stopes in our Songjiagou Underground Mine. To do so, cements are added to dry tailings to produce cement slurry, which can be directly used for backfilling the stopes in our Songjiagou Underground Mine. During the Track Record Period, we supplied surplus tailings to third parties, who recycles such tailings as construction materials, so as to minimise the impact on the environment.
2.	Solid waste management	In respect of each type of waste, including scrap metals and municipal solid waste, there are designated collection and storage locations around the work area. For example, scrap iron are collected and stored in various designated locations before being sold for recycling. Domestic solid wastes are collected and processed centrally by government environmental health departments.
3.	Wastewater treatment	We are committed to recycling water to reduce the use of fresh water and the volume of wastewater discharged. The mine water from our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine is collected and processed through desilters. The processed water can be reused for mining and dust control. We also collect and treat the water from the upper level of tailing dams which will be reused in our processing plant. We have built drainage ditches around our Songjiagou Open-Pit Mine to prevent precipitation from entering the mine. When excessive mine water is discharged during rainy seasons, the mine water will be processed in the desilter before being discharged into the environment.

	Emissions and wastes	Major environmental protection measures adopted
		There are existing domestic wastewater treatment units on the construction site, and the treated domestic wastewater is reused for irrigation in site and farmland. We have also engaged a third-party testing company to regularly test wastewater.
		Consumption of water is one of our key performance indicators ("**KPI(s)**") in respect of our emissions and waste management and resource usage management. For details, please see the paragraph headed "Management of use of resources" below.
4.	Dust control	The main sources of dust emission are blasting, mining, loading, ore processing, waste rock storage and treatment and movement of vehicles and equipment. We formulate various measures including: (i) collecting dusts and installing vacuum cleaners in the processing plant; (ii) deploying carts to splash water in the mining area, waste rock loading area and roads to reduce dust emission; and (iii) engaging qualified companies to test dust particles.
5.	Noise control	The noise emission mainly comes from blasting, jackdrill, loaders, ore processing equipment, air compressors and other noise-making equipment and machinery. We are committed to reducing the impact of noise on the environment by installing processing equipment in the closed rooms.
		We take various measures to minimise the noise produced during our operations, such as the use of damping and noise reduction device, installation of muffler on the air compressor, the setting of speed limit for vehicles, adoption of sound insulation measures, and the limitation of the blasting in the daytime, so as to reduce the impact of noise on the environment.

During the Track Record Period, our cost of compliance with the applicable environmental protection rules and regulations in the PRC amounted to approximately RMB1.0 million, RMB0.5 million and RMB0.4 million, respectively. Moving forward, we expect our environmental protection rules and regulations will maintain at a similar level.

Management of use of resources

We are committed to making optimal use of resources, such as prioritising the purchase of energy-efficient production facilities, in order to reduce the consumption of natural resources. We have formulated the policies and procedures on resource conservation and implemented various measures in the daily office operations of mining sites and ore processing plant, such as identifying abnormal energy consumption and conducting necessary investigation and rectification, carrying out energy calculation of the production departments, adopting the light-emitting diode (LED) lighting system and bringing in natural light to the extent possible, and arranging the last employee to leave the workplace to check and turn off lighting and air conditioning to avoid wasting resources.

In respect of our emissions and wastes management and resources usage management, we primarily adopt electricity consumption and water consumption as our KPIs. In FY2019, FY2020 and FY2021, we consumed approximately 44,544 MWh, 47,182 MWh and 28,336 MWh of energy in the course of our operations, respectively. As for energy consumption intensity, we consumed approximately 57,425 MWh/tonne of production volume, 47,411 MWh/tonne of production volume and 56,780 MWh/tonne of production volume in 2019, 2020 and 2021, respectively. In FY2019, FY2020 and FY2021[1], we consumed approximately 149,636 cubic metres, 150,357 cubic metres and 48,221 cubic metres of water resources in our daily operations, respectively. In terms of water consumption intensity, we consumed approximately 192,904 cubic metres/tonne of production volume, 151,087 cubic metres/tonne of production volume and 96,627 cubic metres/tonne of production volume in FY2019, FY2020 and FY2021, respectively.

In addition, we have also measured CO_2 emissions as one of the greenhouse gases based on electricity and energy consumption. In FY2019, FY2020 and FY2021, we emitted approximately 27,177 tonnes of CO_2-equivalent, 28,785 tonnes of CO_2-equivalent and 17,288 tonnes of CO_2-equivalent of greenhouse gases (indirect emissions) from our operations, respectively. For emission intensity of greenhouse gases (indirect emissions), we emitted approximately 35,035 tonnes of CO_2equivalent/tonnes of production volume, 28,925 tonnes of CO_2-equivalent/tonnes of production volume and 34,641 tonnes of CO_2-equivalent/tonnes of production volume in FY2019, FY2020 and FY2021, respectively.

Management of the environment and natural resources

We understand that our operating activities may have an impact on environmental and natural resources, so we do our best to minimise such impact to achieve sustainable development. According to the SRK Report, none of our mines are located within the area of natural reserves. The development of our Songjiagou Open-Pit Mine and Songjiagou Underground Mine is and will unlikely to cause harm to wild animals or plants. However, we still strive to protect environment and minimise environmental footprint generated in the course of our operations, in order to protect

[1] As we increased the use of recycled water through rainwater recovery in 2021, the water consumption and its water consumption intensity in 2021 are lower than those in 2019 and 2020.

ecosystems and combat climate change. We strictly regulate the emission of exhaust gas, wastewater, solid waste and noise from our production plant to ensure that each production process complies with the environmental standards of national and local governments.

According to the SRK Report, our Songjiagou Open-Pit Mine and Songjiagou Underground Mine will result in destruction of a land of a total of approximately 83.1 hectares. Under the relevant PRC laws and regulations, we are required to be responsible for site closure and land rehabilitation in relation to mining activities and submit a land rehabilitation plan to the Ministry of Natural Resources or the local land and resources branch for review when renewing the mining licences. The purpose of land rehabilitation is to rehabilitate the land damaged by the operations in order to control water and soil loss and protect the ecological environment. As at 31 December 2021, an environmental rehabilitation deposit of approximately RMB15.6 million has been deposited in the form of restricted and secured deposits for our Songjiagou Open-Pit Mine and Songjiagou Underground Mine in accordance with relevant PRC laws and regulations. The proposed measures in relation to site closure and land rehabilitation are as follows:

	Measures	**Details**
1.	Geological environment restoration	We will take measures to mitigate geological disasters, particularly landslides during the rainy season, including slope cutting during open pit mining or backfilling of steep slope areas with tailings after completion of underground mining. Our mining operations may cause impacts or losses to the growth of the plants and animals and the habitats due to landslides or stripping.
2.	Greening and rehabilitation	We have minimised environmental impacts by greening the area around the mining area and the tailings dam. We have also begun to gradually rehabilitate the mining site by replanting the slopes in the mining areas.
3.	Topsoil stripping	Topsoil will be stripped from mining, ore processing sites, waste stone quarries and infrastructure areas and then reused for land rehabilitation.
4.	Progressive restoration	Restoration will be carried out progressively with mining activities. In addition, any damaged agricultural land must be restored to the agricultural use phase at the lowest crop yield when possible.

	Measures	Details
5.	Replanting	At completion of the project, we will rehabilitate the relevant land for replanting by covering it with topsoil and seeds. The species used will be local perennials that are capable of growing in the conditions of the district where the mining areas are located.
6.	Rehabilitation monitoring and maintenance	Rehabilitation monitoring and maintenance will continue throughout the period of the project and after the completion of the project.

During the Track Record Period and up to the Latest Practicable Date, we are committed to complying with and implementing the approved rehabilitation plan. For FY2019, FY2020 and FY2021, the present value of our rehabilitation provision is approximately RMB21.3 million, RMB22.0 million and RMB23.3 million, respectively.

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have complied in all material aspects with the applicable laws and regulations relating to environmental protection. During the Track Record Period and up to the Latest Practicable Date, we have not received any notice or warning, nor have we been subject to any investigation or suffered any material fines or penalties that would have a material adverse effect on our production and operations as a result of any breach of the relevant PRC environmental laws and regulations.

Our environmental and climate related risks and opportunities

Under the guidance of our ESG Risk Management Work Plan, our ESG Working Group is responsible for identifying ESG-related risks, including environmental and climate related risks, through strategies and measures such as feedback from internal and external stakeholders, developing an ESG Risk Identification and Register, and identifying business opportunities and reporting related matters to our Board. We assess the extent to which these risks affect our Group and prioritise them. Subsequently, we develop corresponding measures and regularly review the effectiveness of existing measures to control and mitigate the relevant risks. Please refer to the paragraphs headed "A. Environment" and "B. Social" in this section for the risk response measures.

We are well aware that the risks of environmental and climate change may cause financial losses and non-financial losses to our operations. These risks include: (i) transition risks associated with changes in policies, laws, technologies and markets; and (ii) physical risks associated with hurricanes, floods and continuous high temperature.

The following is a summary of the environmental and climate related risks and opportunities we have identified:

(i) **Environmental and climate related risks**	**Potential impacts**
• Extreme weather events such as floods, storms, snowstorms or extreme heat	• Our mining operations may be effected due to adverse weather, resulting in lower production rates • The revenue may decrease because the supply chain is intervened or disrupted
• Changes in environmental or climate related regulations	• In order to comply with the increasingly stringent environmental regulations, the compliance cost increases, which affects the profit
• Policies to reduce CO_2 emissions	• In order to cope with the changes in the policies, operating models may be changed, leading to the increase in operating costs or tax liabilities, which affects the profit

(ii) **Environmental and climate related opportunities**	**Potential impacts**
• To adopt energy efficient machineries and equipments to improve efficiency of resource utilisation	• Operating costs may decrease
• To develop energy efficient and low carbon production technologies	• Competitiveness may be enhanced, resulting in the decrease in operation cost

B. Social

Employees

We believe that our employees are crucial to our success. Our human resources department is responsible for the recruitment, management and training of the employees. As at the Latest Practicable Date, we had a total of 402 full-time employees. Other than one employee in Canada and two employees in Hong Kong, all of our employees are based in the PRC.

As at the Latest Practicable Date, the Group had a total of 402 full-time employees (including our executive Directors), of which 400 full-time employees were local employees and 2 full-time employees were foreign employees.

The following table sets out a breakdown of our employees by function on the dates indicated:

	As at 31 December			As at the Latest Practicable Date
	2019	**2020**	**2021**	
Management	7	10	10	10
Operation	226	241	331	340
Administration	24	22	26	26
Accounting/finance	3	5	6	6
Safety and environmental protection	3	6	6	8
Other	13	10	12	12
Total	276	294	391	402

We strictly comply with the requirements of employment related laws and regulations in the PRC, including but not limited to the Labour Law of the PRC (《中華人民共和國勞動法》), the Provisions on Prohibition of Using Child Labour (《禁止使用童工規定》) and the Law of the PRC on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). We also formulated policies and measures on employment matters such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare.

To ensure we comply with the Labour Law of the PRC and pursue the principle of equality when conducting recruitment, we generally recruit employees through recruitment websites, campus recruitments and open markets. When we make recruitment decisions, we take into account factors such as our business strategy, development plans, industry trends and competitive environment. To ensure that the recruitment process is in compliance with relevant local laws and regulations, we verify the candidates' information, including but not limited to age and identification documents, thereby ensuring that the regulations on child labour and forced labour are not violated in the operation.

We are committed to promoting equal opportunities in the workplace and value a diverse workforce. We specify in the ESG policies and procedures manual to provide equal opportunities in employment matters such as recruitment, promotion and training, not allowing any discrimination based on the factors such as age, gender, marital status, race, colour, nationality, religion, sexual orientation.

We recognise the importance of maintaining good relationships with our employees. Remuneration payable to our employees includes salaries and allowances. In accordance with the relevant statutory requirements, we make contributions to the employees' mandatory social insurance funds to provide retirement, medical, work injury, maternity and unemployment benefits. We also provide additional benefits to the employees such as free accommodation, medical, food and transportation allowance. However, we failed to make full contributions to social insurance and housing provident fund for our employees during the Track Record Period. For further details, please refer to the paragraph "Compliance with laws and regulations — Non-compliance incidents" in this section.

We conduct trainings for new employees annually and conduct regular trainings for on-the-job employees. In general, our trainings focus on developing job-related skills of the management and technical staff. We also provide external training opportunities for the employees.

We established a trade union in the PRC which all the Chinese employees are eligible to join. Our trade union protects the legal rights and interests of our employees, promotes and enhances our operational efficiency by addressing issues relating to workers, for example, their demands and suggestions to the workplace. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any significant labour disputes within our Group or labour disputes on the operation of our Group, nor have we experienced any difficulty in recruiting and retaining the experienced employees.

Occupational Health and Safety

We operate in a responsible manner to ensure the health and safety of our employees, subcontractors and the communities in which we operate. We have developed fundamental operational occupational health and safety management systems and procedures for our Songjiagou Open-Pit Mine and Songjiagou Underground Mine. These management systems and procedures cover basic safety production management for drilling, transportation, ventilation, explosive storage, and fire and flood prevention. We have also established safety measures covering various aspects including mining, flood and fire protection, explosion prevention and transportation. In February 2014, we were awarded "the Advanced Unit in Production Safety at the District Level" (年度區級安全生產工作先進單位) from the government authority of the Muping District in Yantai City. We have taken measures to comply with the applicable laws and regulations relevant to occupational health and safety. For our operations, we are subject to laws and regulations of the

PRC in respect of occupational health and safety, such as the Law of the PRC on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法), the Work Safety Law of the PRC (中華人民共和國安全生產法), the Mine Safety Law of the PRC (中華人民共和國礦山安全法), the Regulations for the Implementation of the Mine Safety Law of the PRC (中華人民共和國礦山安全法實施條例) and the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (生產安全事故報告和調查處理條例). For the details, please refer to the section headed "Regulatory Overview" in this document.

In particular, our Songjiagou Open-Pit Mine and Songjiagou Underground Mine have obtained valid production safety permits. Please refer to the paragraph headed "Our mineral assets and reserves — Mining rights and mining licences" in this section for the details. We have also obtained a safety permit for our tailings dam, which has established a perfect safety management system equipped with an online monitoring system covering dam displacement monitoring, leach line monitoring and safety alarms. We also continuously provide our employees with safety training courses, the contents of which include but are not limited to post safety operation and safety and occupational sanitation matters.

We require the subcontractors to possess appropriate qualifications in their contracted tasks and production safety. We provide regular safety trainings to our subcontractors, who work under the supervision of our departments such as Safety Division, Production Technology Department. For further details, please see the paragraph headed "Suppliers and subcontractors — Subcontractors" in this section.

In response to the outbreak of the COVID-19 pandemic, we are committed to minimising the risk of infection amount our employees, and have adopted a series of quarantine measures. For the information on our safety measures during the outbreak of the pandemic, please see the paragraph headed "Impacts of the outbreak of COVID-19 pandemic on our business" in this section.

As advised by our PRC Legal Advisers, during the Track Record Period, we had been in compliance with the applicable PRC laws and regulations in respect of occupational health and safety in all material respects. During the Track Record Period and up to the Latest Practicable Date, save for five, two and two occupational health or work safety accidents in 2019, 2020 and 2021, respectively, all of which was fully covered by our work safety liability insurance, there had not been any occupational health or work safety accident or any claim arising from such accident that would have a material adverse effect on our business, financial condition and results of operations.

Community investment

We shoulder social responsibilities and are committed to contributing to the local communities. We have made donations to local public charity institutions and governmental agencies and helped those in need in the communities. During FY2019, FY2020 and FY2021, our charitable donations were approximately RMB100,000, RMB2 million and RMB83,000, respectively.

In addition, we also contributed to the local communities by making investment to nearby villages which would enable us to maintain good relationships with the villagers.

As part of our contribution to the local communities, we provide employment opportunities to villagers in nearby villages. Such employment opportunities include truck drivers and workers in our mining areas and ore processing plant. In addition, in order to improve the social well-being of the local communities and reduce the impacts of our mining and ore processing operation on the original residential areas of villagers, we completed the construction of six residential buildings near our Songjiagou Open-Pit Mine and Songjiagou Underground Mine in August 2019 at a budget of approximately US$14.4 million, to relocate and house up to 240 families. Such relocation would also facilitate ongoing operations and potential expansion of surface mining activities in the future. The buildings include appliances, recreation rooms, child playgrounds and other modern amenities including elevators, air conditioning and parking lots. All the construction engagements were completed in accordance with national standards and approved following the inspection by the relevant government authorities. In addition, on 18 September 2020, we agreed to grant an interest-free loan of RMB4 to Songjiagou Weikun Vegetables and Fruits Farmers Specialised Cooperation (宋家溝煒坤蔬果農民專業合作社) for the construction of a greenhouse to support the agricultural economic development of these villagers and farmers in the Muping District of Yantai. The loan is interest-free, unsecured and repayable by 17 September 2025. Further, our mining and production activities may cause certain degree of disruptions and inconvenience to the daily lives of the villagers who reside nearby. To compensate the villagers, we have implemented a scheme to compensate such villagers since 2012, whereby monetary compensations are given quarterly to each participating villagers.

SUMMARY INFORMATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

The following table sets out the information regarding our current Directors and members of our senior management.

Name	Age	Position/Title	Roles and responsibilities	Date of joining our Group	Date of first appointment as Director/senior management of our Company
Executive Directors					
Dr. SHAO Xuxin (邵緒新博士)	58	Chairman of our Board, chief executive officer and Executive Director	Primarily responsible for overall strategic planning development, business planning, investment planning and overseeing business operation of our Group	1 July 2004	21 May 2019
Mr. MACKIE James Thomas	53	Executive Director	Primarily responsible for legal, administration and human resources matters of our Group	29 October 2018 *(Note 1)*	21 May 2019
Mr. LO Cheuk Kwong Raymond (盧卓光先生)	58	Executive Director, chief financial officer and company secretary of our Company	Primarily responsible for financial management, budgeting, internal control and company secretarial matters of our Group	15 October 2019	8 May 2020
Mr. CHEN Shaohui (陳紹惠先生)	63	Executive Director	Primarily responsible for overseeing general business operations and management of our Group	1 June 2008	8 May 2020
Independent non-executive Directors					
Dr. MALAIHOLLO Jeffrey Francis A	55	Independent non-executive Director	Primarily responsible for providing independent judgment to our Board on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	[●] 2022	[●] 2022

Name	Age	Position/Title	Roles and responsibilities	Date of joining our Group	Date of first appointment as Director/senior management of our Company
Mr. CHAN Ngai Fan (陳毅奮先生)	42	Independent non-executive Director	Primarily responsible for providing independent judgment to our Board on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	[●] 2022	[●] 2022
Dr. ZENG Ming (曾鳴博士)	64	Independent non-executive Director	Primarily responsible for providing independent judgment to our Board on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	[●] 2022	[●] 2022
Senior management					
Mr. XU Zhaotong (徐兆彤先生)	61	Head of investment and investors relationship	Primarily responsible for merger and acquisition and maintaining investors relationship of our Company	1 July 2020	1 July 2020
Mr. HUANG Yong (黃勇先生)	64	Head of mine operations	Primarily responsible for overall management for exploration and mining operation	1 December 2014 *(Note 2)*	1 August 2020
Mr. ZHOU Shufeng (周書鋒先生)	39	Chairman of the board and general manager of Yantai Zhongjia	Primarily responsible for the management of daily operation of Songjiagou Open-Pit Mine and Songjiagou Underground Mine	1 June 2016	21 May 2021

Notes:

(1) Mr. MACKIE James Thomas was appointed as the chief financial officer of Majestic Gold, our Controlling Shareholder, in March 2013 and has since been responsible for all aspects of the financial and reporting operations of Majestic Gold and the corporate finance of its subsidiaries, including Yantai Zhongjia.

(2) Mr. HUANG Yong joined Majestic Gold as an on-site consultant at Yantai Zhongjia in December 2014, and has since been responsible to bring in latest mining technology to improve mining efficiency at our Songjiagou Open-Pit Mine and Songjiagou Underground Mine.

BOARD OF DIRECTORS

Our Board currently consists of seven Directors comprising four executive Directors and three independent non-executive Directors. The term of service for our Directors is three years, and they are permitted to be re-elected in accordance with the Articles of Association. Responsibilities of our Board include but are not limited to (i) convening Shareholders' meetings, reporting on our Board's work at these meetings, implementing our Shareholders' resolutions passed at these meetings; (ii) determining business operation, financial, capital and investment plans; (iii) determining internal management structure, setting down fundamental management rules; (iv) appointing and discharging members of senior management, determining Directors' remuneration and formulating our proposals for profit distributions; and (v) exercising other functions and powers empowered by relevant laws, regulations and the Articles of Association.

Executive Directors

Dr. SHAO Xuxin (邵緒新博士), aged 58, was appointed as a Director of our Company on 21 May 2019 and was subsequently re-designated as our executive Director and appointed as the Chairman of our Board and the chief executive officer on 28 March 2022. Dr. Shao is principally responsible for overall strategic planning and development, business planning, investment planning, human resources allocation and overseeing business operation of our Group. He is the chairman of the nomination committee and a member of the remuneration committee.

Dr. Shao has over 30 years of experience in ore processing, mining-related finance and investment management. Since July 2004, Dr. Shao has been serving as a director of our subsidiary, Majestic Yantai BVI. Dr. Shao has also been an adviser of Majestic Gold since 2004, mainly responsible for formulating group policy and strategies for running the gold mine operation in the PRC and maintaining relationship with the local Chinese business partners.

The following table sets forth the key working experience of Dr. Shao:

Period	Company/Institution	Last position	Roles and responsibilities
From July 1990 to September 1996	China University of Mining & Technology-Beijing	Lecturer, associate professor and deputy department head of the Department of Mineral Processing	Teaching

Period	Company/Institution	Last position	Roles and responsibilities
From October 1996 to December 1997	The University of Kentucky, the United States	Research scientist for the Centre for Applied Energy Research	Primarily responsible for conducting research on ultra-fine coal dewatering
From February 1998 to April 1998	Process Research Associates Ltd., a company principally engaged in research and testing laboratory serving the mining and exploration industries	Process metallurgist	Primarily responsible for conducting metallurgical tests and liaison with clients
From July 1998 to March 2003	Atlantic Gold Corporation (formerly known as Spur Ventures Inc.) (previously listed on the TSX Venture Exchange, stock symbol: AGB), whose principal businesses included mineral exploration and development and oil and gas extraction	Project manager	Primarily responsible for management of phosphate mining, processing and fertilizer project in the PRC
From January 2004 to April 2016	Sterling Group Ventures, Inc. (previously quoted on OTC Link in the United States, stock symbol: SGGV), whose previous principal businesses included mineral exploration for phosphate in the PRC	Director, president and chief financial officer	Primarily responsible for overall management of the mining projects in the PRC and administration of the company
From March 2004 to August 2008	Bullabulling Gold (UK) Limited (formerly known as GGG Resources PLC and Central China Goldfields plc) (previously listed on the London Stock Exchange and Australian Securities Exchange, stock symbols: GGG and GGB, respectively), whose principal businesses included mineral exploration	Adviser	Primarily responsible for advising on its gold and copper projects in the PRC and liaison with its Chinese joint venture partner and related Chinese governmental departments

Period	Company/Institution	Last position	Roles and responsibilities
From September 2006 to April 2008	Delta 9 Cannabis Inc. (formerly known as Verona Development Corp.) (listed on the Toronto Stock Exchange, stock symbols: DN, DN.WT, DN.WT.A, DN.DB), whose previous principal businesses included acquisition, exploration and development of mineral properties	Director	Mainly in charge of the operation of coalbed methane businesses in the PRC
From April 2010 to March 2014	a subsidiary of Goldrea Resources Corp. (listed on the Canadian Securities Exchange, Frankfurt Stock Exchange and OTC Pink Open Market, stock symbols: GOR, GOJ1 and GORAF, respectively), whose principal businesses included acquisition, exploration and development of mineral properties	Director	Mainly in charge of supervising its gold operation in the PRC

Dr. Shao obtained a bachelor's degree in mineral processing from Wuhan Institute of Technology (formerly known as Wuhan Institute of Chemical Technology* (武漢化工學院)) in July 1983, and a doctor of philosophy degree in mineral processing from China University of Mining & Technology — Beijing in July 1990.

Dr. Shao does not have any current or past directorships in any listed companies in the last three years.

Dr. Shao was a director of the following companies at the time or within 12 months from the time of their respective dissolution. The relevant details are as follows:

Company name	Place of incorporation/ establishment	Principal business before dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Yantai Jinze Gold Co., Ltd.* (煙台金澤黃金有限公司)	PRC	Gold exploration	2 April 2013	Deregistration	Cessation of business
Chenxi Hongyu Mining Co., Ltd.* (辰溪縣宏宇礦業有限公司)	PRC	Phosphate mining	1 November 2017	Deregistration	Cessation of business
Fast Fresh Intelligent Logistics Network (Shenzhen) Co., Ltd.* (速鮮智能物流網絡(深圳)有限公司)	PRC	Logistics	19 August 2019	Deregistration	Cessation of business
Huadianai Culture and Art Media (Beijing) Co., Ltd.* (花點愛文化藝術傳媒(北京)有限公司)	PRC	Wholesale and retail of flowers	14 January 2020	Deregistration	Cessation of business
Sunshine Flower Industry (Nanjing) Co., Ltd.* (陽光花卉產業(南京)有限公司)	PRC	Planting, processing and retail of flowers and horticultural crops	1 April 2020	Deregistration	Cessation of business
Wuhan Ruijiahe Technology Co., Ltd.* (武漢瑞佳和科技有限公司)	PRC	Flower planting and flower sales	15 June 2020	Deregistration	Cessation of business

Dr. Shao confirmed that the above companies were solvent immediately prior to their respective dissolution. Dr. Shao further confirmed that there was no wrongful act or omission on his part leading to the dissolution of the above companies and that no misconduct or misfeasance on his part had been involved in the dissolution of the above companies. Dr. Shao confirmed that he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies.

Mr. MACKIE James Thomas, aged 53, was appointed as our Director on 21 May 2019 and was subsequently re-designated as our executive Director on 28 March 2022. Mr. Mackie is principally responsible for the legal, administration, and human resources matters of our Group.

Mr. Mackie has been serving as a director of our subsidiary, Majestic Yantai BVI, since October 2018. Mr. Mackie has over 15 years of experience in financial management and administration, including corporate governance, government and securities compliance. Mr. Mackie was appointed as the chief financial officer and director of Majestic Gold in March 2013. He has since been responsible for corporate finance matters, including technical accounting, risk advisory, planning and forecasting, tax management and treasury functions of Majestic Gold together with its subsidiaries, including Yantai Zhongjia. In November 2013, he resigned as a director and was appointed as the corporate secretary of Majestic Gold.

The following table sets forth the key working experience of Mr. Mackie:

Period	Company/Institution	Last position	Roles and responsibilities
From September 2005 to September 2012	Golden Oak Corporate Services Ltd., whose principal businesses included providing financial reporting and compliance services	Corporate controller services for companies listed on the TSX Venture Exchange	Primarily responsible for financial reporting and corporate governance matters
From September 2012 to July 2014	Global Hunter Corp. (previously listed on the TSX Venture Exchange, stock symbol: BOB.H), whose principal businesses included acquisition, exploration and development of mineral properties	Chief financial officer and corporate secretary	Primarily responsible for corporate finance and corporate governance matters
From September 2012 to July 2014	Delta 9 Cannabis Inc. (formerly known as Verona Development Corp.) (listed on the Toronto Stock Exchange, stock symbols DN, DN.WT, DN.WT.A, DN.DB), whose previous principal businesses included acquisition, exploration and development of mineral properties	Chief financial officer and corporate secretary	Primarily responsible for corporate finance and corporate governance matters

Mr. Mackie obtained a secondary school graduation diploma from Earl of March Secondary School in November 1986. Mr. Mackie is a Certified General Accountant of The Certified General Accountants Association of British Columbia and the Certified General Accountants Association of Canada since August 2007 and October 2007, respectively.

Mr. Mackie does not have any current or past directorships in any listed companies in the last three years.

Mr. LO Cheuk Kwong Raymond (盧卓光先生), aged 58, joined our Group as the vice president of our Group on 15 October 2019, was appointed as a Director on 8 May 2020, was appointed a director of Majestic Yantai BVI on 15 May 2020 and was subsequently re-designated as our executive Director, chief financial officer and company secretary on 28 March 2022. Mr Lo is principally responsible for the financial management, budgeting, internal control and company secretarial matters of our Group.

Mr. Lo has over 30 years of experience in auditing, accounting, asset management, and financial management.

The following table sets forth the key working experience of Mr. Lo:

Period	Company/Institution	Last position	Roles and responsibilities
From October 1984 to August 1987	KPMG (formerly known as Peat, Marwick, Mitchell & Co.	Senior accountant	Primarily responsible for clients' audit services
From September 1991 to April 2000	Bowden Industries Limited, a subsidiary of Gold Peak Industries (Holdings) Limited (listed on the Stock Exchange, stock code: 40.HK), which is principally engaged in the production and sale of batteries and electronics products	Assistant general manager	Primarily responsible for system development, internal controls and financial matters of its PRC joint ventures
From April 2000 to August 2001	Chen Hsong Machinery Company, Limited, a subsidiary of Chen Hsong Holdings Limited (listed on the Stock Exchange, stock code: 57.HK), which is principally engaged in plastic injection molding machines-related businesses	Chief officer — finance, personnel and administration division	Primarily responsible for system development, internal controls, customs declaration and accounting matters of its PRC joint ventures
From September 2001 to February 2003	GMT Shipping (HK) Limited, a company principally engaged in the provision of dry cargo shipping services	Group chief financial officer	Primarily responsible for formalising the group structure for tax planning and setting up accounting and voyage costing system
From February 2004 to June 2005	Chen Chien Holdings Limited, a company principally engaged in trading and manufacturing of mould bases and processing steel	Financial controller	Primarily responsible for system development, internal controls, customs declaration and accounting matters of both its Hong Kong head office and its PRC manufacturing company
From October 2009 to May 2011	GMT Shipping (HK) Limited, a company principally engaged in the provision of dry cargo shopping services	Group chief executive officer	Primarily responsible for the daily management of the group and significant capital investment projects
From January 2012 to July 2016	Chung Ming Metal Resources Holdings Limited, a company principally engaged in stainless steel and copper recycling businesses	Group chief financial officer	Primarily responsible for overall financial management
Since August 2006	Perfect Team Consultants Limited, a company principally engaged in providing consulting services	Sole shareholder and sole director	Operating his own consultancy services business

Mr. Lo obtained a bachelor of commerce in accountancy degree from The University of Wollongong, Australia in October 1990 and obtained his master of business administration degree from The Hong Kong Polytechnic University in November 1997. Mr. Lo was admitted as a Certified Practising Accountant of The Australian Society of Certified Practising Accountants in October 1992 and a fellow member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in December 1998.

Mr. Lo does not have any current or past directorships in any listed companies in the last three years.

Mr. Lo was a director of the following companies at the time or within 12 months from the time of their respective dissolution. The relevant details are as follows:

Company name	Place of incorporation/ establishment	Principal business before dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Polyson Limited	Hong Kong	Trading of electrical appliances	18 July 2000	Voluntary dissolution	Members' voluntary winding up
HSCV Holdings Limited	Hong Kong	Management consultancy	15 April 2005	Deregistration	Cessation of business
Sino Link Creation Limited	Hong Kong	Trading	31 July 2009	Deregistration	Cessation of business
KT Enterprise Limited	Hong Kong	Trading	19 October 2018	Deregistration	Cessation of business

Mr. Lo confirmed that the above companies were solvent immediately prior to their respective dissolution. Mr. Lo further confirmed that there was no wrongful act or omission on his part leading to the dissolution of the above companies and that no misconduct or misfeasance on his part had been involved in the dissolution of the above companies. Mr. Lo confirmed that he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies.

Mr. CHEN Shaohui (陳紹惠先生), aged 63, joined our Group on 1 June 2008 as the general manager of Yantai Zhongjia, was appointed a director of Yantai Zhongjia in May 2010 and was appointed as a Director on 8 May 2020. Mr. Chen was subsequently re-designated as our executive Director on 28 March 2022. Mr. Chen is primarily responsible for overseeing general business operations and management of our Group including managing the mining properties and facilities of the Group.

Mr. Chen has over 38 years of relevant experience in the industry including master planning, preparation of feasibility report, evaluation assessments and environment impact report in major mines in China.

The following table sets forth the key working experience of Mr. Chen:

Period	Company/Institution	Last position	Roles and responsibilities
From August 1983 to November 1997	Hebei Huanqiu Contracting & Engineering Co., Ltd* (河北寰球工程有限公司) (formerly known as Chemical Mine Planning and Design Institute of Ministry of Chemical Industry of China* (化學工業部化學礦山規劃設計院)), whose principal businesses included mining projects' design and administration management	President	Mainly in charge of the technical department
From December 1997 to October 2000	Tus Environmental Science and Technology Co., Ltd. (formerly known as SDIC Yuanyi Industry Co., Ltd) (listed on the Shenzhen Stock Exchange, stock code: 0826.SZ), a company previously engaged in the phosphorus industry	Chief engineer	Primarily responsible for supervising and management of engineering works
From October 2000 to November 2011	Hubei Yichang Phosphorus Chemical Industry Corporation Limited* (湖北宜昌磷化工業集團公司), a company principally engaged in phosphorus industry	Chief engineer	Primarily responsible for supervising and management of engineering works
From January 2004 to May 2006	Micro Express Ltd., a wholly-owned subsidiary of Sterling Group Ventures, Inc. (previously quoted on OTC Link in the United States, stock symbol: SGGV), whose principal businesses included exploration and development of lithium	Vice president	Primarily responsible for the early stage development of Jiajika Spodumene Mine in Ganzi City of Sichuan Province of the PRC
From June 2006 to June 2012	Xinjiang Mejes Mining Co. Inc.* (新疆瑪嘉斯礦業有限公司), whose principal business was gold exploration.	General manager and chairman of the board	Primarily responsible for gold exploration, licence application and general daily administration management

Mr. Chen obtained a bachelor's degree in mineral processing from Wuhan Institute of Technology (formerly known as Wuhan Institute of Chemical Technology* (武漢化工學院)) in July 1983. He was qualified as a senior engineer in the PRC in July 1993.

Mr. Chen does not have any current or past directorships in any listed companies in the last three years.

Mr. Chen was a director/supervisor of the following companies at the time or within 12 months from the time of their respective dissolution. The relevant details are as follows:

Company name	Place of incorporation/ establishment	Position	Principal business before dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Fast Fresh Intelligent Logistics Network (Shenzhen) Co., Ltd.* (速鮮智能物流網絡(深圳)有限公司))	PRC	Supervisor	Logistics	19 August 2019	Deregistration	Cessation of business
Huadianai Culture and Art Media (Beijing) Co., Ltd.* (花點愛文化藝術傳媒(北京)有限公司)	PRC	Supervisor	Wholesale and retail of flowers	14 January 2020	Deregistration	Cessation of business
Sunshine Flower Industry (Nanjing) Co., Ltd.* (陽光花卉產業(南京)有限公司)	PRC	Supervisor	Planting, processing and retail of flowers and horticultural crops	1 April 2020	Deregistration	Cessation of business
Wuhan Ruijiahe Technology Co., Ltd.* (武漢瑞佳和科技有限公司)	PRC	Director	Flower planting and flower sales	15 June 2020	Deregistration	Cessation of business

Mr. Chen confirmed that the above companies were solvent immediately prior to their respective dissolution. Mr. Chen further confirmed that there was no wrongful act or omission on his part leading to the dissolution of the above companies and that no misconduct or misfeasance on his part had been involved in the dissolution of the above companies. Mr. Chen confirmed that he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies.

Independent non-executive Directors

Dr. MALAIHOLLO Jeffrey Francis A, aged 55, was appointed as our independent non-executive Director on [●] 2022, primarily responsible for providing independent judgment to our Board on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. Dr. Malaihollo is a member of each of the audit committee, the remuneration committee and the nomination committee.

Dr. Malaihollo has over 20 years of relevant experience in the mining industry.

The following table sets forth the key working experience of Dr. Malaihollo:

Period	Company/Institution	Last position	Roles and responsibilities
From June 2000 to August 2010	Loeb Aron & Company Ltd, a company principally engaged in the provision of mining consultancy and research services and acted as a corporate finance arranger.	Director and head of research	Primarily responsible for management of the company and research
From November 2004 to June 2012	Bullabulling Gold (UK) Limited (formerly known as GGG Resources Plc and Central China Goldfields plc) (previously listed on the London Stock Exchange and Australian Securities Exchange, stock symbols: GGG and GGB, respectively), whose principal businesses included mineral exploration	Managing director and director	Primarily responsible for running and managing the company's affairs, including exploration work, fundraising, the secondary listing of the company on the Australian Securities Exchange and liaison with its joint venture partners
From September 2011 to July 2012	Bullabulling Gold Limited (previously listed on the London Stock Exchange and Australian Securities Exchange, stock symbols: BBG and BAB, respectively), whose principal businesses included mineral exploration	Director	Primarily responsible for management of the company
From October 2013 to October 2016	Cyprium Metals Limited (formerly known as ARC Exploration Limited) (listed on the Australian Securities Exchange, stock symbol: CYM), a company principally engaged in mineral exploration in Australia and Indonesia	Managing director and chief executive director	Primarily responsible for managing the company's affairs, which included budgeting, planning and executing exploration work, fundraising and marketing and liaising with its joint venture partners
Since July 2016	Copper Lake Resources Ltd. (listed on the TSX Venture Exchange and Frankfurt Stock Exchange, stock symbols: CPL and WOI, respectively), a company principally engaged in exploration of gold and base metals in Ontario, Canada	Non-executive director	Primarily responsible for planning, directing and controlling the activities of the company

Period	Company/Institution	Last position	Roles and responsibilities
Since September 2016	Edenville Energy plc (listed on the London Stock Exchange, stock symbol: EDL), a company principally engaged in the exploration and development of energy commodities, predominantly coal in Africa	Non-executive chairman	Primarily responsible for planning and directing the company's strategic direction and overseeing management of the company

Dr. Malaihollo obtained a bachelor's degree in arts with a major in geological sciences from University of California, Santa Barbara in July 1987 and a doctor of philosophy degree from the University of London in December 1993. He is currently a fellow of each of the Australasian Institute of Mining and Metallurgy (FAusIMM) and Geological Society of London, a member of each of the Geological Society of America and the Association of Mining Analysts.

Save for the current directorships disclosed above, Dr. Malaihollo does not have any current or past directorships in any listed companies in the last three years.

Dr. Malaihollo was a director of the following companies at the time or within 12 months from the time of their respective dissolution. The relevant details are as follows:

Company name	Place of incorporation/ establishment	Principal business before dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
International Islamic Christian Organisation for Reconciliation and Reconstruction Ltd	United Kingdom	Charity	15 January 2008	Voluntary dissolution	Cessation of operation
Central China Goldfields Limited	United Kingdom	Mining of gold and other minerals	6 November 2012	Voluntary dissolution	Cessation of business
Marshall Lake Mining Limited (formerly known as Eyeconomy Holdings Plc)	United Kingdom	Mining of other non-ferrous metal ores	1 February 2018	Voluntary dissolution	Cessation of business
Basudara Maluku Ltd	United Kingdom	Other education	17 March 2020	Voluntary dissolution	Cessation of business

Company name	Place of incorporation/ establishment	Principal business before dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Banda Resources Ltd	United Kingdom	Other professional, scientific and technical activities	7 April 2020	Voluntary dissolution	Cessation of business
Saparua Investments Ltd	United Kingdom	Other professional, scientific and technical activities	22 September 2020	Voluntary dissolution	Cessation of business

Dr. Malaihollo confirmed that the above companies were solvent immediately prior to their respective dissolution. Dr. Malaihollo further confirmed that there was no wrongful act or omission on his part leading to the dissolution of the above companies and that no misconduct or misfeasance on his part had been involved in the dissolution of the above companies. Dr. Malaihollo confirmed that he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies.

Mr. CHAN Ngai Fan (陳毅奮先生), aged 42, was appointed as our independent non-executive Director on [●] 2022, primarily responsible for providing independent judgment to our Board on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. Mr. Chan is the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee.

Mr. Chan has over 15 years of experience in auditing, accounting and financial management.

The following table sets forth the key working experience of Mr. Chan:

Period	Company/Institution	Last position	Roles and responsibilities
From November 2004 to June 2006	New Universe Holdings Limited, a company principally engaged in investment holding	Assistant accountant	Primarily responsible for the overall accounting operations
From June 2006 to July 2007	Oriental Resource Enterprises Limited, a company principally engaged in corporate services and bookkeeping services	Assistant accountant	Primarily responsible for accounting, taxation, company secretarial matters, trading documentation and other related services

Period	Company/Institution	Last position	Roles and responsibilities
From August 2007 to February 2011	JBPP & Company (formerly known as Grant-Thornton and later merged with BDO Limited), a company principally engaged in providing audit and assurance, tax and advisory services	Assistant manager — Assurance	Primarily responsible for audit services
From March 2011 to April 2015	Naigai Mining (China) Company Limited* (內外礦業(中國)有限公司), a company principally engaged in exploitation and sales of stone in the PRC	Financial controller	Primarily responsible for financial reporting and other financial matters
From May 2015 to April 2018	KPa-BM Holdings Limited (listed on the Stock Exchange, stock code: 2663.HK), which is principally engaged in the building construction businesses	Financial controller	Primarily responsible for the financial reporting, treasury and financial control matters
From August 2017 to September 2018	Sino Vision Worldwide Holdings Limited (formerly known as DX.com Holdings Limited) ("Sino Vision") (listed on the Stock Exchange, stock code: 8086.HK), which is principally engaged in the e-commerce business and the provision of online sales platforms	Independent non-executive director	Primarily responsible for providing independent judgment to the board
From September 2016 to March 2019	Shenzhen Mingwah Aohan High Technology Corporation Limited (listed on the Stock Exchange, stock code: 8301.HK), which is mainly engaged in the development and trading of intelligent cards and related equipment in the PRC	Executive director and chief financial officer (April 2018 to January 2019) and Non-executive director (September 2016 to April 2018; and January 2019 to March 2019)	Primarily responsible for managing the company's overall affairs
From January 2019 to May 2019	Sino Vision	Company secretary	Primarily responsible for the company secretarial matter
From May 2019 to April 2020	Heysea Yachts Holdings Company Limited, a company principally engaged in manufacture of yachts in the mid-to-large range	Chief financial officer and company secretary	Primarily responsible for overseeing finance and accounts operations
January 2019 present	Centenary United Holdings Limited (listed on the Stock Exchange, stock code: 1959.HK), a company which is mainly engaged as an integrated auto service provider in Guangdong Province, the PRC	Joint company secretary	Primarily responsible for the company secretarial matters and coordination of investor relations

Period	Company/Institution	Last position	Roles and responsibilities
September 2019 to present	Sanxun Holdings Group Limited (listed on the Stock Exchange, stock code: 6611.HK), which is mainly engaged in real estate development in the PRC	Independent non-executive director	Primarily responsible for providing independent judgment to the board
July 2020 to present	Leader Education Limited (listed on the Stock Exchange, stock code: 1449.HK), which is mainly engaged in as a private formal higher education service provider in Heilongjiang Province, the PRC	Independent non-executive director	Primarily responsible for providing independent judgment to the board
January 2022 to present	Capital Finance Holdings Limited (listed on the Stock Exchange, stock code: 8239.HK), which is mainly engaged in in the provision of short-term financing services in the PRC and Hong Kong	Independent non-executive director	Primarily responsible for providing independent judgment to the board
March 2022 to present	Contel Technology Company Limited (listed on the Stock Exchange, stock code: 1912.HK), which is mainly engaged in sourcing and sale of integrated circuit products and solutions	Independent non-executive director	Primarily responsible for providing independent judgment to the board

Mr. Chan obtained a higher diploma in accountancy, a bachelor of arts degree in accountancy and a master of corporate governance degree from The Hong Kong Polytechnic University in December 2006, December 2007 and October 2013, respectively.

Mr. Chan was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in February 2011 and is currently registered as a certified public accountant (practising). Mr. Chan was admitted to graduateship of The Institute of Chartered Secretaries & Administrators in December 2016 and was admitted associate of The Hong Kong Institute of Chartered Secretaries in November 2019.

Saved as disclosed above, Mr. Chan does not have any current or past directorships in any listed companies in the last three years.

Dr. ZENG Ming (曾鳴先生), aged 64, was appointed as our independent non-executive Director on [●] 2022, primarily responsible for providing independent judgment to our Board on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. Dr. Zeng is the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee.

Dr. Zeng has over 39 years of experience in mineral processing, coal upgrading and coal preparation.

The following table sets forth the key working experience of Dr. Zeng:

Period	Company/Institution	Last position	Roles and responsibilities
From February 1982 to August 1985	Bluestar Lehigh Engineering Institute Co., Ltd.* (中藍連海設計研究院有限公司) (formerly known as Chemical Mines Design and Research Institute of the Ministry of Chemical Industry* (化學工業部化工礦山設計研究院))	Assistant engineer	Primarily responsible for design of mines
Since July 1988	China University of Mining & Technology — Beijing	Professor of mineral processing engineering	Primarily responsible for teaching and research

Dr. Zeng obtained a bachelor's degree in coal mining machinery from Chongqing University in December 1982, a master's degree in mining machinery and a doctor of philosophy degree in mineral processing engineering from China University of Mining & Technology — Beijing in July 1988 and June 2000, respectively. Dr. Zeng qualified as a senior engineer in the PRC in August 1998.

Dr. Zeng does not have any current or past directorships in any listed companies in the last three years.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed above and elsewhere in this document, each of our Directors and senior management confirms with respect to himself that, as at the Latest Practicable Date: (i) he did not hold directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he is independent from and not related to any of our Directors, members of senior management, substantial Shareholders or Controlling Shareholder; (iii) he does not have any interest in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and (v) to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

None of our Directors have any interests in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with business of our Group. Please refer to the paragraph headed " Statutory and general information — C. Further information about our Directors, senior management and substantial Shareholders" in Appendix V to this document for further information about our Directors, including details of the interest of our Directors in the shares, underlying shares or debentures of our Company or our associated corporation (within the meaning of Part XV of the SFO) and particulars of their respective service contract or letter of appointment and remuneration.

SENIOR MANAGEMENT

Mr. XU Zhaotong (徐兆彤先生), aged 61, joined our Group as the head of investment and investors relationship on 1 July 2020. Mr. Xu is responsible for merger and acquisition and maintaining investors relationship of our Company. He has over 20 years of experience in investment banking.

The following table shows the key working experience of Mr. Xu:

Period	Company/Institution	Last position	Roles and responsibilities
From March 1998 to November 2010	China International Capital Corporation Limited, whose principal businesses included investment banking services	Executive director of its investment banking division	Mainly in charge of metals and mining and power and utilities customers
From December 2010 to April 2013	Morgan Stanley Asia Limited, whose principal businesses included investment banking services	Managing director of its investment banking division	Mainly in charge of nurturing client relationships and soliciting transactions
From November 2013 to May 2016	National Australia Bank Limited	Director in its institutional banking division	Mainly in charge of its institutional banking business
From May 2017 to May 2021	Rivercity Investment Management (Wuhan) Company Limited* (瑞江投資管理(武漢)有限公司) a company principally engaged in private equity investment	Vice chairman	Primarily responsible for strategic planning, key client coverage and investment decision making in the capacity of a member of the company's investment committee

Mr. Xu obtained a bachelor's degree in arts and a master's degree in arts from Peking University in July 1983 and July 1986, respectively. He also obtained a master's degree in business administration from Washington State University in December 1992.

Mr. Xu does not have any current or past directorships in any listed companies in the last three years.

Mr. HUANG Yong (黃勇先生), aged 64, joined Majestic Gold as an on-site consultant at Yantai Zhongjia in December 2014 and has since been responsible to bring in latest technology to improve mining efficiency at our Songjiagou Open-Pit Mine and Songjiagou Underground Mine. He joined our Group as the head of mine operations on 1 August 2020 and is primarily responsible for overall management for exploration and mining operation.

Mr. Huang has over 40 years' experience in mine design, mining and consulting.

The following table shows the key working experience of Mr. Huang:

Period	**Entity**	**Last position**	**Roles and responsibilities**
From January 1982 to November 1994	Dexing Copper Mine (德興銅礦), Jiangxi	Engineer	Primarily responsible for ore body modelling
From February 1996 to September 1998	Dexing Copper Mine, Jiangxi	Deputy chief engineer	Primarily responsible for surface mining information system
From October 1998 to February 2001	Jiangxi Copper Corporation Limited, a company principally engaged in copper mining business	Deputy chief engineer	Primarily responsible for surface mining information system
From December 2002 to August 2007	Jiangxi University of Science and Technology (formerly known as Southern Institute of Metallurgy* (南方冶金學院))	Professor	Primarily responsible for researching on mining planning systems and mine digitalisation
From December 2007 to November 2014	SRK Consulting China Ltd.	Principal consultant (mining) and the general manager of its Nanchang office	Primarily responsible for mining consulting

Mr. Huang obtained a bachelor's degree in mining engineering from Central South University (formerly known as Central-South Institute of Mining and Metallurgy) in December 1981 and subsequently obtained a Diploma in Geostatistics from École Nationale Supérieure des Mines de Paris, France in April 1996. He was also a recipient of China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) in February 2006. He was qualified as a mineral resources/reserves appraiser in the PRC by the Ministry of Land and Resources of the PRC in December 2002 and a member of the Australasian Institute of Mining & Metallurgy since February 2012. Mr. Huang was also appointed as the vice-chairman and member of the Information Academic Committee (Second Session) (信息學術委員會(第二屆)) of the Nonferrous Metals Society of China in September 2000.

Mr. Huang does not have any current or past directorships in any listed companies in the last three years.

Mr. Huang was a director and manager of the following companies at the time or within 12 months from the time of their respective dissolution. The relevant details are as follows:

Company name	Place of incorporation/ establishment	Principal business before dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Jiangxi Jinmai Taike Technology Development Co., Ltd.* (江西金邁泰克科技發展有限公司)	PRC	Software and information technology	7 May 2018	Deregistration	Cessation of business

Mr. Huang confirmed that the above company was solvent immediately prior to its dissolution. Mr. Huang further confirmed that there was no wrongful act or omission on his part leading to the dissolution of the above company and that no misconduct or misfeasance on his part had been involved in the dissolution of the above company. Mr. Huang confirmed that he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company.

Mr. ZHOU Shufeng (周書鋒先生), aged 39, joined Yantai Zhongjia as a safety officer on 1 June 2016 and was appointed as head of safety in May 2017. He was subsequently promoted to safety director and assistant general manager in July 2020 and the chairman of the board of Yantai Zhongjia and general manager of Yantai Zhongjia in May 2021. Mr. Zhou is primarily responsible for the management of daily operation of Songjiagou Open-Pit Mine and Songjiagou Underground Mine.

Mr. Zhou has approximately 10 years of experience in the mining industry.

The following table sets forth the key working experience of Mr. Zhou:

Period	Company/Institution	Last position	Roles and Responsibilities
From July 2005 to December 2007	Shandong Traffic Engineering Supervision Consultation Co., Ltd (山東省交通工程監理諮詢有限公司), whose principal business included construction management services	On-site supervisor	Primarily in charge of project site supervision and management
From March 2008 to April 2012	Safety Production Supervision and Administration Bureau of Laishan District, Yantai City (煙台市萊山區安全生產監督管理局), whose principal work included supervising production safety in Laishan District, Yantai City	Coordinator	Primarily responsible for production safety
From April 2012 to April 2016	Yantai Jinma Mining Group Co., Ltd. (煙台金馬礦業集團有限公司), whose principal business included mining, processing and building material production	Assistant director of the Product Safety Department	Primarily responsible for mine production safety

Mr. Zhou obtained diploma in highway and road engineering from Ludong University(魯東大學) (formerly known as Yantai Teachers College (煙台師範學院)) in June 2005.

Mr. Zhou does not have any current or past directorships in any listed companies in the last three years.

Each of our Directors and senior management are independent from and not related to any of our Directors, Substantial Shareholders, or senior management of our Company as at the Latest Practicable Date.

COMPANY SECRETARY

Mr. LO Cheuk Kwong Raymond serves as the company secretary of our Company. See the paragraph headed "Board of Directors — Executive Directors" in this section for further details of his biography.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Articles of Association and the Listing Rules, we have established the audit committee, remuneration committee and nomination committee.

Audit committee

We have established an audit committee on [●] 2022 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules ("**Corporate Governance Code**"). The responsibilities of the audit committee are to supervise our internal control, financial information disclosure and financial reporting matters, which include but are not limited to:

- supervising the disclosure of our accounting information and other major issues, reviewing critical accounting policies and their implementation;
- proposing the appointment, re-appointment or removal of our external auditors; reviewing and monitoring their independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- reviewing our financial statements and records; and
- overseeing the audit process, internal control procedures and risk management system of our Company.

The audit committee consists of Mr. Chan Ngai Fan, Dr. Malaihollo Jeffrey Francis A and Dr. Zeng Ming. The chairman of the audit committee is Mr. Chan Ngai Fan, who holds the appropriate professional qualifications.

Remuneration committee

We have established a remuneration committee on [●] 2022 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The responsibilities of our remuneration committee include, but are not limited to:

- making recommendations to our Board on the overall policy and structure for remuneration of all our Directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration;
- reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives resolved by our Board from time to time; and
- making recommendations to our Board on the terms of specific remuneration packages, bonuses and other forms of compensation payable to our Directors and senior management.

The remuneration committee consists of Dr. Zeng Ming, Dr. Malaihollo Jeffrey Francis A, Mr. Chan Ngai Fan and Dr. Shao Xuxin. The chairman of the Remuneration Committee is Dr. Zeng Ming.

Nomination committee

We have established a nomination committee on [●] 2022 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The responsibilities of our nomination committee include, but are not limited to:

- reviewing the structure, size and composition of our Board;
- making recommendations to our Board regarding candidates to fill vacancies in our Board and/or members of senior management team;
- assessing the independence of independent non-executive Directors;
- reviewing the management's remuneration proposals to ensure none of our Directors determine their own remunerations; and
- overseeing the process for evaluating the performance of our Board.

Besides, it is also the duty of our Nomination Committee to review our board diversity policy (the "**Board Diversity Policy**"), which sets out the objective and approach to achieve and maintain diversity on our Board. We will ensure that the members of our Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support our Group's business strategy. Pursuant to our Board Diversity Policy, we seek to achieve board diversity through consideration of various factors such as professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

Our Board also aspires to having an appropriate proportion of directors who have direct experience in our Group's core markets, with different ethnic backgrounds, and reflecting our Group's strategy. Our Board comprises seven members, including four executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including in mining, management and strategic development, administration and human resources, accounting and finance. Our Board also has a relatively wide range of age, ranging from 42 to 64 years old. Furthermore, our Board has a good mix of new and experienced Directors. Our executive Directors possess valuable knowledge and insights of our Group's business, while the other four newly appointed independent non-executive Directors are expected to bring in fresh ideas and new perspectives to our Group as well and an element of independence. Our Company has reviewed the membership, structure and composition of our Board, and is of the opinion that the structure of our Board is reasonable, and the experience and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operation.

Additionally, our Company will take opportunities to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. In particular, our Board will appoint female director(s) to our Board after the [REDACTED]. Subject to our Board (i) being satisfied with the competence and experience of candidates and (ii) fulfilling Directors' fiduciary duties to act in the best interest of our Company and our Shareholders as a whole when assessing our

Board's composition, our nomination committee will, before the effective date of the relevant applicable changes in the Listing Rules taking into account the applicable transition period, identify and recommend suitable female candidates to our Board for its consideration in respect of appointment of at least one female Director to help enhance gender diversity in accordance with stakeholders' expectations and recommended best practices. Prior to the effective date of the relevant applicable changes in the Listing Rules taking into account the applicable transition period, we plan to conduct interviews with candidates with diverse background and attributes. In particular, we will ensure that at least 30% to 50% of the interviewees be female candidates. We will also encourage our Board members to recommend female director candidates and take other actions to help achieve greater board diversity. We believe that such merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company (including, without limitation, the Board and senior management levels). Upon [REDACTED], our Group will allocate more resources in training our female staff with an aim to promoting them to the position of Director or senior management of our Company.

Our Nomination Committee is delegated to be responsible for compliance with the relevant code governing board diversity under the Corporate Governance Code and, after [REDACTED], will review our Board Diversity Policy from time to time to ensure its continued effectiveness. Our implementation of our Board Diversity Policy will be disclosed in our corporate governance report on an annual basis.

The nomination committee consists of Dr. Shao Xuxin, Dr. Malaihollo Jeffrey Francis A, Mr. Chan Ngai Fan and Dr. Zeng Ming. The chairman of the nomination committee is Dr. Shao Xuxin.

REMUNERATION OF OUR DIRECTORS AND STAFF

Our Directors and members of our senior management receive compensation in the form of fees, salaries, allowances, benefits in kind, discretionary bonuses and defined contributions, and their respective remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities, workload, the time devoted to our Group, individual performance and the performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to the operations of our Group. Our Group regularly reviews and determines the remuneration packages of our Directors and senior management. After [REDACTED], the remuneration committee will assist our Board in reviewing and determining the remuneration packages.

For the three years ended 31 December 2021, the aggregate amount of salaries and other allowances, discretionary bonus, retirement scheme contributions, other social welfare and benefits in kind (if applicable) paid by our Group to our Directors amounted to approximately RMB0.9 million, RMB2.0 million and RMB1.7 million, respectively. The remuneration and benefits in kind (if applicable) received by the five highest-paid individuals (including our Directors) for the three years ended 31 December 2021 was approximately RMB2.5 million, RMB2.6 million and RMB2.5 million, respectively.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five highest-paid individuals (i) as an inducement to join or upon joining our Group or (ii) for loss of any office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of our Directors had waived any remuneration during the Track Record Period. Save as disclosed hereinabove, no other payments have been paid, or are payable, by our Company or any of its subsidiaries to our Directors or the five highest-paid individuals during the Track Record Period.

Under the arrangements currently in force within our Group, the aggregate remuneration (including fees, salaries, allowances, pension-defined contribution plans and other benefits in kind where applicable) of our Directors (including independent non-executive Directors in their capacity as Directors), excluding any discretionary benefits or bonuses or other fringe benefits, for the year ending 31 December 2022 are estimated to be approximately RMB3.3 million.

Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to our Group. Please refer to notes 9 and 10 to the Accountants' Report set out in Appendix I to this document for details of the remuneration of our Directors and the five highest paid individuals during the Track Record Period. See section headed "Statutory and general information — C. Further information about our Directors, senior management and substantial Shareholders — 3. Particulars of Directors' service contracts and letters of appointment" in Appendix V to this document for further details of the terms of the service contracts.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, we have appointed Innovax Capital as our compliance adviser. The compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will, among others, advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular, or financial report;

(ii) where a transaction, which might constitute a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rules 13.09 and 13.10 of the Listing Rules.

The term of appointment of the compliance adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability. Our Company expects to comply with the Corporate Governance Code and the associated Listing Rules after [REDACTED].

Except for the deviation from paragraph A.2.1 of the Corporate Governance Code, our Company's corporate governance practices have complied with the Corporate Governance Code as at the Latest Practicable Date. Paragraph A.2.1 of the Corporate Governance Code stipulates that the roles of chairman of the board and chief executive should be separate and should not be performed by the same individual. Dr. Shao is the chairman of our Board and the chief executive officer of our Company. In view that Dr. Shao has been assuming day-to-day responsibilities in operating and managing our Group since 2004 and the steady development of our Group, our Board believes that with the support of Dr. Shao's extensive experience and knowledge in the business of our Group, vesting the roles of both chairman and chief executive officer of our Company in Dr. Shao strengthens the consistent and solid leadership of our Group, and thereby allows for efficient business planning and decision which is in the best interest to our Group as a whole.

Our Directors consider that the deviation from paragraph A.2.1 of the Corporate Governance Code is appropriate in such circumstances. Notwithstanding the above, our Board is also of the view that the current management structure is effective for our Group's operations, and sufficient checks and balances are in place. Our Board will continue to review the effectiveness of the corporate governance structure of our Company in order to assess whether separation of the roles of chairman of our Board and chief executive officer is necessary.

OVERVIEW

Prior to [REDACTED], our Group has obtained banking facilities from a commercial bank in the PRC, in respect of which each of Dahedong and Baiheng has provided corporate guarantees and each of Mr. Kong Fanzhong and Ms. Jiang Yunuo (姜玉諾) has provided personal guarantees in favour of such bank. These financial assistance transactions involving Dahedong, Baiheng, Mr. Kong Fanzhong and Ms. Jiang Yunuo, who will become our connected persons will continue after the [REDACTED] and hence will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon [REDACTED].

CONNECTED PERSONS

Dahedong is and will, after the [REDACTED], hold 25% of the entire equity interest in Yantai Zhongjia, thus it is and will remain a substantial shareholder of Yantai Zhongjia after the [REDACTED].

As at the Latest Practicable Date:

(i) Dahedong was owned as to 50% by Mr. Kong Fanbo, a director of our subsidiary, Yantai Zhongjia, with the remaining equity interests held in equal share of approximately 16.67% by each of Mr. Kong Fanzhong, Mr. Wang Lei (王磊) and SDZJ. Mr. Kong Fanbo and Mr. Kong Fanzhong are brothers and Mr. Wang Lei is their brother-in-law, and SDZJ is a connected person of our Company by virtue of the aggregate interests of approximately 97% held directly and indirectly by Mr. Kong Fanbo and his family member, namely, Mr. Kong Fanzhong as at the Latest Practicable Date;

(ii) Baiheng was a wholly-owned subsidiary of SDZJ;

(iii) Ms. Jiang Yunuo is the spouse of Mr. Kong Fanzhong and sister in law of Mr. Kong Fanbo

As such, each of Dahedong, Baiheng Mr. Kong Fanzhong and Ms. Jiang Yunuo, will become a connected person of the Company upon [REDACTED].

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Guarantees provided by Dahedong, Baiheng, Mr. Kong Fanzhong and Ms. Jiang Yunuo

Dahedong and Baiheng have provided corporate guarantees and Mr. Kong Fanzhong and Ms. Jiang Yunuo have provided personal guarantees in favour of a commercial bank in the PRC in respect of banking facilities granted to Yantai Zhongjia, our principal subsidiary. Details of the banking facilities are set out below:

Borrower	Lending bank	Corporate/personal guarantors	Annual interest rate	Maturity date	Outstanding principal balance as at the Latest Practicable Date
					(RMB)
Yantai Zhongjia	Huaxia Bank Co., Ltd. Yantai Branch	Dahedong, Baiheng, Mr. Kong Fanzhong and Ms. Jiang Yunuo	4.35%	29 April 2022 *(Note)*	30,000,000

Note: As at the Latest Practicable Date, we expected to renew such banking facilities upon maturity but prior to [REDACTED].

Dahedong, Baiheng, Mr. Kong Fanzhong and Ms. Jiang Yunuo provided the above corporate or personal guarantees to enable Yantai Zhongjia to obtain the above banking facilities. Dahedong, Baiheng, Mr. Kong Fanzhong and Ms. Jiang Yunuo did not receive any form of consideration from our Group for the provision such corporate guarantees.

As at the Latest Practicable Date, our Group was unable to obtain the consent of the lending bank to early release the corporate or personal guarantees provided by Dahedong, Baiheng, Mr. Kong Fanzhong and Ms. Jiang Yunuo or replace them with corporate guarantees to be given by our Company and/or other subsidiaries of our Group prior to or upon [REDACTED]. As such, the corporate or personal guarantees provided by Dahedong, Baiheng, Mr. Kong Fanzhong and Ms. Jiang Yunuo will be financial assistance received by our Group which will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon [REDACTED]. As such guarantees were provided by our connected persons for the benefit of our Group on normal commercial terms or better to our Group and were not secured by the assets of our Group, by virtue of Rule 14A.90 of the Listing Rules, the financial assistance contemplated thereunder will be considered as fully exempt continuing connected transactions upon [REDACTED] and are not subject to any reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules should there be any material change to the terms thereof or if the Group enters into any other connection transactions in relation thereto after [REDACTED].

DIRECTORS' VIEW

Our Directors (including our independent non-executive Directors) consider that the continuing connected transactions have been entered into by our Group during the ordinary and usual course of our business, on normal commercial terms or better, are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

OUR CONTROLLING SHAREHOLDER

Immediately after the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme) and the Capitalisation Issue, [REDACTED]% of the issued share capital of our Company will be owned by Majestic Gold. In this regard, Majestic Gold is our Controlling Shareholder within the meaning of the Listing Rules.

Majestic Gold is a limited liability company organised and existing under the laws of British Columbia, Canada, the shares of which have been listed on TSX Venture Exchange (stock code: MJS.V). Prior to the [REDACTED], Majestic Gold has been principally involved in the acquisition, exploration and development of mineral properties in Canada and Australia, as well as in the PRC through our Group. Following completion of the [REDACTED], Majestic Gold will cease its operations in the PRC (other than by retaining a controlling interest in our Company), and principally be engaged in the acquisition, exploration and development of mineral properties in Canada and Australia (the "**Remaining Business**").

Save as disclosed above, there is no other person who will, immediately following the completion of the [REDACTED] (without taking into account the allotment and issue of Shares upon the exercise of the [REDACTED] or any options to be granted under the Share Option Scheme) and the Capitalisation Issue, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

INDEPENDENCE FROM THE REMAINING GROUP

We are satisfied that we can operate independently from the Remaining Group, the ultimate holding company of which is our Controlling Shareholder and their respective close associates (other than the members of our Group), after the [REDACTED] for the following reasons.

Clear business delineation between the business of our Group and the Remaining Group

Following completion of the [REDACTED], the Remaining Group will principally be engaged in the Remaining Business whilst our Group will continue to be engaged in the gold exploration, mining and processing business in the PRC. The businesses of each of our Group and the Remaining Group will be clearly delineated based on their geographical locations. Our Group has been conducting its gold mining business through Yantai Zhongjia in Yantai, Shandong Province of the PRC, while the Remaining Group will be conducting the Remaining Business in Canada and Australia. There will not be any overlap between the locations of the mining projects of our Group and the existing and proposed projects of the Remaining Group following completion of the [REDACTED].

Save as disclosed in this section, our Controlling Shareholder and Directors confirmed that they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, our Controlling Shareholder has entered into the Deed of Non-competition with our Company to the effect that it will not, and will procure each of their respective close associates (other than members of our Group) not to, directly or indirectly, participate in, engage in, or conduct any business which may be in competition with the business of our Group. For details of the non-competition undertakings given by our Controlling Shareholder, please refer to the paragraph headed "Deed of non-competition" in this section.

Our business is independent of the Remaining Group

Independence of the members of our Board

Our Board comprises four executive Directors and three independent non-executive Directors. One of our executive Directors, Mr. Mackie James Thomas, will continue to serve as the chief financial officer of Majestic Gold. After the [REDACTED], given that our Company will continue to be a subsidiary of Majestic Gold and thus the need for Majestic Gold to consolidate the accounts of our Group with that of the Remaining Group. Mr. Mackie James Thomas will be supported by the finance team of the Remaining Group to handle Majestic Gold's accounting and consolidation functions as its chief financial officer, and, with the assistance of our Group's supporting staff, he is expected to devote half of his time in the day-to-day operation of our Group upon [REDACTED], mainly responsible for the legal, administration and human resources matters of our Group. As Mr. Mackie James Thomas has been appointed as the chief financial officer of Majestic Gold since 2013 and has since been responsible for financial management and corporate finance matters of Majestic Gold together with its subsidiaries, including Yantai Zhongjia, his knowledge of the Remaining Group and our Group's operations, as well as his experience in accounts consolidation, benefit both the Remaining Group and our Group. Our Directors believe that Mr. Mackie James Thomas will be able to satisfactorily perform his respective roles in the Remaining Group and our Group with the assistance of the relevant supporting staff as described above. Save as Mr. Mackie James Thomas, none of our Directors hold any board or senior managerial position in the Remaining Group.

Our Company will also adopt corporate governance measures to manage potential conflicts of Directors' interest after the [REDACTED] in accordance with the requirements of the Listing Rules. In addition, as part of the preparation for the [REDACTED], our Directors have received training on their responsibilities as directors of a Hong Kong listed company. Each of our Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business operation of our Group independently from our Controlling Shareholder.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholder and their respective close associates following the completion of the [REDACTED].

Save as disclosed above, each of our Group and the Remaining Group will be managed and operated by their respective own management teams separately and independently and in the interests of their respective shareholders.

Independence of our senior management team

Our senior management team comprises three members. Our Company has our own management team and separate functional departments including accounting, administration, and human resources departments. All essential administration and daily operations of our Company are carried out by a team of staff employed by our Company independently of and without any support from the Remaining Group.

On the basis of the aforesaid, our Directors believe that we operate independently of the Remaining Group and in the interests of our Shareholders as a whole.

Independence of the administrative capability

All administrative functions of our Company are carried out independently without reliance on the Remaining Group. Our Company has its own administrative functions, which include accounting and finance, general administration, sales and marketing, procurement and human resources. Accordingly, upon completion of the [REDACTED], our Company will be administratively independent from Remaining Group.

In the event that any conflict of interest arises between the Remaining Group and our Group, our independent non-executive Directors will also provide checks and balances over the decisions of our Board on significant transactions, connected transactions and other transactions involving any actual or potential conflict of interests.

Save as disclosed above, none of our Directors or senior management holds any office in or is employed by the Remaining Group immediately upon [REDACTED]. On the basis of the current Board and senior management composition, it is believed that our Board and senior management will operate and manage our business independently of the Remaining Group. Our Group will therefore operate independently and in the interests of its shareholders as a whole.

Financial independence

Our Group has an independent accounting, financial and internal controls system, and will make financial decisions according to our own business needs. In addition, we also have our own independent treasury function.

As at 31 December 2019, 2020 and 2021, our amounts due to Majestic Gold related to non-trade activities amounted to approximately RMB342.5 million, RMB23.3 million and RMB23.9 million, respectively, mainly represent shareholder's advances provided by Majestic Gold to the Group. The balances due to Majestic Gold were unsecured, interest-free and repayable on demand. On 30 September 2019, Majestic Gold has waived an amount of CAD920,000 (equivalent to approximately RMB4.8 million) due from our Group. The waiver of such debt is credited as capital reserve from accounting perspective. In addition, on 5 June 2020, our Group entered into a deed of waiver with Majestic Gold to waive an amount of debt amounted of CAD62.1 million (equivalent to approximately RMB322.8 million) (the "**Outstanding Amount**") due to Majestic Gold conditional upon, among others, (i) the policies of the TSX Venture Exchange and applicable securities laws; (ii) the approval of the board of directors of each of our Company and Majestic Gold; and (iii) the written approval of shareholders of Majestic Gold holding, in aggregate, at least 50% of the issued shares of Majestic Gold. As at the Latest Practicable Date, the above conditions had been fulfilled. The waiver of the Outstanding Debt is credited as capital reserve from accounting perspective. For further details, please see Note 35 to the Accountants' Report in Appendix I to this document. The remaining balances will be waived and/or fully settled by our internal resources before the [REDACTED]. Going forward, it is expected that our Group is in a position to obtain financing independently without the financial assistance from Majestic Gold. As at the Latest Practicable Date, our Group did not have any outstanding borrowings secured by guarantee provided by our Controlling Shareholder. We had generated profits or positive cash flows from our operations during the Track Record Period. As at 31 January 2022, we had cash and cash equivalents of approximately RMB195.6 million for working capital purposes. Hence, our Directors accordingly believe that the our Group will be financially independent from the Controlling Shareholder upon [REDACTED].

DEED OF NON-COMPETITION

Our Controlling Shareholder has irrevocably and unconditionally undertaken to us in the Deed of Non-competition (for itself and as trustee for its subsidiaries) that, other than the Remaining Business, it will not, and will procure that none of its respective associates (other than members of our Group) will, during the Restricted Period (as defined below), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the gold mining related operations, including geological exploration and mining of gold, gold processing, gold smelting and technical services, and production and sales of specialised equipment and supplies and construction materials for gold mines and/or any other new business that the Group may undertake from time to time after the [REDACTED] (collectively referred to as "**Restricted Business**") and where they become aware of such engagement of the Restricted Business they shall notify the Company forthwith.

The above restriction does not apply to our Controlling Shareholder with respect to its interests in the shares of any member of our Group, or interests in the shares of a company (other than our Group) which are listed on a recognised stock exchange provided that (i) the total number of the shares held by the Controlling Shareholder and/or its associates (in aggregate) does not amount to more than 5% of the issued shares of such company; and (ii) the Controlling Shareholder and/or its associates are not entitled to appoint a majority of the directors of that company.

Further, our Controlling Shareholder has undertaken that if any new business investment/other business opportunity relating to the Restricted Businesses (the "**Competing Business Opportunity**") is identified by or offered to it or any of its close associates (other than members of our Group), it shall, and shall procure that its close associates shall, refer such Competing Business Opportunity to our

Company on a timely basis by giving written notice (the "**Offer Notice**") containing all information reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall seek opinions and decisions from a Board committee who do not have an interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity. The Controlling Shareholder shall be entitled to pursue such Competing Business Opportunity only if (i) it has received a written notice from the Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the Restricted Business, or (ii) it has not received the notice from our Company within ten (10) Business Days from the receipt of the Offer Notice by our Company. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the Controlling Shareholder, it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

In the event that the Controlling Shareholder and/or its associates (other than the Group) wish to dispose of their business investment or interest in any entity relating to the Remaining Business and/or the Restricted Business they have acquired, the Controlling Shareholder and/or its associates (other than the Group) shall provide our Group with pre-emptive right ("**Pre-emptive Right**") to acquire any such interest in the Remaining Business and/or Restricted Business under the same circumstances. Where the relevant committee of the Board of Directors decides to waive the Pre-emptive Right by way of written notice, the Controlling Shareholder and/or its associates (other than the Group) may offer to sell such business investment or interest in the Remaining Business and/or Restricted Business to other third parties on such terms which are no more favourable than those made available to our Group. In deciding whether to exercise the above Pre-emptive Right, our Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

Our Controlling Shareholder has further undertaken to us that it will provide and procure its close associates to provide on best endeavour basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-competition. They will make a written confirmation in our annual report on the compliance with the Deed of Non-competition.

Controlling Shareholder acknowledges and agrees that the Directors who have no material interest in the matters discussed will/may, based on the information available to them, including information and confirmation provided by or obtained from the Controlling Shareholder and/or its associates (other than members of the Group) as described above, review on an annual basis (a) the compliance with the non-competition undertakings; and (b) all the decisions taken in relation to whether to exercise the option under the Deed of Non-competition and whether to pursue any Competing Business Opportunity or other business opportunities which may be referred or offered to our Company by any of the Controlling Shareholder and/or its associates (other than members of the Group) under the Deed of Non-competition. Findings of such review will be disclosed in the Company's annual report after the [REDACTED].

The obligation of our Controlling Shareholder under the Deed of Non-competition shall continue during the period (the "**Restricted Period**") which: (i) the Shares remain listed on the Stock Exchange; and (ii) our Controlling Shareholder and/or its close associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than the 30% of the voting power at general meetings of our Company, or control the composition of a majority of the Board; or (iii) close associates of our Controlling Shareholder remain as a director of any member of our Group.

FURTHER UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDER

Our Controlling Shareholder has also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rule 10.07 of the Listing Rules, see section headed "[REDACTED] — [REDACTED] arrangements and expenses — [REDACTED] — Undertakings to the Stock Exchange pursuant to the Listing Rules — Undertakings by our Controlling Shareholder" in this document for details.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTERESTS

Our Directors believe that there are adequate corporate governance measures in place to manage any potential conflicts of interest and ensure compliance with the Deed of Non-competition. In addition, our Company has adopted the following corporate governance measures to further strengthen protection of the interests of our Shareholders as a whole:

(i) we are committed to ensuring that the Board has a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment. The independent non-executive Directors, details of whom are set out in the section headed "Directors and senior management" in this document, together possess the requisite industry knowledge and experience for their views to carry weight. Two of our independent non-executive Directors have experience as directors of listed companies and will be able to provide impartial and professional advice to protect the interests of our minority Shareholders;

(ii) any Director with material interest in any matter in respect of which a conflict or potential conflict of interest with our Group may arise must make full disclosure in respect of such matter to the Board, and any conflicted Director (including any Director who holds a position in the Remaining Group), will abstain from participation in any Board meeting when matters relating to any rights granted in favour of our Company under the Deed of Non-competition are discussed, unless his attendance is requested by a majority of the independent non-executive Directors. Notwithstanding his attendance, he shall not vote or be counted towards the quorum in respect of such matters;

(iii) the independent Board committee comprising independent non-executive Directors who are independent of the Remaining Group will be responsible for reviewing, considering and deciding whether to pursue or decline any Competing Business Opportunity referred to by our Controlling Shareholder pursuant to the Deed of Non-competition, and an independent financial adviser or other professional advisers may be appointed or engaged as the independent Board committee considers necessary to advise them on the terms of such Competing Business Opportunity;

(iv) the independent Board committee comprising independent non-executive Directors who are independent of the Remaining Group will decide whether or not to pursue the Competing Business Opportunity/exercise the Pre-emptive Right. Such independent Board committee may appoint or engage an independent financial adviser or other professional advisers to advise it. The Remaining Group shall provide all information reasonably required by such independent Board committee to assist them in their assessment of the exercise or non-exercise of the Competing Business Opportunity and/or Pre-emptive Right;

(v) as required by the Listing Rules, the independent non-executive Directors will review any continuing connected transactions annually and confirm in the Company's annual report that such transactions have been entered into in our Group's ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to our Group than those available to or from Independent Third Parties and are on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and

(vi) we have appointed Innovax Capital, with effect upon the [REDACTED], as our compliance adviser who will provide it with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws including various requirements relating to directors' duties and corporate governance.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] (taking no account of the Shares which may be issued upon the exercise of the [REDACTED] or any options granted or to be granted under the Share Option Scheme) and the Capitalisation Issue, the following persons will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

(i) Long position in Shares

Name of Shareholder	Capacity	Number of Shares as at the Latest Practicable Date	Approximate % of shareholding as at the Latest Practicable Date	Number of Shares as at the date of this document and immediately prior to the Capitalisation Issue and the [REDACTED]	Approximate % of shareholding as at the date of this document and immediately prior to the Capitalisation Issue and the [REDACTED]	Number of Shares immediately upon completion of the Capitalisation Issue and the [REDACTED]	Approximate % of shareholding immediately upon completion of the Capitalisation Issue and the [REDACTED] and the Capitalisation Issue
Majestic Gold	Beneficial owner	[75,200]	94%	[75,200]	[94]%	[REDACTED]	[REDACTED]%

(ii) Interests in other members of our Group

Name of subsidiary of our Group	Name of shareholder	Percentage of the subsidiary's issued share capital
Yantai Zhongjia	Dahedong	25%

See section headed "Statutory and general information — C. Further information about our Directors, senior management and Substantial Shareholders — 1. Interests and short position of Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations" in Appendix V to this document for details of our Director's interests in Shares immediately following the completion of the [REDACTED] and the Capitalisation Issue.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the [REDACTED] (taking no account of the Shares which may be issued upon any exercise of the [REDACTED] or the options granted or to be granted under the Share Option Scheme) and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

CONTROLLING SHAREHOLDERS

See section headed "Relationship with our Controlling Shareholder" in this document for information on our Controlling Shareholder.

Our Controlling Shareholder has also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rule 10.07 of the Listing Rules, see section headed "[REDACTED] — [REDACTED] arrangements and expenses — [REDACTED] — Undertakings to the Stock Exchange pursuant to the Listing Rules — Undertakings by our Controlling Shareholder" in this document for details.

Prospective [REDACTED] should read this section in conjunction with the consolidated financial statements, including the notes thereto, as set out in the Accountants' Report in Appendix I to this document. We have included in this document the Accountants' Report for FY2019, FY2020 and FY2021, which has been prepared in accordance with IFRSs. Prospective [REDACTED] are advised to read the whole of the Accountants' Report set out in Appendix I to this document and do not rely solely on the information provided in this section.

The following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. We caution you that our business and financial performance are subject to substantial risks and uncertainties some of which are beyond our control. Our actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided under the sections headed "Risk factors" and "Forward-looking statements" in this document.

OVERVIEW

We are a gold exploration, mining and processing company established in 2005 and strategically located in Yantai city of the Shandong Province in China. We explore and mine gold-containing ore, process it into gold concentrate, and sell gold bullion of Au99.95 refined by third party smelters derived from gold concentrate processed by us. We sell the gold bullion to the gold smelters or their subsidiaries, who are registered with the Shanghai Gold Exchange, for their subsequent sales on the Shanghai Gold Exchange.

During the Track Record Period, our revenue amounted to approximately RMB229.2 million, RMB361.0 million and RMB247.9 million, respectively, while our net profit amounted to approximately RMB27.2 million, RMB114.4 million and RMB58.7 million respectively. The following discussion and analyses are based on the financial results of our Group during the Track Record Period as presented in the Accountants' Report contained in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that key factors affecting our results of operations and financial position include the following:

Gold price

Our revenue during the Track Record Period is derived from the sale of gold bullion to the gold smelters or their subsidiaries, who are registered with the Shanghai Gold Exchange, for their subsequent sales on the Shanghai Gold Exchange. The sales prices of gold bullion are primarily determined by us on the date of placing a sales order with reference to the prevailing gold spot prices quoted on the Shanghai Gold Exchange, which in turn have historically correlated with international gold prices. 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. As such, fluctuations in gold price directly affect our results of operations.

According to the F&S Report, average global market gold spot price increased by approximately 29.1% from US$1,393.5 per ounce in 2019 to US$1,798.9 per ounce in 2021, and the average gold spot price in the PRC increased by approximately 19.8% from RMB312.40 per gram in 2019 to RMB374.3 per gram in 2021. For further details, please see the section headed "Industry overview — Gold industry in China and Shandong — Gold price" in this document.

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; (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. If the gold price should fall below or remain below our cost of production for any sustained period, our business and results of operations would be materially and adversely affected. Please refer to paragraph headed "Sensitivity analysis" below in this section to the document for further details.

Production and sales volume

Our revenue is directly affected by our production and sales volume of gold because all of our revenue is derived from the sales of gold we produced. As all of the gold we produced is sold with reference to the spot price as quoted on the Shanghai Gold Exchange, our sales volume of gold is substantially the same as our production volume of gold with small discrepancies due to a number of factors, including the timing of revenue recognition and the gold inventory. During the Track Record Period, our mining volume was approximately 1,438 kt, 1,589 kt and 971 kt and ore processing volume was approximately 1,304 kt, 1,590 kt and 1,024 kt, respectively. Further, during the Track Record Period, our gold production volume was approximately 775.3 kg, 991.4 kg and 576.9 kg and sales volume of gold bullion of Au99.95 was approximately 795.5 kg, 987.4 kg and 645.5 kg, respectively. For further details, please refer to the section headed "Business — Our operations — Mining" in this document.

Our gold production and sales volumes are, among others, predominantly subject to the capacity, efficiency and stable production of our mining and processing operations. As at 31 December 2021, our ore processing plant has an annual ore processing capacity of approximately 2.0 Mt, which is sufficient to support our planned production growth in near future. However, any interruption of our mining operation or breakdown of our ore processing plant or failure in sourcing third party ore processing subcontractor when required could materially and adversely affect our gold production and sales volume and in turn affect our business, financial conditions and results of operation. Our production and sales volume may also be affected by changes in gold prices because a decrease in gold prices may cause current economical reserves to become less economical or uneconomical to mine. In addition, fatal accidents, injuries and natural phenomena that are beyond our control, such as weather conditions, floods and rocks slides, may temporarily suspend part of our mining operations and affect our gold production volume.

Cost of sales

While we experienced growth in revenue during the Track Record Period, our gross profit margin increased, mainly as a result of the increase in average selling price of our gold bullion from approximately RMB288.1 per gram in FY2019 to RMB365.6 per gram in FY2020 and further to RMB384.0 per gram in FY2021. Nevertheless, if the gold price falls which is beyond our control, our ability to control cost of sales will be an important factor in maintaining or increasing our gross profit margins and our overall profitability. For FY2019, FY2020 and FY2021, our cost of sales was approximately RMB158.5 million, RMB166.0 million and RMB107.8 million, respectively. Our cost of sales was affected and will continue to be affected by fluctuation in costs of raw materials, utilities, subcontracting costs, depreciation and amortisation, direct labour and other production overhead. Certain mining and processing related costs such as raw materials, utilities and subcontracting costs are related to our mining and production volume, and the increase in our mining and production volume will generally lead to increases in such costs. Please refer to paragraph headed "Sensitivity analysis" below in this section to the document for further details.

Our mine developments and capital expenditures

According to the F&S Report, the gold industry is a capital-intensive industry that requires significant investment for a large number of equipment, land resources, compliance with stringent requirements for safety production and environmental protection; to adopt resource exploration, recycle procedure and merger and acquisition activities to ensure sustainable and sufficient mine reserves; and to invest in advanced technology to cope with the rising difficulty and complexity of gold mining procedure due to the decrease in gold grade and the increase in mining depth. From 2011 and up to FY2019, we conducted substantially all of our mining operations at our Songjiagou Open-Pit Mine. In February 2016, we have obtained the mining licence for our Songjiagou Underground Mine and spent approximately RMB97.7 million for the construction of the underground mine, including the installation of all ancillary infrastructure where full production capacity of 300 tonnes of ore is being achieved on a daily basis. Songjiagou Underground Mine commenced its commercial production since September 2019. We expect that these two mines will continue to be our principal operating mines in the next few years. In the event that we decide to construct additional mining infrastructure or refurbish our aging mining and processing equipment or we are required to replace these equipment due to wear and tear, we may incur substantial capital expenditure. During the Track Record Period, our total capital expenditures on plant, properties and equipment were approximately RMB7.5 million, RMB16.6 million and RMB35.4 million, respectively.

Apart from the intensive capital expenditure that may be required for maintaining the operations of our two existing mines, we will continue to invest in expanding our scale of operations. As part of our growth strategies, we intend to, among others, acquire one gold mining asset. For more details, please refer to the section headed "Business — Business strategies" in this document. In addition to the acquisition cost of such gold mining asset, the amount of additional capital expenditure to be incurred for its operation would depend on our assessment of the status and condition of its plant and equipment, which could be material.

Capital expenditures today will increase our future depreciation costs, which will lead to an increase in our future cost of sales. Therefore, our management needs to consider, on an ongoing basis, the capital expenditures necessary to achieve our sustainable production objectives and additional contribution to revenue growth against other demands on cash as well as the additional future increase in cost of sales attributable to the additional depreciation costs. 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.

PRC government control and policies on the gold mining industry

The PRC local, provincial and central authorities exercise a substantial degree of control over the gold and mining industry in China. Our operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, exploration, mining, production, taxation, labour standards, occupational health and safety, waste treatment and environmental protection and operation management. The PRC government has full authority to grant, renew and terminate the permits and licences in respect of exploration, mining and production activities. While we expect to be able to renew our licences and permits, if for any reasons we are unable to do so, our business and results of operations would be materially and adversely affected.

SENSITIVITY ANALYSIS

Our financial performance is principally affected by gold price, raw materials costs and utilities expenses, which are interlinked. The following sensitivity analysis illustrates the impact of hypothetical changes on our profit before tax in relation to the percentage changes to average selling price of gold, raw materials costs, utilities expenses, direct labour costs and subcontracting costs, assuming all other factors remain unchanged, based on the historical fluctuations of the average selling price of gold, raw materials costs, utilities expenses and subcontracting costs, respectively, during the Track Record Period:

Impact on profit before tax by fluctuation of average selling price of gold	**FY2019**	**FY2020**	**FY2021**
		(RMB in thousands)	
+/–1%	2,292	3,610	2,479
+/–5%	11,460	18,050	12,394
+/–10%	22,920	36,100	24,787

Impact on profit before tax by fluctuation of raw materials costs	**FY2019**	**FY2020**	**FY2021**
		(RMB in thousands)	
+/–1%	243	306	190
+/–5%	1,215	1,532	952
+/–10%	2,431	3,065	1,905

Impact on profit before tax by fluctuation of utilities expenses	**FY2019**	**FY2020**	**FY2021**
		(RMB in thousands)	
+/–1%	297	300	164
+/–5%	1,486	1,502	820
+/–10%	2,971	3,004	1,640

Impact on profit before tax by fluctuation of direct labour costs	**FY2019**	**FY2020**	**FY2021**
		(RMB in thousands)	
+/–1%	135	150	111
+/–5%	676	749	553
+/–10%	1,353	1,498	1,106

Impact on profit before tax by fluctuation of subcontracting costs	**FY2019**	**FY2020**	**FY2021**
		(RMB in thousands)	
+/–1%	319	267	126
+/–5%	1,597	1,333	629
+/–10%	3,194	2,666	1,259

Prospective [REDACTED] should note that the above analysis on the historical financial information is based on assumptions and is for reference only and should not be viewed as actual effect.

BASIS OF PRESENTATION AND PREPARATION

Our Company was incorporated as an exempted company in the Cayman Islands on 21 May 2019. Pursuant to the Reorganisation as more fully explained in the section headed "History, Reorganisation and corporate structure" in this document, our Company became the holding Company of our Group. As the Reorganisation only involved inserting a new holding company that has not resulted in a change of the respective voting and beneficial interests, our historical financial information for the Track Record Period has been presented as a continuation of the Company as if the Reorganisation had been completed at the beginning of the Track Record Period. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Our historical financial information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the historical financial information throughout the relevant periods. The historical financial information has been prepared under the historical cost convention. All intra-group transactions and balances have been eliminated on combination.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the Track Record Period

Our Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in our audited consolidated financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018–2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

We anticipate that the application of the new and revised IFRSs will have no material impact on our Group's financial position and financial performance in the foreseeable future.

SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operating results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

When reviewing our consolidated financial statements, you should consider (i) our significant accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, including any changes in accounting policy and disclosures, are set forth in detail in Notes 2.3, 2.4 and 3 to the Accountants' Report in Appendix I to this document.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated, details of which are set out in the Accountants' Report in Appendix I to this document.

	FY2019	FY2020	FY2021
	(RMB in thousands)		
REVENUE	229,202	360,999	247,872
Cost of sales	(158,463)	(166,013)	(107,767)
GROSS PROFIT	70,739	194,986	140,105
Other income and gains	3,043	3,973	3,613
Administrative expenses	(19,447)	(21,480)	(22,490)
Other expenses	(516)	(2,930)	(30,194)
Finance costs	(6,548)	(5,236)	(3,824)
PROFIT BEFORE TAX	47,271	169,313	87,210
Income tax expenses	(20,073)	(54,890)	(28,494)
PROFIT FOR THE YEAR	27,198	114,423	58,716
Profit attributable to:			
Owners of the parent	18,928	82,403	41,624
Non-controlling interests	8,270	32,020	17,092
	27,198	114,423	58,716
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: Exchange differences on translation of foreign operations	(18,437)	17,651	7,614
Other comprehensive income/(loss) that may be not reclassified to profit or loss in subsequent periods: Exchange differences on translation of financial statements of the Company	(104)	(16,430)	(8,895)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(18,541)	1,221	(1,281)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	8,657	115,644	57,435
Total comprehensive income attributable to:			
Owners of the parent	387	83,624	40,343
Non-controlling interests	8,270	32,020	17,092
	8,657	115,644	57,435

DESCRIPTION OF PRINCIPAL COMPONENTS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate all of our revenue from the sale of gold bullion to two smelters (or in respect of one of them, its subsidiary) in the PRC, which are Independent Third Parties. After ores are mined from our Songjiagou Open-Pit Mine and Songjiagou Underground Mine, they are processed into gold concentrates in our processing plant. The gold concentrates are then transported to the smelters for refining into gold bullion. These gold bullions are sold to the smelters or their subsidiaries for their subsequent sale on the Shanghai Gold Exchange during the Track Record Period, which is in line with industry practice according to the F&S Report, at the agreed sales price determined by us on the date of placing the relevant sales order with reference to the prevailing gold spot price as quoted on the Shanghai Gold Exchange.

We recognise revenue from the sales of gold bullion when the gold bullion is delivered to our customers, being the selling division of our gold smelters. Given that our customers generally settle the sales amount of the gold bullion two days after the delivery of gold bullion as aforementioned, we do not have trade receivables during the Track Record Period. For details, please see the section headed "Business — Sales and customers" in this document.

The following table sets forth the breakdown of our revenue and sales volume for the periods indicated.

	FY2019		**FY2020**		**FY2021**	
	Revenue	**Volume**	**Revenue**	**Volume**	**Revenue**	**Volume**
	RMB'000	*kg*	*RMB'000*	*kg*	*RMB'000*	*kg*
Gold sales	229,202	795.5	360,999	987.4	247,872	645.5

The following table sets forth our ore mined volume, ore processed volume and gold production volume for the period indicated:

	FY2019	FY2020	FY2021
Ore mined			
Songjiagou Open-Pit Mine *(kt)*	1,337	1,499	960
Songjiagou Underground Mine *(kt)*	101 *(Note 1)*	90	11
Total	1,438	1,589	971
Ore processed *(kt)* *(Note 2)*	1,304 *(Note 1)*	1,590	1,024
Gold production *(kg)* *(Note 3)*	775.3	991.4	576.9

Notes:

1. Total volume of ore mined and processed from our Songjiagou Underground Mine in FY2019 included approximately 67 kt of ore stripped during the construction period, which should be excluded in ascertaining the permitted annual production volume as stated in the mining licence and did not constitute over-production, as confirmed by Yantai Municipal Natural Resources and Planning Bureau* (煙台市自然資源和規劃局). As advised by our PRC Legal Advisers, Yantai Municipal Natural Resources and Planning Bureau is the competent authority to give such confirmation.

2. The ore processed volume refers to the stripping volume (excluding waste rock). Such volume is restricted to our permitted annual ore stripping volume (excluding waste rock) as stated in our utilisation plans and mining licences. For FY2019, our permitted annual ore stripping volume was 1,305 kt based on 225 kt of permitted annual production volume. As we have renewed the mining licence for Songjiagou Open-Pit Mine with the revised permitted annual production volume in May 2020, our permitted annual ore stripping volume for each of FY2020 and FY2021 was 8,190 kt based on 990 kt of permitted annual production volume.

3. Actual volume of gold realised after smelting.

The following table sets forth the key statistic of our gold sales for the periods indicated.

	FY2019	FY2020	FY2021
Revenue from gold sales (RMB in million)	229.2	361.0	247.9
Sales volume (kg)	795.5	987.4	645.5
Our average selling price (RMB/gram)(1)	288.1	365.6	384.0
Average gold spot price in the PRC (RMB/gram)(2)			
— From January to June	288.1	369.1	377.2
— From July to December	336.0	403.6	372.0
— From January to December	312.1	386.4	374.6

Notes:

(1) Calculated as our revenue from gold sales divided by sales volume.

(2) The average gold spot price was extracted from the Shanghai Gold Exchange for the periods indicated, according to the F&S Report. For reference, the minimum and maximum average gold spot price during the Track Record Period was RMB280.8 per gram in April 2019 and RMB423.1 per gram in August 2020.

Our sales volume increased from approximately 795.5 kg (or 25,575.9 ounces) in FY2019 to approximately 987.4 kg (or 31,745.6 ounces) in FY2020, mainly due to the increase in gold production from 775.3 kg in FY2019 to 991.4 kg in FY2020. Such increase in gold production was mainly due to (i) the increase in ore processed from 1,304 kt in FY2019 to 1,590 kt in FY2020; and (ii) the higher feed grade for our ore processed from 0.68 g/t Au in FY2019 to 0.70 g/t Au in FY2020.

Our sales volume decreased to approximately 645.5 kg (or 20,753.3 ounces) in FY2021, mainly due to (i) the decrease in ore processed from 1,590 kt in FY2019 to 1,024 kt in FY2021 as a result of the Temporary Operation Suspension to enable government authority to carry out safety inspection in accordance with the requirements of local authorities following two safety incidents occurred in in Shandong in January and February 2021; and (ii) the decrease in feed grade of our ore processed from 0.70 g/t Au in FY2020 to 0.62 g/t Au in FY2021. The decrease in feed grade was mainly because our Songjiagou Underground Mine, which has higher feed grade than our Songjiagou Open-Pit Mine, was suspended from operation during most of the time of FY2021 as discussed above.

Our selling price of gold bullion was determined with reference to the prevailing gold spot price quoted on the Shanghai Gold Exchange. During the Track Record Period, the monthly average gold spot price generally exhibited an upward trend despite the fact that price drops occurred in the fourth quarter of FY2020 and first quarter of FY2021. In FY2019 and FY2020, our average selling price increased from approximately RMB288.1 per gram to RMB365.6 per gram which was in line with the increasing gold spot price in the PRC during the period. In particular, we placed sales orders and hence, fixed the selling price of most our gold bullion sales during the first half of a year and therefore, our average selling prices during these two years were close to the average gold spot price during the first half of FY2019 and FY2020, respectively. The sales volume of the gold bullion sales in the first half of a year represented approximately 70% and 100% of our total sales volume during FY2019 and FY2020, respectively.

In FY2021, our average selling price continued to increase to approximately RMB384.0 per gram despite the fact that the average gold spot price decreased year-on-year. We were able to outperform the market during FY2021, mainly due to our success in fixing a high selling price in two batches of gold bullion sales near the end of May and July 2021, respectively which were close to the highest gold spot price in FY2021. Further, we recognised certain amount of gold bullion sales in the first quarter of FY2021 of which the sales order was placed and hence, the selling price was fixed back in May 2020 when the PRC's gold spot price was at its peak during the Track Record Period. The sales volume of the abovementioned gold bullion sales represented approximately 78% of our total sales volume during FY2021.

Cost of sales

The following table sets forth the components of our cost of sales and their respective percentages in the total cost of sales for the periods indicated.

	FY2019		**FY2020**		**FY2021**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in thousands, except percentages)					
Depreciation and amortisation	42,869	27.1	37,556	22.6	17,350	16.1
Subcontracting costs	31,941	20.2	26,660	16.1	12,589	11.7
Utilities expenses	29,714	18.8	30,042	18.1	16,400	15.2
Raw materials costs	24,306	15.3	30,649	18.5	19,048	17.7
Direct labour costs	13,527	8.5	14,978	9.0	11,062	10.3
Other production overheads(1)	9,530	6.0	12,286	7.4	11,924	11.1
Other taxes(2)	7,993	5.0	12,863	7.7	8,875	8.2
Changes in inventories of finished goods and work in progress(3)	(1,417)	(0.9)	979	0.6	10,519	9.8
Total	158,463	100.0	166,013	100.0	107,767	100.0

Notes:

1. Other production overheads mainly include (i) safety production costs; (ii) repair and maintenance costs; (iii) environmental and reclamation costs; (iv) village distribution cost; and (v) other miscellaneous costs.

2. Other taxes mainly includes mineral resource taxes which represent the amounts paid to the government authorities for mining activities and are charged at a fix rate on the sales amount.

3. Changes in inventories of finished goods and work in progress represent the unallocated raw materials costs, direct labour costs and other production overheads. In FY2021, the balance was mainly attributable to the sales of gold produced from prior year since we have less gold production during the year as a result of the Temporary Operation Suspension.

Depreciation and amortisation

Our depreciation and amortisation mainly include (i) depreciation of mining infrastructure, which is calculated using the units of production basis according to the extraction of the proven and probable mineral reserves; (ii) depreciation of buildings, plant and machinery relating to our mining and processing operations and right-of-use assets, which are calculated using the straight-line basis over the respective estimated useful lives of assets; and (iii) amortisation of mining rights over the useful lives of the mines.

Our depreciation and amortisation decreased from approximately RMB42.9 million for FY2019 to approximately RMB37.6 million for FY2020, representing a decrease of approximately RMB5.3 million or 12.4%. Such decrease was mainly due to the net effect of (i) the decrease in depreciation for the mining infrastructure for our Songjiagou Underground Mine of approximately RMB7.7 million due to the decrease in volume of ore mined during the period by approximately 10.9%; and net off by (ii) the increase in depreciation for the mining infrastructure for our Songjiagou Open-Pit Mine of approximately RMB2.1 million due to the increase in volume of ore mined during the period by approximately 12.1%. In particular, the depreciation per unit of production of our Songjiagou Underground Mine was higher than that of Songjiagou Open-Pit Mine.

Our depreciation and amortisation further decreased to approximately RMB17.4 million in FY2021 compared to approximately RMB37.6 million in FY2020, representing a decrease of approximately RMB20.2 million or 53.8% mainly due to the decrease in volume of ore mined during the period by approximately 38.9% as a result of the Temporary Operation Suspension to enable government authority to carry out safety inspection.

Subcontracting costs

Our subcontracting costs mainly comprise mining subcontracting costs, logistics subcontracting costs, refining subcontracting costs and equipment leasing subcontracting costs, which represent our payments to subcontractors relating to our mining works, logistics works and refining works and for leasing of equipment used for mining operations. Please refer to the section headed "Business — Suppliers and subcontractors — Subcontractors" in this document for further details of our subcontracting arrangement. A breakdown of our subcontracting costs by activities for the periods indicated is set forth below:

	FY2019	**FY2020**	**FY2021**
		(RMB in thousands)	
Mining subcontracting costs	18,454	13,725	1,445
Logistics subcontracting costs	6,683	7,229	4,790
Refining subcontracting costs	6,804	5,706	4,067
Equipment leasing subcontracting costs	—	—	2,287
	31,941	26,660	12,589

Our subcontracting costs decreased from approximately RMB31.9 million in FY2019 to approximately RMB26.7 million in FY2020, representing a decrease of approximately 16.5%. Such decrease was mainly due to the combined effect of (i) the decrease in mining subcontracting costs of approximately 25.6% mainly because we terminated the mining subcontracting arrangement in respect of our Songjiagou Open-Pit Mine with Liaoyuan Zhuoli in September 2020 as we conducted the mining activities ourselves seeking to reduce the costs of mining; (ii) the decrease in refining subcontracting costs of approximately 16.1% as a result of the net effect of (a) the decrease in the average refining unit price per tonne charged by our smelters from approximately RMB143.9 per tonne in FY2019 to RMB121.9 per tonne in FY 2020; and (b) the increase in gold production volume; and net off by (iii) the increase in logistic subcontracting costs of approximately 8.2% mainly due to the increase in ore mined volume.

Our subcontracting costs further decreased to approximately RMB12.6 million in FY2021 compared to approximately RMB26.7 million in FY2020, representing a decrease of approximately 52.8%. Such decrease was mainly due to the combined effect of (i) the decrease in mining subcontracting costs of approximately 89.5% mainly because we terminated the mining subcontracting arrangements in respect of our Songjiagou Open-Pit Mine with Liaoyuan Zhuoli in September 2020 and our Songjiagou Underground Mine with Shandong Zhangjian in January 2021 as we conducted the mining activities ourselves seeking to reduce the costs of mining; (ii) the decrease in refining subcontracting costs of approximately 28.7% as a result of the net effect of (a) the increase in the average refining unit price per tonne charged by the smelter from approximately RMB121.9 per tonne in FY2020 to RMB141.9 per tonne as we had renegotiated with them in October 2021 to separately receive compensation for sulfuric acid, a chemical by-product generated during the refining process of gold concentrates at the smelter, at RMB150 per tonne of gold concentrate processed and they had increased the refining charges to RMB200 per tonne with effect from October 2021; and (b) the decrease in gold production volume; (iii) the decrease in logistic subcontracting costs of approximately 33.7% mainly due to the decrease in ore mined volume; and offset by (iv) the increase in equipment leasing subcontracting costs as we leased certain drilling equipment from an Independent Third Party to support our mining operation.

Utilities expenses

Our utilities expenses mainly include the cost of electricity we consumed during our mining and processing activities. For further details, please see the section headed "Business — Our operations — Power supply" in this document.

Our utilities expenses increased slightly from approximately RMB29.7 million in FY2019 to approximately RMB30.0 million in FY2020 despite the increase in ore processing volume of approximately 21.9%, mainly due to (i) our utilities consumption was relatively stable under the range of production volume in FY2019 and FY2020; and (ii) the temporary reduction in electricity unit price during February to June 2020 as a relief measure to the COVID-19 outbreak. Our utilities expenses decreased to approximately RMB16.4 million in FY2021 mainly due to the decrease in our ore processing volume of approximately 35.6% in FY2021 as compared to FY2020 as a result of the Temporary Operation Suspension.

Raw materials costs

Our raw materials costs mainly include explosives, steel grinding balls and chemical reagents used during our ore processing operation. All of these materials are sourced from multiple suppliers in the PRC at competitive market prices. The amount of raw materials we use are generally in proportion with the volume of the ore we mined or processed. For further details, please see the section headed "Business — Raw materials" in this document.

Our raw materials costs increased from approximately RMB24.3 million in FY2019 to approximately RMB30.6 million in FY2020, representing an increase of approximately RMB6.3 million or 26.1%. Such increase was mainly due to the increase in our ore processing volume from 1,304 kt in FY2019 to 1,590 kt in FY2020. Our raw materials costs decreased to approximately RMB19.0 million in FY2021, representing a decrease of approximately RMB11.6 million or 37.9%. Such decrease was mainly due to the decrease in our ore processing volume from 1,590 kt in FY2020 to 1,024 kt in FY2021. For further details of our ore processing volume, please refer to the section headed "Business — Our operations — Our ore processing facilities — Utilisation rate" in this document.

Direct labour costs

Our direct labour mainly costs consist of wages, salaries and social insurance contributions that we pay to our employees engaged in mining, production and processing activities. Our direct labour costs increased from approximately RMB13.5 million in FY2019 to approximately RMB15.0 million in FY2020, representing an increase of approximately RMB1.5 million or 10.7%. Such increase was mainly due to (i) the increase in staff messing and welfare expenses of approximately RMB1.4 million mainly due to the additional festival celebrations being introduced in FY2020; (ii) the increase in wages and salaries of approximately RMB1.3 million; and partially offset by the decrease in contribution to social insurance and housing provident funds of approximately RMB1.2 million. The increase in wages and salaries was mainly contributed by (i) the increased headcount for our mining operations after we terminated one of the two mining subcontracting arrangements as mentioned above and conducted such mining activities ourselves since October 2020; and (ii) the increase in average salaries of our staff for our ore processing operations. The decrease in contribution to social insurance and housing provident funds was mainly due to the enterprise relief measures by the PRC government in response to the outbreak of COVID-19. Our direct labour costs decreased to approximately RMB11.1 million in FY2021, representing a decrease of approximately RMB3.9 million or 26.1%. Such decrease was mainly due to (i) the decrease in wages and salaries of approximately RMB3.5 million; (ii) the decrease in staff messing and welfare expenses of approximately RMB1.2 million; and partially offset by (iii) the increase in contribution to social insurance and housing provident funds of approximately RMB0.8 million. The decreases in wages and salaries and staff messing and welfare expenses were mainly due to the Temporary Operation Suspension. The increase in contribution to social insurance and housing provident funds was because the enterprise relief measures by the PRC government in response to the outbreak of COVID-19 was no longer given in FY2021.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin for sales of gold for the periods indicated.

	FY2019		**FY2020**		**FY2021**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	(RMB in thousands, except percentages)					
Gold sales	70,739	30.9%	194,986	54.0%	140,105	56.5%

During the Track Record Period, our gross profit margin for the sales of gold increased from approximately 30.9% in FY2019 to approximately 54.0% in FY2020. The increase in gross profit margin in FY2020 was mainly due to (i) the increase in average gold selling price of approximately 26.9%; and (ii) the lesser increase in cost of sales in response to the increase in gold production and sales volume, primarily due to the fact that certain components in the cost of sales were semi-variable costs which did not increase directly proportional to the increase in gold production and sales volume. In addition, we also adopted certain measures aiming to reduce our operating costs, including terminating the mining subcontracting arrangements and conducting mining activities by ourselves and monitoring the refining charges of the smelters. Our gross profit margin further increased to approximately 56.5% in FY2021, mainly because of (i) the increase in average gold selling price of approximately 5.0%; and (ii) the decrease in mining subcontracting fees as we conduct most of mining activities by our own labour force in FY2021. For details on the increase of our cost of sales, please refer to the paragraphs headed "Period to period comparison of results of operations" in this section.

Other income and gains

The following table sets forth the components of our other income and gains and their respective percentages for the periods indicated.

	FY2019		FY2020		FY2021	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in thousands, except percentages)					
Investment income	—	—	2,673	67.3	—	—
Tailing pond rental income	1,394	45.8	—	—	—	—
Sales of sulfuric acid	—	—	—	—	1,408	39.0
Government grants	899	29.5	281	7.1	292	8.0
Interest income	560	18.4	928	23.4	1,664	46.1
Others	190	6.3	91	2.2	249	6.9
Total	3,043	100.0	3,973	100.0	3,613	100.0

We generated investment income amounted to approximately RMB2.7 million in FY2020 from the gold forward contracts we entered into with Shandong Humon and Shandong Guoda. There is no actual delivery of gold in such gold forward contracts. For details, please refer to "Business — Sales and customers — Gold forward contracts entered into with out customers" in this document.

We generated other income from the rental of our tailings dam to Dahedong amounted to approximately RMB1.4 million in FY2019. We have ceased such leasing arrangement since October 2019. During FY2021, we generated other income from the sales of sulfuric acid generated during the smelting process amounted to RMB1.4 million. There was no such arrangement during FY2019 and FY2020. For details, please refer to "Business — Suppliers and subcontractors — Subcontractors — Refining works" in this document.

We received various government grants, including the subsidies for the purchase of machinery in FY2019, FY2020 and FY2021 and incentives for promoting the use of clean energy in FY2019. For the government grants recognised as other income and gains in profit or loss during the Track Record Period, there were no unfulfilled conditions.

We also generated interest income of approximately RMB0.6 million, RMB0.9 million and RMB1.7 million in FY2019, FY2020 and FY2021, respectively, arising from the restricted and pledged deposits.

Administrative expenses

The following table sets forth the components of our administrative expenses and their respective percentages for the periods indicated.

	FY2019		FY2020		FY2021	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except percentages)					
Salaries and wages	7,103	36.5	5,075	23.6	5,872	26.1
Research and development expenses	—	—	4,921	22.9	4,960	22.1
Travelling	2,327	12.0	2,176	10.1	1,985	8.8
Depreciation	1,737	8.9	1,637	7.6	2,039	9.1
Other tax expenses	1,350	6.9	1,332	6.2	1,763	7.8
Entertainment	978	5.0	437	2.0	323	1.4
Rent and utilities	448	2.3	342	1.6	581	2.6
Office expenses	836	4.3	1,104	5.1	1,019	4.5
Repair and maintenance	179	1.0	54	0.3	106	0.5
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	19,447	100.0	21,480	100.0	22,490	100.0

Other expenses

The following table sets forth the components of our other expenses and their respective percentages for the periods indicated.

	FY2019		FY2020		FY2021	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except percentages)					
Suspension cost	—	—	—	—	28,728	95.1
Donation	100	19.4	2,090	71.3	83	0.3
Losses on disposal of property, plant and equipment	281	54.5	—	—	975	3.2
Others	135	26.1	840	28.7	408	1.4
Total	516	100.0	2,930	100.0	30,194	100.0

During FY2021, we incurred suspension costs of approximately RMB28.7 million, primarily represented depreciation and amortisation charges, labour costs, spare parts and utilities incurred during the Temporary Operation Suspension.

Finance costs

The following table sets forth the components of our finance costs and their respective percentages for the periods indicated.

	FY2019		FY2020		FY2021	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in thousands, except percentages)					
Interest on borrowings	5,272	80.5	4,059	77.5	2,643	69.1
Increased in discounted amounts of provisions and other long-term liabilities arising from the passage of time	1,230	18.8	1,177	22.5	1,181	30.9
Others	46	0.7	—	—	—	—
Total	6,548	100.0	5,236	100.0	3,824	100.0

Our increased in discounted amounts of provisions and other long-term liabilities arising from the passage of time incurred on our short-term interest-bearing borrowings during the Track Record Period was approximately RMB5.3 million, RMB4.1 million and RMB2.6 million, respectively. For further details of our bank borrowing, please see the paragraph headed "Indebtedness" in this section.

Our interest on provisions and other long-term liabilities during the Track Record Period primarily represented the interest expenses recognised for the discounted present value of our provision for rehabilitation and payables for compensation to villagers, which remained relatively stable at approximately RMB1.2 million, RMB1.2 million and RMB1.2 million for FY2019, FY2020 and FY2021, respectively. For further details, please refer to the paragraphs headed "Principal components of our non-current assets and non-current liabilities — Provision" and "Principal components of our non-current assets and non-current liabilities — Other long-term liabilities" in this section.

Income tax expenses

We are subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act and, accordingly, are exempted from payment of the Cayman Islands income tax. We have a subsidiary incorporated as a BVI business company under the BVI Business Companies Act and is exempted from payment of income tax of the BVI.

Our operating subsidiary, Yantai Zhongjia, is established in the PRC and taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. We were generally subject to a uniform EIT rate of 25% during FY2019, FY2020 and FY2021. Being accredited as High-tech enterprise in December 2020, Yantai Zhongjia enjoyed the preferential tax rate of 15% for FY2020 in its PRC statutory tax filings. In arriving at the current tax provision for Yantai Zhongjia for FY2020 and FY2021, 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. Nevertheless, we have obtained a confirmation from the Yantai Muping Branch of State Taxation Administration* (國家稅務總局煙台市牟平區稅務局) confirming that no irregularities were discovered by the tax authority in respect of the adoption of the preferential tax rate of 15% in the PRC statutory tax filings.

In addition to the applicable EIT rate, our effective tax rate may be affected by, among other things, expenses not deductible for taxation purposes, utilisation of previously unrecognised tax losses and non-recognition of deductible temporary differences. Our effective tax rate decreased from approximately 42.5% for FY2019 to approximately 32.4% for FY2020 mainly due to (i) decrease in expenses not deductible for tax purpose mainly in relation to depreciation of properties, plant and equipment; and partially offset by (ii) increase in withholding tax for distributable profits for our PRC subsidiaries. Our effective tax rate decreased remained stable at approximately 32.7% in FY2021.

Our Directors confirmed that as at the Latest Practicable Date: (i) our Group has made all required tax filings under the relevant tax laws and regulations in PRC and has paid all outstanding tax liabilities due; and (ii) that our Group is not subject to any dispute or potential dispute with the tax authorities in PRC as at the Latest Practicable Date.

Non-controlling interests

Non-controlling interests represent minority interests held by Dahedong. For further details of interests of Dahedong in Yantai Zhongjia, please see the section headed "History, Reorganisation and corporate structure" in this document. For FY2019, FY2020 and FY2021, profit attributable to our non-controlling interests amounted to approximately RMB8.3 million, RMB32.0 million and RMB17.1 million, respectively.

Other comprehensive income/(expense)

Exchange differences on translation of foreign operations

Our exchange differences on translation of foreign operations primarily represented the translation difference of Majestic Yantai BVI, which was incorporated in BVI with CAD as the functional currency. Majestic Yantai BVI primarily held certain balances due to Majestic Gold, being shareholder's advances from Majestic Gold to Majestic Yantai BVI, which are monetary liabilities denominated in CAD. We recorded a gain (or loss) from the exchange differences on translation of such foreign operations under other comprehensive income in the amount of approximately RMB(18.5) million, RMB1.2 million and RMB(1.3) million in FY2019, FY2020 and FY2021, respectively, as a result of depreciation or appreciation of RMB against CAD. Such exchange difference decreased in FY2020, mainly due to the fact that Majestic Gold had conditionally agreed to waive such balances due to it by us pursuant to a deed of waiver dated 4 June 2020 entered into between our Company and Majestic Gold. For further details, please see the paragraph headed "Related party transactions — (e) Balances due to Majestic Gold" in this section and the section headed "Relationship with our Controlling Shareholders — Financial independence" in this document.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2020 compared to FY2019

Revenue

Our revenue increased from approximately RMB229.2 million for FY2019 to approximately RMB361.0 million for FY2020, representing an increase of approximately RMB131.8 million, or approximately 57.5%, primarily due to the increase in our gold sales volume by approximately 24.1% from approximately 795.5 kg (or 25,575.9 ounces) in FY2019 to approximately 987.4 kg (or 31,745.6 ounces) in FY2020, and the increase in the average selling price of our gold from approximately RMB288.1 per gram in FY2019 to approximately RMB365.6 per gram in FY2020. We increased our production volume in FY2020 after we renewed the mining licence of our Songjiagou Open-Pit Mine with expanded permitted production capacity. For further details on the PRC gold price, please refer to the section headed "Industry overview" in this document.

Cost of sales

Our cost of sales increased from approximately RMB158.5 million for FY2019 to approximately RMB166.0 million for FY2020, representing an increase of approximately 4.8%. Such increase was mainly driven by the increase in ore processing volume. As a result of the increase in ore processing volume in FY2020, our raw materials costs, utilities expenses and production overheads increased from RMB63.6 million in FY2019 to RMB73.0 million in FY2020, representing an increase of approximately 14.8%. However, the abovementioned increase was partially offset by the reduction in mining subcontracting costs and depreciation expenses, which decreased from approximately RMB61.3 million for FY2019 to approximately RMB51.3 million for FY2020, representing a decrease of approximately 16.4%. In September 2020, we terminated the mining subcontracting arrangement with Liaoyuan Zhuoli and employed more workers to carry out mining activities, leading to the decrease in mining subcontracting costs. Further, since (i) the increase in production volume was primarily contributed by our Songjiagou Open-Pit Mine while the production volume of Songjiagou Underground Mine decreased and (ii) the depreciation per unit of production of our Songjiagou Undeground Mine was higher than that of Songjiagou Open-Pit Mine, the depreciation and amortisation expenses of mining infrastructure decreased during FY2020.

Gross profit and gross profit margin

As the primary result of the increase in revenue, our gross profit increased from approximately RMB70.7 million for FY2019 to approximately RMB195.0 million for FY2020, representing an increase of approximately RMB124.3 million or approximately 175.8%. Our gross profit margin increased from approximately 30.9% for FY2019 to approximately 54.0% for FY2020. The increase in gross profit margin in FY2020 was mainly due to (i) the increase in average gold selling price of approximately 26.9%; (ii) the lesser increase in cost of sales in response to the increase in gold production and sales volume, primarily due to the fact that certain components in the cost of sales more semi-variable costs which did not increase directly proportional to the increase in gold production and sales volume. In addition, we also adopted certain measures aiming to reduce our operating costs, including terminating mining subcontracting arrangement and conducting mining activities by ourselves and monitoring the refining charges of the smelters.

Other income and gains

Our other income and gains increased from approximately RMB3.0 million in FY2019 to approximately RMB4.0 million in FY2020, representing an increase of approximately RMB1.0 million or approximately 30.6%, primarily due to (i) the increase in investment income of approximately RMB2.7 million from gold forward contracts; and (ii) an increase in interest income of approximately RMB0.4 million mainly from fixed deposits placed in banks and partially offset by (iii) the decrease in government grants of approximately RMB0.7 million.

Administrative expenses

Our administrative expenses increased from approximately RMB19.4 million in FY2019 to approximately RMB21.5 million in FY2020, representing an increase of approximately RMB2.0 million, or approximately 10.5%. Such increase was primarily attributable to the (i) increase in research and development expenses of approximately RMB4.9 million in FY2020, including mainly (a) services fees paid to an Independent Third Party company of approximately RMB2.2 million to improve our ore concentrate processing efficiency by preventing blockage during ore processing and to design plates to improve the efficiency of screening; (b) salaries and wages of approximately RMB2.4 million; and (c) other expenses of approximately RMB0.3 million; and offset by (ii) the decrease in salaries and wages of approximately RMB2.0 million. For details of research and development, please refer to the section headed "Business — Research and development". The decrease in salaries and wages was mainly due to the net effect of (i) allocation of some labour hours for research and development activities; (ii) the decrease in contribution to social insurance and housing provident funds as a result of the enterprise relief measures by the PRC government in response to the outbreak of COVID-19; and partially offset by (iii) the increase in salaries and wages paid to our Executive Directors.

Other expenses

Our other expenses increased from approximately RMB0.5 million in FY2019 to approximately RMB2.9 million in FY2020, representing an increase of approximately RMB2.4 million, or approximately 467.8%, mainly due to the increase in donation for the combat against COVID-19 pandemic.

Finance costs

Our finance costs decreased from approximately RMB6.5 million in FY2019 to approximately RMB5.2 million in FY2020, representing a decrease of approximately RMB1.3 million, or approximately 20.0% mainly due to the decrease in bank borrowings.

Income tax expenses

Our income tax expenses increased from approximately RMB20.1 million for FY2019 to approximately RMB54.9 million for FY2020, representing an increase of approximately RMB34.8 million, or approximately 173.5%, primarily due to the increase in the profit before tax during the year. The effective tax rate decreased from approximately 42.5% for FY2019 to approximately 32.4% for FY2020, mainly due to decrease in expenses not deductible for tax purpose mainly in relation to depreciation of properties, plant and equipment; and partially offset by increase in withholding tax for distributable profits for our PRC subsidiaries.

Profit and net profit margin for the year

For the reasons described above, our profit for the year increased from approximately RMB27.2 million in FY2019 to approximately RMB114.4 million in FY2020, representing an increase of approximately RMB87.2 million, or approximately 320.7%. Our net profit margin increased from approximately 11.9% in FY2019 to approximately 31.7% in FY2020.

Non-controlling interests

Our profit attributable to non-controlling interests increased from approximately RMB8.3 million in FY2019 to approximately RMB32.0 million in FY2020, representing an increase of approximately RMB23.8 million, or approximately 287.2%, primarily due to the overall increase in profit and net profit margin for the year.

FY2021 compared to FY2020

Revenue

Our revenue decreased from approximately RMB361.0 million for FY2020 to approximately RMB247.9 million for FY2021, representing a decrease of approximately RMB113.1 million, or approximately 31.3%, primarily due to the decrease in our gold sales volume by approximately 34.6% from approximately 987.4 kg (or 31,745.6 ounces) in FY2020 to approximately 645.5 kg (or 20,753.3 ounces) in FY2021, which was partially offset by the increase in the average selling price of our gold from approximately RMB365.6 per gram in FY2020 to approximately RMB384.0 per gram in FY2021. The decrease in our gold sales volume was mainly due to the decrease in our gold production volume caused by the Temporary Operation Suspension to enable government authority to carry out safety inspection in accordance with the requirements of local authorities for all mines in Shandong, including ours, as a result of two safety incidents occurred in January and February 2021 at Qixia Hushan Gold Mine (栖霞市笏山金礦) 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 not owned by our Group. For further details on the PRC gold price, please refer to the section headed "Industry overview" in this document.

Cost of sales

Our cost of sales decreased from approximately RMB166.0 million for FY2020 to approximately RMB107.8 million for FY2021, representing a decrease of approximately RMB58.2 million, or approximately 35.1%, primarily due to the net effect of: (i) the decrease in subcontracting expenses of approximately RMB14.1 million due to (a) the decrease in mining subcontracting costs of approximately 89.5% mainly because we terminated the mining subcontracting arrangements in respect of our Songjiagou Open-Pit Mine with Liaoyuan Zhuoli in September 2020 and our Songjiagou Underground Mine with Shandong Zhangjian in January 2021 as we conducted the mining activities ourselves seeking to reduce the costs of mining; (b) the decrease in refining subcontracting costs of approximately 28.7% as a result of the net effect of (1) the increase in the average refining unit price per tonne charged by the smelter from approximately RMB121.9 per tonne to RMB141.9 per tonne as we had renegotiated with them in October 2021 to separately receive compensation for sulfuric acid, a chemical by-product generated during the refining process of gold concentrate at the smelter at RMB150 per tonne of gold concentrate processed and they had increased the refining charges to RMB200 per tonne with effect from October 2021; and (2) the decrease in gold production volume; (c) the decrease in logistic subcontracting costs of approximately 33.7% mainly due to the decrease in ore mined volume; and offset by (d) the increase in equipment leasing subcontracting costs as we leased certain mine equipment from an Independent Third Party after termination of mining subcontracting arrangements; (ii) the decrease in our depreciation and amortisation of approximately RMB20.2 million due to the decrease in volume of ore mined during the period by approximately 38.9%; (iii) the decrease in utilities costs of approximately RMB13.6 million; and (iv) the decrease in cost of raw materials of approximately RMB11.6 million in line with the decrease in our processing volume due to the Temporary Operation Suspension.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased from approximately RMB195.0 million for FY2020 to approximately RMB140.1 million for FY2021, representing a decrease of approximately RMB54.9 million or approximately 28.1%. Our gross profit margin further increased from approximately 54.0% for FY2020 to approximately 56.5% for FY2021, primarily due to (i) the increase in average gold selling price of approximately 5.0%; and (ii) the decrease in mining subcontracting fees as we conduct most of mining activities by our own labour force in FY2021.

Other income and gains

Our other income and gains decreased from approximately RMB4.0 million in FY2020 to approximately RMB3.6 million in FY2021, representing a decrease of approximately RMB0.4 million or approximately 9.1%, primarily due to (i) the decrease in investment income of approximately RMB2.7 million as we did not engage in any gold forward contracts in FY2021, and partially offset by (ii) the increase in compensation income from the sale of sulfuric acid in gold concentrate generated during the smelting process of approximately RMB1.4 million; and (iii) the increase in interest income of approximately RMB0.7 million mainly from fixed deposits placed in banks.

Administrative expenses

Our administrative expenses increased from approximately RMB21.5 million in FY2020 to approximately RMB22.5 million in FY2021, representing an increase of approximately RMB1.0 million, or approximately 4.7%. Such increase was primarily attributable to the increase in salaries and wages of approximately RMB0.8 million due to the increase in headcounts for our senior management.

Other expenses

Our other expenses increased from approximately RMB2.9 million in FY2020 to approximately RMB30.2 million in FY2021, representing an increase of approximately RMB27.2 million, or approximately 930.5%, mainly due to the suspension costs of approximately RMB28.7 million incurred in FY2021 during the Temporary Operation Suspension and offset by the decrease in donation amount of approximately RMB2.0 million. Such suspension costs primarily represented depreciation and amortisation charges, labour costs, spare parts and utilities incurred during the suspension period.

Finance costs

Our finance costs decreased from approximately RMB5.2 million in FY2020 to approximately RMB3.8 million in FY2021, representing a decrease of approximately RMB1.4 million, or approximately 26.9%. Such decrease was mainly attributable to the decrease in bank borrowings.

Income tax expenses

Our income tax expenses decreased from approximately RMB54.9 million for FY2020 to approximately RMB28.5 million for FY2021, representing a decrease of approximately RMB26.4 million, or approximately 48.1%, primarily due to the decrease in the profit before tax during the year. The effective tax rate remained relatively stable at approximately 32.7% in FY2021 as compared to 32.4% in FY2020.

Profit and net profit margin for the year

For the reasons described above, our profit for the year decreased from approximately RMB114.4 million in FY2020 to approximately RMB58.7 million in FY2021, representing a decrease of approximately RMB55.7 million, or approximately 48.7%. Our net profit margin decreased from approximately 31.7% in FY2020 to approximately 23.7% in FY2021.

Non-controlling interests

Our profit attributable to non-controlling interests decreased from approximately RMB32.0 million in FY2020 to approximately RMB17.1 million in FY2021, representing a decrease of approximately RMB14.9 million, or approximately 46.6%, primarily due to the overall decrease in profit and net profit margin for the year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

During the Track Record Period, we funded our operations primarily with net cash generated from our operations, bank borrowings and capital injection from shareholders, and our funds were primarily used for purchase of raw materials, various operating expenses and capital expenditure. The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated.

	FY2019	FY2020	FY2021
	(RMB in thousands)		
Profit before tax	47,271	169,313	87,210
Adjustments for non-cash items	51,434	42,545	31,651
Operating cash flows before movements in working capital	98,705	211,858	118,861
Changes in working capital	(18,313)	11,301	5,180
Cash generated from operations	80,392	223,159	124,041
Tax paid	(17,341)	(36,403)	(10,086)
Net cash flows from operating activities	63,051	186,756	113,955
Net cash flows (used in) investing activities	(6,854)	(60,906)	(55,940)
Net cash flows (used in) financing activities	(397)	(58,055)	(76,987)
Net increase in cash and cash equivalents	55,800	67,795	(18,972)
Cash and cash equivalents at beginning of year	77,979	134,696	202,907
Effect of exchange rate changes	917	416	(1,537)
Cash and cash equivalents at end of year	134,696	202,907	182,398

Operating activities

Our net cash flows generated from operating activities in FY2019 amounted to approximately RMB63.1 million, reflecting mainly profit before tax of approximately RMB47.3 million, net of income tax paid of approximately RMB17.3 million; adjusted by non-cash items including mainly the depreciation of property, plant and equipment and right-of-use assets of approximately RMB42.9 million and finance cost of approximately RMB6.5 million; and further adjusted by movement in working capital including mainly (i) the decrease in trade and bills payables of approximate RMB11.4 million as our Group ceased to use bills for settlement in FY2019; (ii) the decrease in provision of approximate RMB8.2 million; (iii) the decrease in restricted and pledged bank deposits of approximate RMB7.1 million and (iv) the increase in prepayments, other receivables and other assets of approximately RMB6.9 million.

Our net cash flows generated from operating activities in FY2020 amounted to approximately RMB186.8 million, reflecting mainly profit before tax of approximately RMB169.3 million, net of income tax paid of approximately RMB36.4 million; adjusted by non-cash items including mainly the depreciation of property, plant and equipment and right-of-use assets of approximately RMB37.5 million and finance cost of approximately RMB5.2 million; and further adjusted by movement in working capital including mainly (i) the decrease in prepayments, other receivables and other assets of approximately RMB8.2 million in respect of the settlement of security deposits to Shandong Humon; (ii) the increase in trade payables of approximately RMB5.7 million due to longer settlement period for certain suppliers and subcontractors; and (iii) the increase in restricted and pledged bank deposits of approximate RMB5.0 million. Our net cash generated from operating activities increased from approximately RMB63.1 million for FY2019 to approximately RMB186.8 million for FY2020, representing an increase of approximately RMB123.7 million. Such increase was mainly due to (i) the increase in profit before tax after adjustments for non-cash items of approximately RMB113.2 million; (ii) changes in working capital of approximately RMB29.6 million; and partially offset by (iii) the increase in income tax paid of approximately RMB19.1 million.

Our net cash flows generated from operating activities in FY2021 amounted to approximately RMB114.0 million, reflecting mainly profit before tax of approximately RMB87.2 million, net of income tax paid of approximately RMB10.1 million; adjusted by non-cash items including mainly the depreciation of property, plant and equipment and right-of-use assets of approximately RMB23.5 million and finance cost of approximately RMB3.8 million; and further adjusted by movement in working capital including mainly (i) the decrease in inventories of approximately RMB9.2 million due to the decrease in gold concentrate and ore stockpile which our mining and processing work were temporarily suspended in certain months of FY2021; (ii) increase in trade payables of approximately RMB2.0 million mainly due to increase in payables to our equipment leasing subcontractors and payables to Shandong Guoda due to timing difference in settling the payable to Shandong Guoda; (iii) the decrease in other payables and accruals of approximately RMB4.0 million mainly due to decrease in other tax payables; (iv) the increase in prepayments, other receivables and other assets of approximately RMB1.5 million mainly due to increase in prepayment for [REDACTED]; and (v) the increase in restricted and pledged bank deposits of approximate RMB1.4 million. Our net cash generated from operating activities decreased from approximately RMB186.8 million for FY2020 to approximately RMB114.0 million for FY2021, representing a decrease of approximately RMB72.8 million. Such decrease was mainly due to (i) the decrease in profit before tax after adjustments for non-cash items of approximately RMB93.0 million; (ii) changes in working capital of approximately RMB6.0 million; and partially offset by (iii) the decrease in income tax paid of approximately RMB26.3 million.

For details of year on year comparison of our Group's items of assets and liabilities, please refer to the paragraphs headed "Principal components of our current assets and current liabilities" and "Principal components of non-current assets and non-current liabilities" below in this section.

Investing activities

Our net cash used in investing activities in FY2019 was approximately RMB6.9 million, which was attributable to (i) the cash used for the purchase of property, plant and equipment of approximately RMB6.4 million comprising mainly plant and machinery; (ii) the addition of right-of-use assets and intangible assets of approximately RMB1.0 million; and partially offset by the proceeds from the disposal of property, plant and equipment of approximately RMB0.5 million.

Our net cash used in investing activities in FY2020 was approximately RMB60.9 million, which was attributable to (i) the addition of mining rights of approximately RMB30.2 million; (ii) the cash used for the purchase of property, plant and equipment of approximately RMB17.5 million comprising mainly mining infrastructure; (iii) advances of loan to third parties of approximately RMB12.1 million; and partially offset by the proceeds from the gold forward contract of approximately RMB2.7 million. Our net cash used in investing activities increased from approximately RMB6.9 million for FY2019 to approximately RMB60.9 million for FY2020, representing an increase of approximately RMB54.0 million. Such increase was mainly due to more cash used in purchase of intangible assets and property, plant and equipment and increase in advances of loans to third parties.

Our net cash used in investing activities in FY2021 was approximately RMB55.9 million, which was attributable to (i) the cash used for the purchase of property, plant and equipment of approximately RMB34.6 million comprising mainly plant and machinery; (ii) the addition of mining rights of approximately RMB27.0 million; (iii) the addition of right-of-use assets of approximately RMB2.5 million; and partially offset by the proceeds from the repayment of loans from third parties of approximately RMB8.1 million. Our net cash used in investing activities decreased from approximately RMB60.9 million for FY2020 to approximately RMB55.9 million for FY2021, representing a decrease of approximately RMB5.0 million. Such decrease was mainly due to net effect of (i) the repayment of loans from third parties in FY2021 compared to loan advance to third party in FY2020; and (ii) the increase in purchase of items of property, plant and equipment in FY2021.

Financing activities

Our net cash used in financing activities in FY2019 was approximately RMB0.4 million, which was mainly attributable to (i) the decrease in other payables and accruals of approximately RMB5.0 million as a result of the return of the deposit to Baiheng of RMB5.0 million being the remaining part of the total deposits previously received from Baiheng in 2016 for our provision of a corporate guarantee to a bank for the benefit of Baiheng; (ii) the interest paid of approximately RMB5.3 million; and partially offset by the increase in amounts due to related parties of approximately RMB10.9 million.

Our net cash used in financing activities in FY2020 was approximately RMB58.1 million, which was mainly attributable to (i) repayment of interest bearing bank borrowings of approximately RMB90.0 million; (ii) the interest paid of approximately RMB4.2 million; and partially offset by (iii) the new bank loans obtained of RMB30.0 million; and (iv) increase in amount due to related parties of approximately RMB6.9 million. Our net cash used in financing activities increased from approximately RMB0.4 million for FY2019 to approximately RMB58.1 million for FY2020, representing an increase of approximately RMB57.7 million. Such increase was mainly due to the decrease in net proceeds from bank borrowings of approximately RMB70.0 million, and partially offset by the decrease in repayment of bank borrowings of approximately RMB10.0 million and the increase in amounts due to related parties of approximately RMB4.0 million.

Our net cash used in financing activities in FY2021 was approximately RMB77.0 million, which was mainly attributable to (i) the dividends paid of approximately RMB73.9 million; (ii) repayment of bank loans of RMB30.0 million; (iii) interest paid of approximately RMB2.7 million; and partially offset by (iv) the new bank loans obtained of RMB30.0 million; and (v) the increase in amount due to related parties of approximately RMB0.9 million. Our net cash used in financing activities increased from approximately RMB58.1 million for FY2020 to approximately RMB77.0 million for FY2021, representing an increase of approximately RMB18.9 million. Such increase was mainly due to (i) the increase in the total dividends paid of approximately RMB73.9 million; (ii) the decrease in the amounts due to related companies of approximately RMB6.1 million; and partially offset by (iii) the decrease in repayment of bank borrowings of approximately RMB60.0 million.

PRINCIPAL COMPONENTS OF OUR CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth the details of our current assets and current liabilities as of the dates indicated.

	As at 31 December			As at 31 January
	2019	2020	2021	2022
				(unaudited)
		(RMB in thousands)		
Current assets				
Inventories	30,384	28,989	19,788	19,667
Prepayments, other receivables and other assets	10,951	2,786	4,364	4,848
Due from related parties	1	1	—	—
Restricted and pledged deposits	9,326	14,290	15,645	15,645
Cash and cash equivalents	134,696	202,907	182,398	195,632
Current portion of other long-term assets	—	—	1,000	1,000
Total current assets	**185,358**	**248,973**	**223,195**	**236,792**
Current liabilities				
Trade payables	8,128	13,839	15,871	13,485
Other payables and accruals	19,432	92,965	20,455	18,873
Due to related parties	376,365	59,649	60,255	60,264
Provisions	4,090	1,912	1,351	1,351
Deferred income	850	680	510	510
Tax payable	13,427	25,911	45,484	48,479
Interest-bearing bank borrowings	90,000	30,000	30,000	30,000
Lease liabilities	1,573	—	—	—
Current portion of other long-term liabilities	1,065	1,065	7,369	7,369
Total current liabilities	**514,930**	**226,021**	**181,295**	**180,331**
Net current (liabilities)/assets	**(329,572)**	**22,952**	**41,900**	**56,461**

As at 31 December 2019, we recorded net current liabilities of approximately RMB329.6 million, which were primarily attributable to the amounts due to related parties and to a lesser extent, our other payables and accruals and interest-bearing borrowings. In June 2020, the balances due to Majestic Gold amounted to CAD$62.1 million (equivalent to approximately RMB322.8 million) had been conditionally waived pursuant to a deed of waiver dated 4 June 2020. For details, please refer to the paragraph headed "Related party transaction — (e) Balances due to Majestic Gold" in this section. As at 31 December 2020 and 2021 and 31 January 2022, we had recorded net current assets of approximately RMB23.0 million, RMB41.9 million and RMB56.5 million, respectively.

We recorded net current assets of approximately RMB23.0 million as at 31 December 2020, compared to net current liabilities of approximately RMB329.6 million as at 31 December 2019. Such changes were mainly attributable to (i) profit for the year of approximately RMB114.4 million; (ii) the decrease in amounts due to related parties of approximately RMB316.7 million; and partially offset by (iii) cash paid and payable for the addition of mining right of approximately RMB101.3 million.

Our net current assets increased from approximately RMB23.0 million as at 31 December 2020 to approximately RMB41.9 million as at 31 December 2021, representing an increase of approximately RMB18.9 million. Such increase was mainly attributable to (i) profit for the year of approximately RMB58.7 million; (ii) the reclassification of payable for mining right of approximately RMB28.3 million from current liabilities to non-current liabilities; and partially offset by (iii) the dividend declared of approximately RMB73.9 million.

Based on our unaudited consolidated financial information as at 31 January 2022, our net current assets increased from approximately RMB41.9 million as at 31 December 2021 to approximately RMB56.5 million as at 31 January 2022, representing an increase of approximately RMB14.6 million. Such increase was mainly attributable to net profit during the period of approximately RMB13.1 million.

Working capital sufficiency statement

Taking into account our cash generating capabilities, financial resources available to us and the [REDACTED] from the [REDACTED] (after a possible [REDACTED] setting the final [REDACTED] up to 10% below HK$[REDACTED], being the [REDACTED] range), our Directors are of the opinion, and the Sole Sponsor concurs, that we have sufficient working capital required for our operation at present for 125% of our present requirements for at least next 12 months from the date of this document.

Inventories

Our inventories consist of (i) gold concentrate; (ii) ore stockpile; and (iii) raw materials used in our mining and processing operations. The following table sets forth the components of our inventories as at the dates indicated.

	As at 31 December		
	2019	**2020**	**2021**
	(RMB in thousands)		
Gold concentrate	13,935	11,916	2,565
Ore stockpile	10,998	11,068	9,899
Raw materials	5,451	6,005	7,324
Total	30,384	28,989	19,788

Our inventories remained relatively stable at approximately RMB30.4 million as at 31 December 2019 and RMB29.0 million as at 31 December 2020 and decreased to approximately RMB19.8 million as at 31 December 2021. Our inventories decreased in FY2021 mainly due to the decrease in gold concentrate and ore stockpile which as our mining and processing work were temporarily suspended in certain months of FY2021.

Our management performs regular review on ageing analysis of our inventories and the condition of our inventories, and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use in the production. After performing the abovementioned analysis, no provision for impairment of inventories was required during the Track Record Period.

The following table sets forth our average inventory turnover days for the Track Record Period:

	FY2019	**FY2020**	**FY2021**
Average inventory turnover days *(Note)*	69.7	65.3	82.6

Note: Average inventory turnover days is derived by dividing the arithmetic mean of the opening and ending balance of inventories by the cost of sales for the respective year and multiplied by the number of days in the year.

Our average inventory turnover days remained relatively stable during FY2019 and FY2020 and increased to approximately 82.6 days in FY2021 mainly due to the decrease in cost of sales recognised during the period as a result of the Temporary Operation Suspension.

As at 31 January 2022, approximately RMB2.6 million, RMB3.6 million and RMB1.1 million, or approximately 100%, 36.6% and 15.6%, respectively, of our gold concentrate, ore stockpile and raw materials as at 31 December 2021 were utilised.

Prepayments, other receivables and other assets

Our prepayments primarily relate to prepayments of [REDACTED] and prepayments made to vendors, subcontractors and suppliers for the procurement of raw materials and consumables, parts and replacements of machinery. Our deposits and other receivables mainly represent security deposits paid to Shandong Humon for the committed gold bullion sales. For details of committed gold bullion sales, please refer to the paragraphs "Business — Sales and customers — Salient terms of the sales contracts with customers" in this document. The following table sets forth the components of our prepayments, other receivables and other assets as at the dates indicated.

	As at 31 December		
	2019	**2020**	**2021**
	(RMB in thousands)		
Prepayments			
— [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Others	1,121	697	707
Deposits and other receivables	8,510	—	682
Interest receivables	—	—	10
Total	10,951	2,786	4,364

Our prepayments, other receivables and other assets decreased significantly from approximately RMB11.0 million as at 31 December 2019 to approximately RMB2.8 million as at 31 December 2020, representing a decrease of approximately RMB8.2 million, mainly due to (i) the decrease in the abovementioned security deposits of approximately RMB8.5 million paid to Shandong Humon; (ii) the decrease in other prepayment of approximately RMB0.4 million; and partially offset by (iii) the increase in prepayments of [REDACTED] of approximately RMB0.8 million. Our prepayments, other receivables and other assets increased to approximately RMB4.4 million as at 31 December 2021, representing an increase of approximately RMB1.6 million, mainly due to (i) the increase in prepayments of [REDACTED] of approximately RMB0.9 million; and (ii) the increase in deposits and other receivables of approximately RMB0.7 million mainly in relation to the receivables from Shandong Guoda for the compensation income of sale of sulfuric acid.

Restricted and pledged deposits

As at 31 December 2019, 2020 and 2021, our restricted and pledged deposits amounted to approximately RMB9.3 million, RMB14.3 million and RMB15.6 million respectively, mainly represented environmental rehabilitation deposits placed in banks for environmental rehabilitation of land we developed for our mine as required under the relevant PRC laws and regulations.

Trade payables

Our trade payables mainly represent the outstanding amounts payable by us to our suppliers for the procurement of raw materials and utilities and to subcontractors for the procurement of subcontracting services. The following table sets forth the balance of our trade payables as at the dates indicated.

	As at 31 December		
	2019	**2020**	**2021**
	(RMB in thousands)		
Trade payables	8,128	13,839	15,871

Our trade payables increased from approximately RMB8.1 million as at 31 December 2019 to approximately RMB13.8 million as at 31 December 2020, representing an increase of approximately 70.3%. Such increase in trade payables was mainly due to (i) the increase in payable to Supplier A of approximately RMB2.3 million due to the change in regular settlement date from month-end to the subsequent month since June 2020; and (ii) the increase in the amount due to Liaoyuan Zhuoli, one of our major subcontractors, of approximately RMB1.5 million which was pending to reach a settlement agreement subsequent to the termination of respective subcontracting arrangement in September 2020. Our trade payables increased from approximately RMB13.8 million as at 31 December 2020 to approximately RMB15.9 million as at 31 December 2021, representing an increase of approximately 14.7%. Such increase was mainly due to (i) the increase in payables to our equipment leasing subcontractors of approximately RMB2.3 million; and (ii) the increase in payable to Shandong Guoda of approximately RMB1.9 million due to the timing difference in settling the payable to Shandong Guoda.

Our suppliers and subcontractors typically grant us a credit period of 30 to 90 days. The following table sets forth the aging analysis of our trade payables based on the invoice date as at the dates indicated.

	As at 31 December		
	2019	**2020**	**2021**
	(RMB in thousands)		
Within one month	4,038	7,774	9,022
One to two months	1,962	2,889	3,764
Two to three months	300	676	2,272
Over three months	1,828	2,500	813
Total	8,128	13,839	15,871

The following table sets forth our average trade payables turnover days for the Track Record Period:

	FY2019	**FY2020**	**FY2021**
	(RMB in thousands)		
Average trade payable turnover days *(Note)*	41.1	45.7	96.9

Note: Average trade payables turnover days is derived by dividing the arithmetic mean of the opening and ending balance of trade payables by the total purchase for the respective year and multiplied by the number of days in the year.

Our average trade payable turnover days remained relatively stable at approximately 41.1 days for FY2019 and approximately 45.7 days in FY2020. Our average trade payable turnover days increased to approximately 96.9 days in FY2021, mainly because of the increase in our trade payables near the end of the year as we have fully resumed operations, while our total purchase during the year decreased as a result of the Temporary Operation Suspension.

As at 31 January 2022, approximately RMB8.6 million, or approximately 54.0%, of our trade payables outstanding as at 31 December 2021 had been settled.

Other payables and accruals

The following table sets forth the components of our other payables and accruals as of the dates indicated.

	As at 31 December		
	2019	**2020**	**2021**
	(RMB in thousands)		
Mining rights payables	—	71,136	—
Other payables	6,570	7,998	8,840
Other tax payables	7,064	9,900	7,671
Accrued salaries	5,653	3,879	3,908
Interest payable	145	52	36
Total	19,432	92,965	20,455

Our other payables and accruals increased from approximately RMB19.4 million as at 31 December 2019 to approximately RMB93.0 million as at 31 December 2020, representing an increase of approximately RMB73.5 million. Such increase was mainly due to the amount due to Yantai Municipal Bureau of Natural Resources and Planning for the renewal of the mining licence with the revised approved permitted annual mine production volume for our Songjiagou Open-Pit Mine in May 2020 of approximately RMB71.1 million.

Our other payables and accruals decreased to approximately RMB20.5 million as at 31 December 2021, representing a decrease of approximately RMB72.5 million. Such decrease was mainly attributable to (i) price adjustment to the consideration of mining rights of RMB30.2 million; (ii) the settlement of mining rights payable of approximately RMB6.3 million during the year; and (iii) the reclassification of remaining mining rights payables of approximately RMB34.6 million to other long-term liabilities pursuant to the supplementary agreement entered into with Yantai Municipal Bureau of Natural Resources and Planning in December 2021 to set out the settlement schedules. In 2020, the Group obtained a renewed mining right from Yantai Natural Resources and Planning Bureau at an initial consideration of approximately RMB101.1 million (the "Initial Consideration"). The final consideration of approximately RMB74.1 million (the "Final Consideration") was determined in December 2021 based on the final evaluation results executed by Yantai Natural Resources and Planning Bureau. The present value of the Final Consideration was approximately RMB70.9 million, after considering the instalment payment. The difference between the Initial Consideration and the present value of Final Consideration was adjusted against the cost of the mining right in 2021.

Due to related parties

Please refer to the paragraphs headed "Related party transactions — (d) Balances due to Dahedong" and "Related party transactions — (e) Balances due to Majestic Gold" in this section for further details.

Provisions

The following table sets forth the components of our provisions as at the dates indicated.

	As at 31 December		
	2019	**2020**	**2021**
	(RMB in thousands)		
Provision for relocation	3,840	1,662	981
Provision for penalties	250	250	370
Total	4,090	1,912	1,351

Provision for relocation

Our provision for relocation mainly represents the provisions for construction costs of the residential buildings and other infrastructures for the relocation of villages surrounding our Songjiagou Open-Pit Mine. For details, please refer to the section headed "Business — Our relationships with villagers" in this document. Our provision for relocation decreased from approximately RMB3.8 million as at 31 December 2019 to approximately RMB1.7 million as at 31 December 2020 and further decreased to approximately RMB1.0 million as at 31 December 2021 mainly due to the settlement of construction costs during the respective years.

Provision for penalties

Our provision for penalties mainly represents the provision for penalties for arising from the late application for construction work planning permit in respect of the buildings constructed on the land owned by us of approximately RMB250,000, RMB250,000 and RMB370,000 as at 31 December 2019, 2020 and 2021 respectively. For details, please refer to the section headed "Business — Properties" in this document.

Deferred income

As at 31 December 2019, 2020 and 2021, our Group recorded deferred income of approximately RMB0.9 million, RMB0.7 million and RMB0.5 million, respectively. The deferred income represented government subsidies granted to our Group for our production facilities or expense items but yet to be recognised as income. The deferred income is released to the statement of profit or loss over the expected useful lives of the facilities by equal annual instalments.

Tax payable

As at 31 December 2019, 2020 and 2021, our tax payable of approximately RMB13.4 million, RMB25.9 million and RMB45.8 million, respectively, represent income tax payable to the government authority of the PRC.

Our tax payable increased from approximately RMB13.4 million as at 31 December 2019 to approximately RMB25.9 million as at 31 December 2020, representing an increase of approximately RMB12.5 million. Such increase was mainly due to (i) income tax expenses of approximately RMB54.9 million, and offset by (ii) income tax paid of approximately RMB36.4 million.

Our tax payable increased from approximately RMB25.9 million as at 31 December 2020 to approximately RMB45.5 million as at 31 December 2021, representing an increase of approximately RMB19.6 million. Such increase was mainly due to (i) income tax expenses of approximately RMB28.5 million, and offset by (ii) income tax paid of approximately RMB10.1 million.

Our tax payment for FY2020 was significantly larger than that of FY2019 and FY2021, mainly because higher profit before tax during the year.

PRINCIPAL COMPONENTS OF OUR NON-CURRENT ASSETS AND NON-CURRENT LIABILITIES

The following table sets forth a summary of our non-current assets and non-current liabilities as at the date indicated.

	As at 31 December		
	2019	**2020**	**2021**
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	274,668	262,409	282,083
Intangible assets	46,465	145,238	132,322
Right-of-use assets	141,317	134,998	128,627
Deferred tax assets	4,971	5,432	5,408
Other long-term assets	—	12,100	3,954
Total non-current assets	467,421	560,177	552,394
Non-current liabilities			
Provisions	21,303	21,971	23,316
Other long-term liabilities	9,036	8,693	36,158
Deferred tax liabilities	—	6,464	5,275
Total non-current liabilities	30,339	37,128	64,749

Property, plant and equipment

The following table sets forth the net carrying amounts of our property, plant and equipment as at the dates indicated.

	As at 31 December		
	2019	**2020**	**2021**
	(RMB in thousands)		
Mining infrastructure	176,533	171,110	175,839
Plant and machinery	95,420	88,110	97,708
Buildings	1,563	1,294	2,414
Office equipment and electronic and other devices	566	1,086	1,134
Motor vehicles	586	809	934
Leasehold improvements	—	—	4,054
Total	274,668	262,409	282,083

Our net carrying amounts of property, plant and equipment decreased from approximately RMB274.7 million as at 31 December 2019 to approximately RMB262.4 million as at 31 December 2020, representing a decrease of approximately RMB12.3 million or approximately 4.5%, mainly due to depreciation charges incurred during the year. The balance increased to approximately RMB282.1 million as at 31 December 2021, representing an increase of approximately RMB19.7 million or approximately 7.5%, mainly due to the addition of plant and machinery of approximately RMB20.5 million mainly for our underground mining operations.

As at 31 December 2019, certain of our Group's property, plant and equipment with a net carrying value of approximately RMB47.7 million were pledged to banks to secure our bank borrowings. Please refer to the paragraph headed "Indebtedness — Interest-bearing bank borrowings" below in this section for further details of our bank borrowings.

Intangible assets

Our intangible assets with net book value of approximately RMB46.5 million, RMB145.2 million and RMB132.3 million as at 31 December 2019, 2020 and 2021, respectively, mainly represent our mining rights for our Songjiagou Open-Pit Mine and Songjiagou Underground Mine.

The net book value of our intangible assets increased from approximately RMB46.5 million as at 31 December 2019 to RMB145.2 million as at 31 December 2020, representing an increase of approximately RMB98.8 million. Such increase mainly attributable to (i) additional of mining rights mainly due to renewal of the mining licences for our Songjiagou Open-pit Mine amounted to approximately RMB101.3 million; and offset by (ii) amortisation provided during the year of approximately RMB2.5 million.

The net book value of our intangible assets decreased from approximately RMB145.2 million as at 31 December 2020 to RMB132.3 million as at 31 December 2021, representing a decrease of approximately RMB12.9 million. Such decrease mainly attributable to (i) the adjustment to initial valuation of our mining rights of approximately RMB27.0 million for our Songjiagou Open-Pit Mine; (ii) the amortisation provided during the year of approximately RMB3.3 million; and partially offset by (iii) the additions mining rights for our Songjiagou Underground Mine of approximately RMB20.6 million for the renewal of mining licence.

Right-of-use assets

Our right-of-use assets represent the costs of land use rights in respect of our Group's leasehold land in the PRC and buildings erected on land leased by us for our ancillary mining activities and administrative activities. The carrying amount of our right-of-use assets as at 31 December 2019, 2020 and 2021 was approximately RMB141.3 million, RMB135.0 million and RMB128.6 million, respectively. The year-on-year differences were mainly due to depreciation charges incurred during the relevant years.

Deferred tax assets

As at 31 December 2019, 2020 and 2021, our net deferred tax assets of approximately RMB5.0 million, RMB5.4 million and RMB5.4 million, respectively, mainly arose from the accrued liabilities relating to our provisions for rehabilitation and other long-term liabilities, as well as the temporary differences between the tax bases and the carrying amounts in respect of our Group's mining infrastructure.

Other long-term assets

The following table sets forth the components of our other long-term assets as at the dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	(RMB in thousands)		
Loan to an Independent Third Party	—	10,000	—
Loan to an Independent Third Party farmers cooperation	—	2,100	4,000
Advance payments for purchase of property, plant and equipment	—	—	954
Total	—	12,100	4,954
Analysed into:			
Current portion	—	—	1,000
Non-current portion	—	12,100	3,954
	—	12,100	4,954

As at 31 December 2020, our other long-term assets comprised of (i) an interest-free loan of RMB10.0 million granted to an Independent Third Party, which is wholly-owned by an ex-employee of our Group, on 1 August 2020 for its working capital needs. The loan is unsecured, interest free and repayable by no later than 24 July 2022. Such loan was repaid in full in November 2021; and (ii) an interest-free loan of RMB2.0 million granted to an Independent Third Party farmers cooperation on 18 September 2020 for the construction of a greenhouse to support the agricultural economic development, social well being and stability of the local communities comprising mainly villagers and farmers in the Muping District of Yantai. The loan is unsecured, interest free and repayable by 17 September 2025. Our other long-term assets decreased from approximately RMB12.1 million as at 31 December 2020 to approximately RMB4.0 million as at 31 December 2021, mainly due to (i) repayment of the interest-free loan of RMB10.0 million from the Independent Third Party, which is wholly-owned by an ex-employees of our Group in November 2021; (ii) additional loan granted to the Independent Party farmers cooperation of RMB2.0 million; and (iii) the prepayments to three Independent Third Party companies in the aggregate amount of approximately RMB954,000 for the acquisition of safety management systems for our mining operation.

Provisions

Our provisions classified as non-current liabilities represent the estimated costs for complying with our Group's obligations on final land rehabilitation and mine closure in accordance with the rules and regulations of the PRC, based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required works, as well as the impact of inflation, changes in discount rates for time value of money and the risk specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. These costs are expected to be incurred upon mine closure.

The following table sets forth the movements of the provision for rehabilitation during the Track Record Period:

	2019	2020	2021
	(RMB in thousands)		
As at 1 January	19,675	21,303	21,791
Interest increment	709	681	714
Change in discount rate	919	(187)	631
Change in estimated rehabilitation cost	—	174	—
As at 31 December	21,303	21,791	23,316

Other long-term liabilities

The following table sets forth the components of our other long-term liabilities as at the dates indicated:

	2019	2020	2021
		(RMB in thousands)	
Instalment of the purchase of mining rights	—	—	34,602
Village distribution payables	10,101	9,527	8,925
Retention money	—	231	—
Total	10,101	9,758	43,527
Analysed into:			
Current portion	1,065	1,065	7,369
Non-current portion	9,036	8,693	36,158
	10,101	9,758	43,527

For details of our payables for the compensation to villagers, please refer to the section headed "Business — Our relationship with villagers" in this document. The decreasing balance during the Track Record Period was mainly due to settlement in the respective year.

For details of our payables for mining rights, please refer to the paragraphs under "other payables and accruals" in this subsection.

Deferred tax liabilities

As at 31 December 2019, 2020 and 2021, our net deferred tax assets of approximately nil, RMB6.5 million and RMB5.3 million, respectively, mainly arose from withholding tax on the distributable profits of our PRC subsidiaries.

INDEBTEDNESS

The following table sets forth the components of our indebtedness as of the date indicated:

	As at 31 December			As at 31 January
	2019	2020	2021	2022
				(unaudited)
		(RMB in thousands)		
Amounts due to related parties	376,365	59,649	60,255	60,264
Interest-bearing bank borrowings	90,000	30,000	30,000	30,000
Lease liabilities	1,573	—	—	—
Total	467,938	89,649	90,255	90,264

Amounts due to related parties

Please refer to the paragraphs headed "Related party transactions — (d) Balances due to Dahedong" and "Related party transactions — (e) Balances due to Majestic Gold" in this section for further details.

Interest-bearing bank borrowings

The following table sets forth the information of guarantors and pledged assets of our interest-bearing bank borrowings as at the dates indicated:

		As at 31 December			As at 31 January
		2019	2020	2021	2022
	Notes				*(unaudited)*
			(RMB in thousands)		
Bank borrowings — secured:					
Guaranteed by Shandong Eastern		50,000	—	—	—
Guaranteed by (i) Dahedong, (ii) Baiheng and (iii) Mr. Kong Fanzhong, and (iv) spouse of Mr. Kong Fanzhong	*(2), (4)*	—	—	30,000	30,000
(a) Secured by certain properties, plant and equipment of our Group; and (b) guaranteed by (i) Dahedong, (ii) Mr. Kong Fanzhong, and (iii) two Independent third party companies	*(3), (4)*	10,000	—	—	—
Guaranteed by (i) Dahedong, (ii) Mr. Kong Fanzhong and (iii) two Independent third party companies	*(4)*	—	10,000	—	—
Guaranteed by (i) Dahedong, (ii) Mr. Kong Fanzhong, (iii) spouse of Mr. Kong Fanzhong, and (iv) Shandong Humon	*(4)*	20,000	—	—	—
Guaranteed by (i) Dahedong, (ii) Mr. Kong Fanzhong and (iii) spouse of Mr. Kong Fanzhong	*(4)*	10,000	10,000	—	—
Guaranteed by (i) Dahedong, (ii) Mr. Kong Fanzhong, (iii) Mr. Kong Fanbo, (iv) Baiheng, and (v) a former shareholder of Baiheng	*(4), (5)*	—	10,000	—	—
Total bank borrowings — secured		90,000	30,000	30,000	30,000

Notes:

(1) Our Group has also provided corporate guarantees to Shandong Eastern, Dahedong and Baiheng. For details, please refer to the paragraphs headed "Indebtedness — Contingent liabilities" in this section.

(2) Immediately following the [REDACTED], the guarantees provided by Dahedong, Baiheng and Mr. Kong Fanzhong and the spouse of Mr. Kong Fanzhong to our Group constitute fully-exempt continuing connected transactions of our Company. For details, please refer to the section headed "Connected transactions" in this document.

(3) As at 31 December 2019, such bank loan was secured by pledge of certain property, plant and equipment of our Group with a net carrying value of approximately RMB47.7 million.

(4) Mr. Kong Fanzhong is a former director of Yantai Zhongjia.

(5) Mr. Kong Fanbo is a director of Yantai Zhongjia.

Our short-term interest-bearing bank borrowings are repayable within one year, denominated in RMB and with fixed interest rates. The effective interest rates for these loans were 5.00% to 7.70% in FY2019, 4.80% to 7.70% in FY2020, 4.35% in FY2021 and 4.35% for the month ended 31 January 2022.

As at 31 January 2022, being the latest practicable date for the purpose of determining indebtedness, our Group had one bank loan amounted to RMB30.0 million, which was secured by guarantees from Dahedong, Baiheng and Mr. Kong Fanzhong and the spouse of Mr. Kong Fanzhong. Such guarantees are expected to continue after [REDACTED]. For details of such guarantees, please refer to section headed "Connected transactions — Fully exempt continuing connected transactions" in this document.

During the Track Record Period, the bank borrowing agreements that we entered into with banks and financial institutions were subject to general and customary covenants commonly found in lending arrangements with financial institutions. If our Group were to breach the covenants, the loans would become payable on demand. Our Group regularly monitors its compliance with these covenants. Agreements for our bank borrowings do not contain any material covenants that may have a material adverse effect on our ability to obtain additional borrowings or issue debt or equity securities in the future. Our Directors confirmed that we have not defaulted in the repayment of the principal bank borrowings and relevant interest expenses during the Track Record Period.

Contingent liabilities

Guarantees issued

The following table sets forth the guarantees granted by our Group as at the dates indicated.

	As at 31 December			As at 31 January
	2019	2020	2021	2022
				(unaudited)
	(RMB in thousands)			
Dahedong[(1)]	20,000	—	—	—
Baiheng[(2)]	70,000	50,000	—	—
Shandong Eastern[(3)]	50,000	50,000	—	—
Total	140,000	100,000	—	—

Notes:

(1) Our Group provided corporate guarantees amounted to RMB20.0 million for the period from November 2018 to September 2022 in favour of a bank in the PRC for the banking facilities obtained by Dahedong. Such corporate guarantee has been released by the bank in the PRC in November 2020 after full repayment of amount outstanding under the banking facilities by Dahedong.

(2) Our Group provided two corporate guarantees, each in the sum of (i) RMB50.0 million for the period from December 2016 to December 2023 in favour of a bank in the PRC; and (ii) RMB20.0 million for the period from January 2019 to December 2020 in favour of a bank in the PRC, for the banking facilities obtained by Baiheng. We have received a sum of RMB15.0 million in terms of loan from Baiheng which we recorded as security deposits from Baiheng in 2016 in consideration of our provision of such corporate guarantee for the benefit of Baiheng. Such security deposit was returned in two tranches to Baiheng in 2018 and 2019 of RMB10.0 million and RMB5.0 million, respectively. In addition, as security, Baiheng agreed to transfer its mining permits to Yantai Zhongjia in the event that Baiheng was unable to repay the loan. Further, Dahedong has provided a back-to-back guarantee to Yantai Zhongjia and will become liable to pay for the entire amounts that Yantai Zhongjia will pay on behalf of Baiheng in the event of default. If Dahedong is unable to repay the liabilities, it will transfer 5% out of its 25% equity interest in Yantai Zhongjia to Majestic Yantai. As at 31 December 2021, Baiheng had fully settled the outstanding bank loans.

(3) Our Group provided a corporate guarantee amounted to RMB50.0 million for the period from January 2019 to December 2021 in favour of a financial institution in the PRC for the financing facilities obtained by Shandong Eastern, an Independent Third Party. The debt was also secured by a pledge of shares in a listed company owned by Shandong Eastern and a pledge of certificate of deposit of RMB50.0 million provided by an Independent Third Party. In August 2018, we were involved in a dispute with this financial institution in connection with the guaranteed liabilities. For further details of this litigation, please refer to the section headed "Business — Litigation — Legal proceedings relating to a corporate guarantee" in this document. In March 2021, the financial institution sold and transferred its debts to another company, which is an Independent Third Party. In August 2021, the Independent Third Party has released our Group from all liabilities and obligations under the corporate guarantee.

Save as disclosed above in this section, and apart from intra-group liabilities, as at 31 January 2022, being the latest practicable date for the purpose of the indebtedness statement, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures amounted to approximately RMB10.1 million, RMB117.9 million and RMB25.8 million, respectively, primarily relating to the renewal of our mining rights, the construction of mining infrastructure and purchase of plant and machinery. We have financed our capital expenditure primarily through cash generated from operating activities and bank borrowings.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future plans and [REDACTED]" in this document for further details. We expect to fund our contractual commitments and expenditures principally through the [REDACTED] we receive from the [REDACTED], cash generated from our operating activities and proceeds from borrowings.

COMMITMENTS

Our capital commitments outstanding amounted to approximately RMB670,000, RMB670,000 and RMB320,000 as at 31 December 2019, 2020 and 2021 respectively, were mainly related to the construction of mining infrastructure for our Songjiagou Open-Pit Mine.

RELATED PARTY TRANSACTIONS

With respect to the material related party transactions set forth in the Accountants' Report in Appendix I to this document, our Directors confirmed that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole and would not distort our results for the Track Record Period or make our historical results not reflective of our future performance. For details, please refer to Note 35 to the Accountants' Report in Appendix I to this document. Certain related party transactions entered into by our Group during the Track Record Period and the balances with related parties at the end of each reporting period are set out below.

(a) Guarantees provided to our Group

During the Track Record Period, our banking facilities in the amount of RMB40.0 million, RMB30.0 million and RMB30.0 million respectively were guaranteed by, among others, Dahedong, Baiheng, Mr. Kong Fanbo (a director of Yantai Zhongjia), and/or Mr. Kong Fanzhong (a former director of Yantai Zhongjia), and/or Ms. Jiang Yunuo (the spouse of Mr. Kong Fanzhong). Immediately following the [REDACTED], the guarantees provided by Dahedong, Baiheng and Mr. Kong Fanzhong and the spouse of Mr. Kong Fanzhong for our Group constitute fully-exempted continuing connected transactions of our Company. For details, please refer to the section headed "Connected transactions" in this document.

(b) Guarantee provided by our Group to Dahedong

In FY2019, our Group has provided a guarantee amounted to RMB20.0 million in favour of a bank in the PRC for banking facilities obtained by Dahedong. Such guarantee has been released in November 2020. For details, please refer to the paragraphs headed "Indebtedness — Contingent liabilities" in this section.

(c) Guarantee provided by our Group to Baiheng

In FY2019 and FY2020, our Group has provided corporate guarantees amounted to RMB70.0 million and RMB50.0 million, respectively, in favour of a bank in the PRC for banking facilities obtained by Baiheng. Such guarantees had been released in October 2020 and December 2021, respectively. For details, please refer to the paragraph headed "Indebtedness — Contingent liabilities" in this section.

(d) Balances due to Dahedong

As at 31 December 2019, 2020 and 2021, we had balances due to Dahedong amounted to approximately RMB33.9 million, RMB36.3 million and RMB36.3 million, respectively. The balances due to Dahedong were non-trade, unsecured, interest-free and repayable on demand, which is expected to be waived by Dahedong before the [REDACTED].

(e) Balances due to Majestic Gold

As at 31 December 2019, 2020 and 2021, our amounts due to Majestic Gold related to non-trade activities amounted to approximately RMB342.5 million, RMB23.3 million and RMB23.9 million, respectively, mainly represent shareholder's advances provided by Majestic Gold to the Group. The balances due to Majestic Gold were unsecured, interest-free and repayable on demand. On 30 September 2019, Majestic Gold has waived an amount of CAD920,000 (equivalent to RMB4,793,000) due from our Group. In addition, on 5 June 2020, our Group has entered into a deed of waiver with Majestic Gold to waive the debt amounted to CAD62.1 million (equivalent to approximately RMB322.8 million) due to Majestic Gold. For further details, please refer to the paragraph headed "Relationship with our Controlling Shareholders — Financial independence" in this document. The remaining balances will be waived and/or fully settled by our internal resources before the [REDACTED].

(f) Purchase and sale of bank acceptance notes from/to Dahedong, Baiheng and Qingjia

In FY2019, our Group sold certain bank acceptance bills obtained from the Endorsing Bank under Scenario 1 as described under the section headed "Business — Compliance with laws and regulations — Non-compliant bill arrangements" for cash to Dahedong, Baiheng and Qingjia in the amount of approximately RMB11.0 million, RMB4.8 million and RMB0.45 million, respectively. In FY2019 and up to May 2020, our Group purchased certain bank acceptance bills from Dahedong and Qingjia by cash for the equivalent value under Scenario 2 as described under the section headed "Business — Compliance with laws and regulations — Non-compliant bill arrangements". In FY2019, the purchases of such bank acceptance bills from Dahedong and Qingjia were approximately RMB 16.3 million and RMB1.1 million, respectively of which bank acceptance bills in the total amount of approximately RMB0.3 million were sold for cash at the equivalent amount to Baiheng in FY2019. In FY2020, the purchases of such bank acceptance bills from Dahedong and Qingjia were approximately RMB 10.0 million and RMB0.2 million, respectively. For details, please refer to the "Business — Compliance with laws and regulations — Non-compliant bill arrangements" in this document.

(g) Payment made by Majestic Gold on behalf of our Company

During the Track Record Period, payments made by Majestic Gold on behalf of our Company amounted to approximately RMB6.6 million, RMB881,000 and RMB874,000 respectively. Such payment represents mainly (i) [REDACTED] and other professional fees paid by Majestic Gold on behalf of our Company mainly in relation to the [REDACTED] amounted to approximately RMB[REDACTED], nil and nil during the Track Record Period respectively; and (ii) management fees paid to Majestic Gold for services rendered by Dr. Shao and Mr. Mackie, our Executive Directors amounted to approximately RMB0.9 million, RMB0.9 million and RMB0.9 million during the Track Record Period respectively.

CASH OPERATING COSTS

Cash operating costs for our mines primarily consist of mining operation costs and processing costs. A majority of these costs relate to the costs of workforce employment, consumables and fuel, electricity, water and other services. During the Track Record Period, our cash operating costs per gram of gold was approximately RMB161.79, RMB145.23 and RMB163.83, respectively.

The tables below set forth a summary of historical and forecast of the cash operating costs per gram of gold sold of our Songjiagou Open-Pit Mine and Songjiagou Underground Mine, respectively, for the years indicated, based on the SRK Report.

Songjiagou Open-Pit Mine

		Historical			**Forecast**				
Cost item	**Unit**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026**
Workforce employment	RMB/gram	32.24	22.56	24.03	21.80	16.36	13.28	11.18	10.82
Consumables	RMB/gram	62.64	45.35	35.77	27.19	26.00	30.97	30.23	29.26
Fuel, electricity, water and other services	RMB/gram	71.95	49.33	64.45	24.83	23.29	19.53	16.93	16.48
On and off-site administration	RMB/gram	4.17	6.91	10.07	1.09	0.82	0.67	0.56	0.54
Environmental protection and monitoring	RMB/gram	0.00	0.04	0.00	0.01	0.01	0.01	0.01	0.01
Transportation of workforce	RMB/gram	1.48	0.73	0.73	0.51	0.38	0.31	0.26	0.25
Product marketing and support	RMB/gram	—	—	—	—	—	—	—	—
Non-income taxes, royalties and other government charges	RMB/gram	18.57	17.96	18.09	16.63	15.47	14.88	14.38	14.00
Contingency allowances	RMB/gram	5.00	8.78	8.06	3.83	2.87	2.33	1.96	1.90
Total	RMB/gram	**196.05**	**151.66**	**161.20**	**95.89**	**85.20**	**81.98**	**75.51**	**73.26**

Songjiagou Underground Mine

		Historical			Forecast				
Cost item	**Unit**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026**
Workforce employment	RMB/gram	5.57	6.73	6.09	51.52	51.71	57.80	54.11	68.82
Consumables	RMB/gram	51.05	74.99	48.10	29.92	30.03	33.56	31.42	39.96
Fuel, electricity, water and other services	RMB/gram	15.43	17.85	138.66	25.40	25.48	28.15	26.53	32.97
On and off-site administration	RMB/gram	0.80	2.55	3.44	0.55	0.56	0.62	0.58	0.74
Environmental protection and monitoring	RMB/gram	0.00	0.02	0.00	0.01	0.01	0.01	0.01	0.01
Transportation of workforce	RMB/gram	0.30	0.27	0.25	0.26	0.26	0.29	0.27	0.35
Product marketing and support	RMB/gram	—	—	—	—	—	—	—	—
Non-income taxes, royalties and other government charges	RMB/gram	0.88	1.05	1.33	15.90	15.00	14.83	14.45	14.40
Contingency allowances	RMB/gram	3.86	2.22	51.09	2.71	2.72	3.04	2.85	3.62
Total	RMB/gram	**77.89**	**105.68**	**248.96**	**126.27**	**125.77**	**138.30**	**130.22**	**160.87**

As a result of the Temporary Operation Suspension, the cash operating costs per gram of gold sold of our mines for FY2021 were distorted and hence, were not comparable to those for FY2019 and FY2020.

The cash operating costs per gram of gold sold of our Songjiagou Underground Mine were generally lower than our Songjiagou Open-Pit Mine during the Track Record Period (except for FY2021), since our Songjiagou Underground Mine has a higher gold grade which reduces the operating costs shared by each unit of gold produced and sold. Further, the cash operating costs per gram of gold sold of our mines decrease when the volume of gold produced and sold increases, or vice versa, mainly attributable to the effect of economies of scale. As such, the decrease in cash operating costs per gram of gold sold of our Songjiagou Open-Pit Mine and the increase of such costs of our Songjiagou Underground Mine comparing FY2019 and FY2020 were in line with their respective increase and decrease in volume of gold production and sold.

During FY2022 to FY2026, the cash operating costs per gram of gold sold of our Songjiagou Open-Pit Mine are expected to decrease significantly, mainly attributable to the expected increase in gold production and sold pursuant to the model of calculating the life of mine of our Songjiagou Open-Pit Mine which amplifies the effect of economies of scale. However, since our Songjiagou Underground Mine has reached its maximum production capacity during the Track Record Period (except for FY2021), such effect of economies of scale or a significant reduction in cash operating costs is not expected. On the contrary, an increasing trend is expected for our Songjiagou Underground Mine, mainly attributable to inflation of commodity price.

Please refer to section headed "19. Capital investment and operating costs" in the SRK Report as set out in Appendix III to this document for details of the cash operating costs and the relevant assumptions.

KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios as of and for the periods indicated.

	FY2019	FY2020	FY2021
Gross profit margin (%)(1)	30.9	54.0	56.5
Net profit margin (%)(2)	11.9	31.7	23.7
Return on equity (%)(3)	25.3	21.0	11.1
Return on assets (%)(4)	4.2	14.1	7.6
Interest coverage (times)(5)	10.0	42.7	34.0

	As at 31 December		
	2019	2020	2021
Current ratio (times)(6)	0.4	1.1	1.2
Quick ratio (times)(7)	0.3	0.9	1.0
Gearing ratio (%)(8)	83.7	5.5	5.7
Net debt to equity ratio (%)(9)	NA	NA	NA

Notes:

(1) Gross profit margin is calculated based on the gross profit for the year divided by the total revenue for the respective year and multiplied by 100%. Please refer to the paragraphs headed "Period to Period Comparison of Results of Operations" above in this section for more details on our gross profit margins.

(2) Net profit margin is calculated based on the profit for the year divided by the total revenue for the respective year and multiplied by 100%. Please refer to the paragraphs headed "Period to Period Comparison of Results of Operations" above in this section for more details on our net profit margins.

(3) Return on equity is calculated based on the profit for the year divided by the total equity at the end of the year, then multiplied by 100%.

(4) Return on assets is calculated based on the profit for the year divided by the total assets at the end of the year, then multiplied by 100%.

(5) Interest coverage is calculated based on the profit before interest on borrowings and tax for the year divided by the interest expenses for the respective year.

(6) Current ratio is calculated based on the current assets at the end of the year divided by current liabilities at the end of the year.

(7) Quick ratio is calculated based on the aggregate of cash and cash equivalents and deposits and other receivables at the end of the year divided by current liabilities at the end of the year.

(8) Gearing ratio is calculated based on the total debts divided by total equity and multiplied by 100% as at the end of respective year. Total debts refer to all interest-bearing bank borrowings of our Group as at 31 December 2019, 2020 and 2021.

(9) Net debt to equity ratio is calculated based on the net debt divided by total equity and multiplied by 100% as at the end of each respective year. Net debt includes all interest-bearing bank borrowings net of cash and cash equivalents. The net debt to equity ratio as at 31 December 2019, 2020 and 2021 was not applicable to us as we had experienced net cash position as at 31 December 2019, 2020 and 2021.

Return on equity

Our return on equity decreased from approximately 25.3% in FY2019 to approximately 21.0% in FY2020 mainly due to the increase in total equity of approximately 407.9% from approximately RMB107.5 million as at 31 December 2019 to approximately RMB546.0 million as at 31 December 2020. The increase in total equity as at 31 December 2020 was mainly due to the capital contribution by Majestic Gold in FY2020 as a result of waiving the debt of approximately CAD62.1 million (equivalent to approximately RMB322.8 million) owed to it by our Group.

Our return on equity further decreased to approximately 11.1% in FY2021 mainly due to the decrease in profit for the year of approximately 48.7% from approximately RMB114.4 million in FY2020 to approximately RMB58.7 million in FY2021, while our total equity remained relatively stable.

Return on assets

Our Group experienced an increase in our return on assets from approximately 4.2% in FY2019 to approximately 14.1% in FY2020 mainly due to the substantial increase in our net profit for FY2020 of approximately 320.7% from approximately RMB27.2 million in FY2019 to approximately RMB114.4 million in FY2020, partially offset by the increase in total assets in FY2020. Such increase in total assets was mainly due to the renewal of the mining licence for our Songjiagou Open-Pit Mine.

Our return on assets decreased to approximately 7.6% in FY2021 mainly due to substantial decrease in our net profit for FY2021 of approximately 48.7% from approximately RMB114.4 million in FY2020 to approximately RMB58.7 million in FY2021, partially offset by the decrease in total assets in FY2021. Such decrease was mainly due to the decreases in inventories and cash and cash equivalents. The decrease in cash and cash equivalents was mainly due to increase in cash used in investing and financing activities.

Interest coverage

Our interest coverage increased from approximately 10.0 times for FY2019 to approximately 42.7 times for FY2020 mainly due to the increase in profit before tax and interests for the year. Our interest coverage decreased to approximately 34.0 times for FY2021 mainly due to the decrease in profit before tax and interests for the year.

Current ratio and quick ratio

Our current ratio increased from approximately 0.4 times as at 31 December 2019 to approximately 1.1 times as at 31 December 2020 due mainly to the increase in cash and cash equivalent generated from operations. Our current ratio further increased to approximately 1.2 times as at 31 December 2021 mainly due to the decreases in decrease in other liabilities mainly attributable to decrease in other payables for mining rights. The fluctuation of our quick ratio was similar to our current ratio.

Gearing ratio

Our gearing ratio decreased from approximately 83.7% as at 31 December 2019 to approximately 5.5% as at 31 December 2020 as a result of the increase in total equity for the year as explained above and decrease in interest bearing bank borrowings from RMB90.0 million as at 31 December 2019 to RMB30.0 million as at 31 December 2020. Our gearing ratio remained relatively stable at approximately 5.7% as at 31 December 2021.

OFF-BALANCE SHEET ARRANGEMENTS

Saved as disclosed in the paragraphs headed "Indebtedness — Contingent liabilities" and "Commitments" in this section of the document, we have not entered into any off-balance sheet arrangements.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of financial risks such as interest rates risk, credit risk and liquidity risk. Details of such risks which we are exposed are set out in Note 38 to the Accountants' Report set out in Appendix I to this document.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DISTRIBUTABLE RESERVES

Our Company was incorporated in Cayman Islands and is an investment holding company. As at the Latest Practicable Date, we did not have any distributable reserves.

DIVIDEND

For FY2020 and FY2021, our Group declared and paid dividends of RMB5.0 million and RMB73.9 million, respectively, and all these dividends had been paid as at the Latest Practicable Date. As at the Latest Practicable Date, no other dividends have been declared and paid by the companies now comprising our Group to their then shareholders.

Our Company does not have a dividend policy or any pre-determined dividend distribution ratio. The declaration of dividends is subject to the discretion of our Board. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment of the dividends will be subject to the Articles of Association and the laws of the Cayman Islands. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

[REDACTED]

Assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the [REDACTED] [REDACTED] range) and that the [REDACTED] is not exercised, the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee, legal and other professional fees, printing and other expenses in relation to the [REDACTED], which are payable by us are estimated to be approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED]. [REDACTED] charged to profit or loss for FY2019, FY2020 and FY2021 were approximately HK$[REDACTED], HK$[REDACTED] and HK$[REDACTED] (equivalent to nil, approximately RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED]), respectively. We expect to charge the remaining estimated [REDACTED] of approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) to profit or loss in the period subsequent to the Track Record Period and upon [REDACTED] and to capitalise approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) upon [REDACTED].

Our Directors would like to emphasise that the amount of the [REDACTED] stated above is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2022 is subject to adjustment based on audit and possible changes in variables and assumptions. Prospective [REDACTED] should note that the financial performance of our Group for the year ending 31 December 2022 is expected to be adversely affected by the estimated non-recurring [REDACTED] mentioned above.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirmed that, up to the date of this document, save for the recent developments as described in "Summary — Recent development" and the impact of the [REDACTED] on the financial performance of our Group for the year ending 31 December 2022, there has been no material adverse change in our financial or [REDACTED] position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since 31 December 2021, being the end date of the periods reported in the Accountant's Report set out in Appendix I, and there is no event since 31 December 2021 that would materially affect the information shown in the Accountant's Report set out in Appendix I.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "Unaudited pro forma financial information" in Appendix II to this document for our unaudited pro forma adjusted consolidated net tangible assets.

FUTURE PLANS

See section headed "Business — Business strategies" in this document for a detailed description of our business strategies and future plans.

REASONS FOR THE [REDACTED]

Our business is capital intensive and will require substantial expenditure for, among other things, the construction of our mining infrastructure, purchase of machinery and equipment and other operational capital expenditure. Our expansion plan is also capital intensive as we have planned to consolidate quality gold mine resources through mergers and acquisitions. In order to implement our strategic goal to maintain our leading position in the gold mining industry in the Shandong Province and meet our capital needs, our Directors consider that the separate [REDACTED] of our Group on the Stock Exchange will provide us with sufficient funds because immediate implementation of these business strategies would place undue financial burden on our Group in terms of cashflow if we are to use all our cash on hand for business growth purposes. Please also refer to the section headed "History, reorganisation and corporate structure — Reasons for [REDACTED]" in this document for the reasons of [REDACTED] and separate [REDACTED] of our Group from that of our Controlling Shareholder. Our Directors consider that the [REDACTED] will benefit our Group as follows:

(i) Funding our expansion plans

Based on our current estimate, our expansion plans to, among others, further construction of mining infrastructure in accordance with our mine optimisation plan, upgrade our gold reserves to extend LoM through additional exploration activities and expand our business through selective acquisitions will involve an investment of approximately [REDACTED]. Such expansion plans as detailed in the paragraph headed "Business — Business strategies" in this document and "[REDACTED]" in this section will ramp up our operations and scale up our gold concentrate production output in a rapid and effective manner to boost our revenue growth, as well as to upgrade our gold reserves to support our sustainable growth in the longer run. Although we were able to successfully expand our business organically using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank loans as they fell due in the past, going forward, we require working capital to maintain our current capacity, fund our acquisitions and construction costs of new mining infrastructure and exploration activities, as well as extra funding to finance our business strategies for expansion. We believe that it is crucial to maintain a robust liquidity position at all times, particularly in the form of steady and strong level of cash balance, to ensure smooth business operations and be able to devote sufficient resources in the implementation of our business plans upon [REDACTED].

(ii) Establish an efficient and sustainable fundraising platform

The [REDACTED] can provide our Group with an efficient and sustainable fund-raising platform both at the time of [REDACTED] and post-[REDACTED] to gain direct access to the capital market for equity such as the issuance of new Shares by way of a rights issue and an open offer in the secondary market post-[REDACTED] and/or debt financing. Our Directors consider that the [REDACTED] will broaden our Group's capital base and expose us to a wide range of private and institutional investors especially those from the Asia Pacific region and strengthening our financial position.

(iii) Strengthening our corporate profile, credibility and competitiveness

The [REDACTED] on the Stock Exchange in Hong Kong is an efficient and complementary means of advertising our Group which would enhance our profile and recognition in Hong Kong and the PRC and assist us in reinforcing our corporate image, which would help implement our business strategies, especially in terms of consolidate quality gold mine resources through mergers and acquisitions. Our [REDACTED] status in Hong Kong would assist us in reinforcing our image and place confidence in enhancing the confidence of stakeholders in the industry including our investors, business partners and/or sellers of various acquisition targets in the PRC, who are more willing to establish business relationship with [REDACTED] companies given their reputation, [REDACTED] status, public financial disclosures and enhanced internal control system and corporate governance. Our Directors are of the view that the [REDACTED] will increase our bargaining power in negotiating transaction terms with suppliers and/or sellers of various acquisition targets. For instance, our Group may be able to negotiate more favourable terms from our suppliers and/or sellers of acquisition targets, such as longer settlement period and higher credit limit, after the [REDACTED] due to the enhanced transparency on our Group's financial and operational information as a [REDACTED] company of the Stock Exchange. We believe that the public [REDACTED] status will help us in our pursuit for attracting business opportunities by way of collaboration or strategic partnership.

(iv) Meaningful incentive scheme to retain talents

In addition, a public [REDACTED] status may also enable us to attract and retain talents as they are more willing to establish employment relationships with a listed company. We have, as part of the [REDACTED], adopted the Share Option Scheme as our incentives to our employees. As our business requires the support of experienced engineers and skilled personnel who have experience in gold mining industry, the [REDACTED] enables us to adopt a meaningful stock options programme for our employees to drive their performance and commitment. The [REDACTED] will enable our Company to offer equity-based and publicly tradable shares under the Share Option Scheme to our employees as incentive. As the performance of the Share price will generally relate to our performance, we believe through the incentive scheme, our employees will be more motivated to improve our performance to create value for our Shareholders.

In view of the above, although our Group had sufficient financial resources to meet the working capital requirements during the Track Record Period, our Directors consider that it is strategically and commercially justifiable to pursue the [REDACTED] and the [REDACTED], and the [REDACTED] from the [REDACTED] are required and necessary to finance the future growth and expansion of our Group.

[REDACTED]

The aggregate [REDACTED] from the [REDACTED], after deducting [REDACTED] fees and other estimated expenses in connection with the [REDACTED], assuming that the [REDACTED] is not exercised and an [REDACTED] of HK$[REDACTED] per [REDACTED] ([REDACTED] [REDACTED] range of HK$[REDACTED] to HK$[REDACTED] per [REDACTED]) will be approximately HK$[REDACTED]. Our Directors intend to apply the [REDACTED] from the [REDACTED] for the following purposes:

	Amount of [REDACTED] from the [REDACTED]	Amount of [REDACTED] from the [REDACTED]	Percentage of the [REDACTED] from the [REDACTED]
	HK$ million	*RMB million*	*%*
(a) Further construction of mining infrastructure in accordance with our mine optimisation plan	[REDACTED]	[REDACTED]	[REDACTED]
(b) Upgrade gold reserves to extend LoM through additional exploration activities at our existing mine area	[REDACTED]	[REDACTED]	[REDACTED]
(c) Expand our business through selective acquisitions of gold mining assets	[REDACTED]	[REDACTED]	[REDACTED]
(d) Repayment of existing bank loans guarantees	[REDACTED]	[REDACTED]	[REDACTED]
(e) Working capital	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]

We set out below the detailed breakdown and description of our intended use of [REDACTED] of the [REDACTED]:

- approximately HK$[REDACTED] (RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] will be used to further construct mining infrastructure in accordance with our mine optimisation plan which includes the expansion of the mining surface area at our Songjiagou Open-Pit Mine by about 150 metres south of the boundary of our Songjiagou Open-Pit Mine, the construction of four new benches under the new mining surface area for our mining activities, the construction of other mining and ancillary infrastructure including water pool and drainage system, site office, substation and topsoil storage yard and the acquisition of excavators. For further information, please refer to the section headed "Business — Business strategies — further construct our mining infrastructure in accordance with our mine optimisation plan" in this document. More specifically, we plan to construct and develop certain mining infrastructure at the new mining area and to purchase certain machineries as follows:

		Amount of [REDACTED] from the [REDACTED]		Timeframe
		HK$ million	*RMB million*	
(a)	Construction and development of mining infrastructure at the new mining site			
	— stripping of 608 kt waste rocks and 25 kt ore for the construction of the second bench of 12 metres below the new mining surface area (ie, below the first bench of new mining surface area (ie, below the elevation of +105 metres ASL) of open-pit slope to carry out mining activities	[REDACTED]	[REDACTED]	from 1 August 2022 to 31 December 2022
	— stripping of 2,090 kt waste rocks and 112 kt ore for the construction of the third bench of 12 metres below the second bench of the new mining surface area (ie, below the elevation of +93 metres ASL) of open-pit slope to carry out mining activities	[REDACTED]	[REDACTED]	from 1 January 2023 to 31 December 2023
	— stripping of 2,387 kt waste rocks and 149 kt ore for the construction of the fourth bench of 12 metres below the third bench of the new mining surface area (ie, below the elevation of +81 metres ASL) of open-pit slope to carry out mining activities	[REDACTED]	[REDACTED]	from 1 January 2024 to 31 May 2024
(b)	Construction of water drainage system to dewater groundwater			
	— water storage pool and drainage system equipped with water sprinkles, substation, cables and water pumps	[REDACTED]	[REDACTED]	• 50% from 1 August 2022 to 31 December 2022 • 50% from 1 January 2023 to 31 December 2023
(c)	Construction of auxiliary facilities			
	— site office and accommodation, including construction of fencing, cabling and network	[REDACTED]	[REDACTED]	• 30% from 1 August 2022 to 31 December 2022 • 70% from 1 January 2023 to 31 December 2023
	— topsoil storage yard for stock piling of topsoil to prepare for future reclamation	[REDACTED]	[REDACTED]	• 50% from 1 August 2022 to 31 December 2022 • 50% from 1 January 2023 to 31 December 2023
		[REDACTED]	[REDACTED]	
(d)	Purchase of machineries			
	— three excavators	[REDACTED]	[REDACTED]	• one excavator by 31 December 2022 • two excavators by 30 June 2023
Total		[REDACTED]	[REDACTED]	

- approximately HK$[REDACTED] (RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] will be used to upgrade gold reserves to extend LoM through additional exploration activities involving additional 26 drillings at various depths ranging from 0 to 550 metres with the aggregate depth of over 6,500 metres in three phases with an intention to increase our gold mineral reserves and to extend the LoM of our Sangjiagou Open-Pit Mine, in light of the findings in the SRK Report. For further information, please refer to the section headed "Business — Business strategies — Upgrade our gold reserves to extend LoM through additional exploration activities at our existing mine area" in this document. More specifically, we plan to allocate as follows:

	Amount of [REDACTED] from the [REDACTED]		**Timeframe**
	HK$ million	*RMB million*	
(a) phase 1 of additional 10 drillings	[REDACTED]	[REDACTED]	1 January 2023 to 30 June 2023
(b) phase 2 of additional 10 drillings	[REDACTED]	[REDACTED]	1 July 2023 to 31 December 2023
(c) phase 3 of additional 6 drillings	[REDACTED]	[REDACTED]	1 January 2024 to 31 March 2024
(d) professional fees for preparation of geological report and assessment	[REDACTED]	[REDACTED]	1 April 2024 to 31 May 2024
Total	[REDACTED]	[REDACTED]	

- approximately HK$[REDACTED] (RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] will be used to expand our business and grow our market share through selective acquisitions of high-quality gold mining assets in the Shandong Province. We primarily focus on mines near commencement of commercial operations with high growth prospect. In deciding whether to invest in or acquire a particular mining asset, we consider multiple key factors such as strategic value-accretion location, licensing and compliance matters and quantum of mineral reserves and the level of synergies created by the investment. We would consider acquisition targets that fulfill criteria including, among others, (i) within Shandong Province; (ii) either open-pit or underground mines with potential gold resources of at least 10 tonnes and a depth of less than 1,000 metres for better economic benefits; (iii) has LoM of over five years after commencement of operations (excluding mine construction period); and (iv) has payback period of less than ten years. For acquisition target that is a mine near commencement of commercial operations, we expect the acquisition cost for the mining right to be high as we expect such mining asset would have a valid mining licence of over two years, valid land-use-right and related mining infrastructure (including an ore processing plant) ready for use.

As of the Latest Practicable Date, we had not engaged in any negotiation or entered into any letter of intent or agreement for potential acquisitions, and had yet to identify an acquisition target. However, our Directors were aware there were not less than five companies in the Shandong Province that fulfil certain of the abovementioned selection criteria available for our selection. We intend to, through our indirect wholly-owned subsidiary in Hong Kong, establish a new sino-foreign joint venture entity in the PRC after the [REDACTED], to acquire a controlling stake of not less than 51% of the equity interest in a mining asset. A combination of the [REDACTED] from the [REDACTED] of RMB[REDACTED] and internal resources of the remaining amount will be used to fund all of our portion of the total initial commitment of capital contribution of the joint venture entity in the aggregate amount of not less than RMB300 million. It is intended that the capital contribution will cover, among others, the acquisition cost for mining licence, the value of the mining asset and additional investment for construction of additional mining infrastructure. The capital will be contributed by both parties in stages over a period of two years after the date when the business licence of the joint venture entity is obtained. If the capital contribution amount is not sufficient to cover the abovementioned costs or if the new mining asset requires further investment for further development of mining infrastructure or working capital, we expect the joint venture entity to obtain external financing from banks and/or further capital contribution from its shareholders. For further information, please see the section headed "Business — Business strategies — Expand our business and grow our market share through selective acquisitions of gold mining assets" in this document. The table below sets forth the capital contribution to be made out of the [REDACTED] from the [REDACTED] for the new sino-foreign joint venture entity to be established for acquiring the new mining asset.

	Amount of [REDACTED] from the [REDACTED]		**Timeframe**
	HK$ million	*RMB million*	
(a) first capital contribution	[REDACTED]	[REDACTED]	by 30 April 2023
(b) second capital contribution	[REDACTED]	[REDACTED]	by 31 October 2023
(c) third capital contribution	[REDACTED]	[REDACTED]	by 30 April 2024
Total	[REDACTED]	[REDACTED]	

- approximately HK$[REDACTED] (RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] will be used to repay certain borrowings from the PRC banks, which have been used as our working capital, within 12 months after [REDACTED], to eliminate unnecessary continuing connected transactions, to repay borrowing with relatively higher interest rates and to improve our gearing ratio. As at 31 December 2019, 2020 and 2021, our gearing ratio was approximately 83.7%, 5.5% and 5.7%, respectively. These bank borrowings are guaranteed by connected persons, being Dahedong and Baiheng, as well as Mr. Kong Fanzhong and the spouse of Mr. Kong Fanzhong. During the Track Record Period, Yantai Zhongjia also provided guarantees for the bank borrowings obtained by Dahedong and Baiheng. For details of such guarantees provided by Yantai Zhongjia, please refer to the section headed "Financial information — Indebtedness — Contingent liabilities — Guarantees issued" in this document.

  Our Directors confirmed that they have used their best endeavour to negotiate with the relevant banks to either early release the guarantees for such banking facilities or to replace them with a corporate guarantee to be given by our Company upon [REDACTED]; however, the banks did not agree with such arrangements. Hence, we intend to repay such banking facilities by using the [REDACTED] from the [REDACTED]. Details of our bank borrowings which we intend to repay using the [REDACTED] from the [REDACTED] are as follows:

Borrower	**Lender**	**Guarantors**	**Date of loan agreement**	**Principal/ facility amount** *(RMB'000)*	**Duration**	**Interest rate per annum**
Yantai Zhongjia	Huaxia Bank Co., Ltd. Yantai Branch	Dahedong, Baiheng and Mr. Kong Fanzhong and the spouse of Mr. Kong Fanzhong	29 April 2021	[REDACTED]	12 months (i.e. from 29 April 2021 to 29 April 2022) *(Note)*	The loan prime rate issued by the China National Interbank Funding Centre plus 0.5% (i.e. 4.35%)

  Note: We expected to renew such banking facilities upon maturity.

  Our Directors believe that high gearing ratio for our Group could materially and adversely affect our liquidity. Following the completion of the [REDACTED], we expect our gearing ratio to further improve, providing us with the balance sheet and cash flow strength to pursue strategic opportunities when they become available. Going forward, we intend to negotiate future bank borrowings in the PRC either with our Group's assets as securities or a corporate guarantee to be provided by our Company.

- approximately HK$[REDACTED] (RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] will be used for general working capital purposes.

If the [REDACTED] is fixed at the top [REDACTED] [REDACTED] range, being HK$[REDACTED] per [REDACTED], and assuming the [REDACTED] is not exercised, the [REDACTED] we receive from the [REDACTED] will increase by approximately HK$[REDACTED]. We intend to apply the additional [REDACTED] for the above purposes on a pro-rata basis. If the [REDACTED] is set at the [REDACTED] [REDACTED] range, being HK$[REDACTED] per [REDACTED], and assuming the [REDACTED] is not exercised, the [REDACTED] we receive from the [REDACTED] will decrease by approximately HK$[REDACTED]. We intend to reduce the [REDACTED] for the above purposes on a pro-rata basis.

If the [REDACTED] is exercised in full, we estimate that we will receive [REDACTED] of approximately HK$[REDACTED], assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the [REDACTED] [REDACTED] range stated in this document. If the [REDACTED] is set at the [REDACTED] [REDACTED] range, the additional estimated [REDACTED] upon full exercise of the [REDACTED] will increase by approximately HK$[REDACTED]. If the [REDACTED] is set at the [REDACTED] [REDACTED] range, the additional estimated [REDACTED] upon full exercise of the [REDACTED] will decrease by approximately HK$[REDACTED]. In the event the [REDACTED] is exercised in full, we intend to apply the additional [REDACTED] for the above purposes in the proportions stated above.

In the event that we receive [REDACTED] from the [REDACTED] higher or lower than the estimated amount stated above (including where we make a [REDACTED] to set the [REDACTED] at HK$[REDACTED] per [REDACTED] upon making a full [REDACTED]), we will increase or decrease the intended use of the [REDACTED] for the above purposes on a pro rata basis. If we make a [REDACTED] to set the final [REDACTED] at HK$[REDACTED] per [REDACTED], the estimated [REDACTED] we will receive from the [REDACTED] will be further reduced to approximately HK$[REDACTED].

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the [REDACTED] into short term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong and/or the PRC.

We will issue an announcement in the event that there is any material change in the [REDACTED] from the [REDACTED] as set out above.

We will bear the [REDACTED], SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the Shares together with any applicable fees relating to the [REDACTED].

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the [REDACTED] and the Capitalisation Issue (without taking into account any Shares which may be issued under the [REDACTED] or any options granted or to be granted pursuant to the exercise of any options which may be granted under the Share Option Scheme):

Authorised share capital:

		HK$
[10,000,000,000]	Shares	[100,000,000]

Shares issued and to be issued, fully paid or credited as fully paid:

[80,000]	Shares in issue as at the date of this document	[800]
[REDACTED]	Shares to be issued under the Capitalisation Issue	[REDACTED]
[REDACTED]	Shares to be issued under the [REDACTED]	[REDACTED]
[REDACTED]	Shares in total	[REDACTED]

Note: If the [REDACTED] is exercised in full, then [REDACTED] additional Shares will be issued resulting in a total issued share capital of [REDACTED] Shares with an aggregate nominal value of HK$[REDACTED].

Assumptions

The above table assumes that the [REDACTED] and the Capitalisation Issue have become unconditional but takes no account of any Shares which may be taken up under any exercise of the [REDACTED] or the options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates as described below.

Minimum public float

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of the [REDACTED] and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the total issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

Rankings

The [REDACTED] and the Shares that may be issued pursuant to exercise of the [REDACTED] will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify in full for all dividends and other distributions hereafter declared, made or paid on the Shares after the date of this document other than participation in the Capitalisation Issue.

SHARE OPTION SCHEME

Pursuant to the resolutions in writing of our Shareholders passed on [●] 2022, our Company has conditionally adopted the Share Option Scheme. See section headed "Statutory and general information — D. Share Option Scheme" in Appendix V to this document for the principal terms.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the [REDACTED]" in this document, our Directors have been granted the Issue Mandate to allot, issue and deal in a total number of Shares of not more than the aggregate of:

(i) 20% of the total number of Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue; and

(ii) the total number of the Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate described more fully below.

The Issue Mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under an issue by way of rights, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company or pursuant to any options granted under the Share Option Scheme, or an issue of Shares in respect of any scrip dividend or similar arrangement for the allotment and issue of Shares in lieu of the whole or part of the dividend on Shares.

The Issue Mandate to issue Shares will expire when one of the following expires first:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See section headed "Statutory and general information — A. Further information about our Group — 6. Written resolutions of our Shareholders passed on [●]" in Appendix V to this document for further details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the [REDACTED]" in this document, our Directors have been granted the Repurchase Mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the total number of the Shares in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue.

The Repurchase Mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules and all applicable laws. See section headed "Statutory and general information — A. Further information about our Company — 7. Repurchase by our Company of our own securities" in Appendix V to this document for the summary of the relevant requirements in the Listing Rules.

The Issue Mandate to repurchase shares will expire when one of the following expires first:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, see section headed "Summary of the constitution of our Company and Cayman Islands Company Law — Summary of the constitution of the Company — 2. Articles of Association" in Appendix IV to this document for the summary of the Articles.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

SOLE SPONSOR'S AND [REDACTED] INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee to the [REDACTED]. The [REDACTED] and the [REDACTED] will receive an [REDACTED] and/or praecipium. Particulars of these [REDACTED] and expenses are set forth under the paragraph headed "[REDACTED], fees and expenses" above.

We have appointed Innovax Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the [REDACTED].

Save as disclosed above, none of the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or the [REDACTED] is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the [REDACTED].

Following the completion of the [REDACTED], the [REDACTED] and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the [REDACTED] and/or the [REDACTED].

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SINOGOLD RESOURCES HOLDINGS GROUP CO., LTD. AND INNOVAX CAPITAL LIMITED

Introduction

We report on the historical financial information of SINOGOLD Resources Holdings Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-75, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-75 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2019, 2020 and 2021, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Certified Public Accountants
Hong Kong

[*Date*]

I HISTORICAL FINANCIAL INFORMATION

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	5	229,202	360,999	247,872
Cost of sales		(158,463)	(166,013)	(107,767)
GROSS PROFIT		70,739	194,986	140,105
Other income and gains	5	3,043	3,973	3,613
Administrative expenses		(19,447)	(21,480)	(22,490)
Other expenses	6	(516)	(2,930)	(30,194)
Finance costs	7	(6,548)	(5,236)	(3,824)
PROFIT BEFORE TAX	8	47,271	169,313	87,210
Income tax expense	11	(20,073)	(54,890)	(28,494)
PROFIT FOR THE YEAR		27,198	114,423	58,716
Profit attributable to:				
Owners of the parent		18,928	82,403	41,624
Non-controlling interests		8,270	32,020	17,092
		27,198	114,423	58,716

	Notes	Year ended 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	13	N/A	N/A	N/A
OTHER COMPREHENSIVE INCOME/ (LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		(18,437)	17,651	7,614
		(18,437)	17,651	7,614
Other comprehensive loss that may not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of financial statements of the Company		(104)	(16,430)	(8,895)
		(104)	(16,430)	(8,895)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		(18,541)	1,221	(1,281)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,657	115,644	57,435
Total comprehensive income attributable to:				
Owners of the parent		387	83,624	40,343
Non-controlling interests		8,270	32,020	17,092
		8,657	115,644	57,435

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	14	274,668	262,409	282,083
Intangible assets	15	46,465	145,238	132,322
Right-of-use assets	16(a)	141,317	134,998	128,627
Deferred tax assets	17	4,971	5,432	5,408
Other long-term assets	18	—	12,100	3,954
Total non-current assets		467,421	560,177	552,394
CURRENT ASSETS				
Inventories	19	30,384	28,989	19,788
Prepayments, other receivables and other assets	20	10,951	2,786	4,364
Due from related parties	35	1	1	—
Restricted and pledged deposits	21	9,326	14,290	15,645
Cash and cash equivalents	21	134,696	202,907	182,398
Current portion of other long-term assets	18	—	—	1,000
Total current assets		185,358	248,973	223,195
CURRENT LIABILITIES				
Trade payables	22	8,128	13,839	15,871
Other payables and accruals	23	19,432	92,965	20,455
Due to related parties	35	376,365	59,649	60,255
Provisions	24	4,090	1,912	1,351
Deferred income	25	850	680	510
Tax payable		13,427	25,911	45,484
Interest-bearing bank borrowings	26	90,000	30,000	30,000
Lease liabilities	16(b)	1,573	—	—
Current portion of other long-term liabilities	27	1,065	1,065	7,369
Total current liabilities		514,930	226,021	181,295
NET CURRENT (LIABILITIES)/ASSETS		(329,572)	22,952	41,900
TOTAL ASSETS LESS CURRENT LIABILITIES		137,849	583,129	594,294

		As at 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Provisions	24	21,303	21,971	23,316
Other long-term liabilities	27	9,036	8,693	36,158
Deferred tax liabilities	17	—	6,464	5,275
Total non-current liabilities		30,339	37,128	64,749
NET ASSETS		107,510	546,001	529,545
EQUITY				
Equity attributable to owners of the parent				
Share capital	28	1	1	1
Reserves	29	75,713	482,184	488,636
		75,714	482,185	488,637
Non-controlling interests		31,796	63,816	40,908
TOTAL EQUITY		107,510	546,001	529,545

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Share capital *RMB'000* *(note 28)*	**Capital reserve*** *RMB'000* *(note 29)*	**Special reserve*** *RMB'000* *(note 29)*	**Exchange fluctuation reserve*** *RMB'000* *(note 29)*	**Retained profits*** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total (deficiency in assets)/ equity** *RMB'000*
As at 1 January 2019	—	46,082	2,270	20,701	1,480	70,533	23,526	94,059
Profit for the year	—	—	—	—	18,928	18,928	8,270	27,198
Other comprehensive expense for the year:								
Exchange differences on translation of foreign operations	—	—	—	(18,541)	—	(18,541)	—	(18,541)
Total comprehensive income/(loss) for the year	—	—	—	(18,541)	18,928	387	8,270	8,657
Contribution from a shareholder	—	4,793	—	—	—	4,793	—	4,793
Issue of new shares	1#	—	—	—	—	1	—	1
Provision of safety fund surplus reserve	—	—	569	—	(569)	—	—	—
As at 31 December 2019	1	50,875	2,839	2,160	19,839	75,714	31,796	107,510

	Attributable to owners of the parent								
	Share capital	**Capital reserve***	**Statutory surplus reserve***	**Special reserve***	**Exchange fluctuation reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total (deficiency in assets)/ equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 29)*	*(note 29)*	*(note 29)*	*(note 29)*				
As at 1 January 2020	1	50,875	—	2,839	2,160	19,839	75,714	31,796	107,510
Profit for the year	—	—	—	—	—	82,403	82,403	32,020	114,423
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	1,221	—	1,221	—	1,221
Total comprehensive income for the year	—	—	—	—	1,221	82,403	83,624	32,020	115,644
Contribution from a shareholder	—	322,847	—	—	—	—	322,847	—	322,847
Transfer from retained profits	—	—	12,808	—	—	(12,808)	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(5,000)	(5,000)
Contribution from non-controlling interests	—	—	—	—	—	—	—	5,000	5,000
Provision of safety fund surplus reserve	—	—	—	573	—	(573)	—	—	—
As at 31 December 2020	1	373,722	12,808	3,412	3,381	88,861	482,185	63,816	546,001

	Attributable to owners of the parent								
	Share capital RMB'000 (note 28)	Capital reserve* RMB'000 (note 29)	Statutory surplus reserve* RMB'000 (note 29)	Special reserve* RMB'000 (note 29)	Exchange fluctuation reserve* RMB'000 (note 29)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total (deficiency in assets)/equity RMB'000
As at 1 January 2021	1	373,722	12,808	3,412	3,381	88,861	482,185	63,816	546,001
Profit for the year	—	—	—	—	—	41,624	41,624	17,092	58,716
Other comprehensive income/(loss) for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	(1,281)	—	(1,281)	—	(1,281)
Total comprehensive income for the year	—	—	—	—	(1,281)	41,624	40,343	17,092	57,435
Transfer from retained profits	—	—	6,837	—	—	(6,837)	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(40,000)	(40,000)
Dividend declared	—	—	—	—	—	(33,891)	(33,891)	—	(33,891)
Provision of safety fund surplus reserve	—	—	—	741	—	(741)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	(3,357)	—	3,357	—	—	—
As at 31 December 2021	1	373,722	19,645	796	2,100	92,373	488,637	40,908	529,545

* These reserve accounts represent the total consolidated reserves of RMB75,713,000, RMB482,184,000 and RMB488,636,000 in the consolidated statements of financial position as at 31 December 2019, 2020 and 2021, respectively.

Issued capital amounted to USD100, HKD800 and HKD800 as at 31 December 2019, 2020 and 2021.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		47,271	169,313	87,210
Adjustments for:				
Depreciation of items of property, plant and equipment	8	34,261	28,652	14,678
Depreciation of right-of-use assets	8	8,626	8,822	8,840
Amortisation of intangible assets	8	1,718	2,543	3,334
Loss/(gain) on disposal of items of property, plant and equipment	8	281	(35)	975
Investment income	5	—	(2,673)	—
Finance costs	7	6,548	5,236	3,824
		98,705	211,858	118,861
(Increase)/decrease in inventories		(266)	1,395	9,201
(Increase)/decrease in prepayments, other receivables and other assets		(6,917)	8,165	(1,525)
(Decrease)/increase in trade payables		(11,400)	5,711	2,032
Decrease/(increase) in restricted and pledged bank deposits		7,128	(4,964)	(1,355)
Increase/(decrease)in other payables and accruals		1,338	2,504	(3,957)
Increase/(decrease) in provisions		(8,196)	(1,510)	784
Cash generated from operations		80,392	223,159	124,041
Tax paid		(17,341)	(36,403)	(10,086)
Net cash flows from operating activities		63,051	186,756	113,955

	Notes	Year ended 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income		—	2,673	—
Advances of loans to third parties		—	(12,100)	8,100
Purchases of items of property, plant and equipment		(6,418)	(17,455)	(34,619)
Proceeds from disposal of property, plant and equipment		540	232	—
Additions to intangible assets		—	(30,180)	(26,952)
Additions to right-of-use assets	16	(976)	(4,076)	(2,469)
Net cash flows used in investing activities		(6,854)	(60,906)	(55,940)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in amounts due to related parties		10,938	6,936	862
Issuance of shares		—	—	1
Decrease in other payables and accruals		(5,000)	—	—
Repayment of other long-term liabilities		(1,063)	(839)	(1,300)
New bank loans		100,000	30,000	30,000
Interest paid		(5,272)	(4,152)	(2,659)
Dividends paid		—	—	(33,891)
Dividends paid to non-controlling interests		—	(5,000)	(40,000)
Contribution from non-controlling Interests		—	5,000	—
Repayment of bank loans		(100,000)	(90,000)	(30,000)
Net cash flows used in financing activities		(397)	(58,055)	(76,987)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		55,800	67,795	(18,972)

		Year ended 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents at beginning of year		77,979	134,696	202,907
Effects of exchange rate changes on cash and cash equivalents		917	416	(1,537)
CASH AND CASH EQUIVALENTS AT END OF YEAR		134,696	202,907	182,398
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	21	134,696	202,907	182,398
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		134,696	202,907	182,398

STATEMENT OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investment in a subsidiary		1	1	1
Total non-current assets		1	1	1
CURRENT ASSETS				
Prepayments, other receivables and other assets	20	1,320	2,161	3,152
Due from a subsidiary		327,243	305,831	316,897
Cash and cash equivalents	21	2,687	538	325
Total current assets		331,250	308,530	320,374
CURRENT LIABILITIES				
Due to related parties	35	336,485	14,324	22,886
Other payables and accruals		671	21	123
Total current liabilities		337,156	14,345	23,009
NET CURRENT (LIABILITIES)/ ASSETS		(5,906)	294,185	297,365
NET (LIABILITIES)/ASSETS		(5,905)	294,186	297,366
EQUITY				
Share capital	28	1	1	1
Reserves	29	(5,906)	294,185	297,365
TOTAL EQUITY		(5,905)	294,186	297,366

The Company was incorporated in the Cayman Islands on 21 May 2019. On its date of incorporation, 100 ordinary shares of USD1 were issued and allotted (note 28).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the subsidiaries now comprising the Group were involved in the mining, processing and sale of gold bullion (the "[REDACTED] Business") in the People's Republic of China (the "PRC").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	*Notes*	**Place and date of incorporation/ registration and place of operations**	**Nominal value of registered share capital**	**Percentage of equity interest attributable to the Company**	**Principal activities**
Directly held:					
Majestic Yantai Gold Ltd.*	(1)	British Virgin Islands/ 1 July 2004	USD50,000	100%	Investment holding
Indirectly held:					
煙台中嘉礦業有限公司 Yantai Zhongjia Mining Co., Ltd. ("Yantai Zhongjia")**	(2)	PRC/Mainland China/ 17 March 2005	RMB116,229,100	75%	Gold mining, processing and sale

* This company is a wholly-owned subsidiary of the Company.

** This company is a subsidiary indirectly owned by the Company.

The English name of the subsidiary registered in the PRC represents the best efforts made by the management of the Company to translate the Chinese name of this company as it does not have an official English name.

(1) No audited financial statements have been prepared and issued for the entity for the years ended 31 December 2019, 2020 and 2021 as this company is not subject to any statutory audit requirement under the relevant rules and regulations.

(2) The statutory financial statements for the years ended 31 December 2019, 2020 and 2021 prepared in accordance with PRC accounting principles and regulations have been audited by Shandong Tianluxin Certified Public Accountants Firm (山東天陸新會計師事務所有限公司), a certified public accounting firm registered in the PRC.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group on 21 May 2019. As the Reorganisation only involved inserting a new holding company that has not resulted in a change of the respective voting and beneficial interests, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing group using the pooling of interest method.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position as at 31 December 2019, 2020 and 2021 present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence throughout the Relevant Periods.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention.

All intra-group transactions and balances have been eliminated on combination.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018–2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]

1 Effective for annual periods beginning on or after January 1, 2022
2 Effective for annual periods beginning on or after January 1, 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's result of operation and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the beginning of the Relevant Periods or the date on which a subsidiary was incorporated, whichever is the later, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life or it is calculated using the units of production ("UOP") basis to write off the cost of the asset proportionately to the extraction of the proven and probable mineral reserves.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Plant and machinery	5 to 20 years
Office equipment, and electronic and other devices	5 years
Motor vehicles	5 years
Mining infrastructure	Respective lives of mines
Leasehold improvements	Over the shorter of the lease terms and 5%

Included in property, plant and equipment is mining infrastructure located at the mining sites. Depreciation is provided to write off the cost of the mining infrastructure using the UOP method based on the indicated mineral resources.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mineral reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entity concerned and the indicated resources of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 50 years
Buildings	20 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes financial assets included in other long-term assets, financial assets included in prepayments, deposits and other receivables, restricted and pledged deposits, amounts due from related parties and cash and cash equivalents.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are [90 days] past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of financial liabilities not at fair value through profit or loss, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, amounts due to related parties, other long-term liabilities, interest-bearing bank borrowings and lease liabilities.

Subsequent measurement

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the rules and regulations of the PRC. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in the present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) *Sale of products*

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Historical Financial Information is presented in RMB. The Company's functional currency is Hong Kong dollars, because the Company's funds obtained from shareholders and expenditures are mainly denominated in Hong Kong dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the weighted average exchange rates for the year of the cash flows. Frequently recurring cash flows of Mainland China and overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Environment rehabilitation obligations

Environment rehabilitation obligations are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in the estimation of the costs. Environment rehabilitation obligations are subject to considerable uncertainty which affects the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, mines and land development areas, whether operating, closed or sold, (ii) the extent of required clean-up efforts, (iii) varying cost of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. In addition, as prices and cost levels change from year to year, the estimation of environment rehabilitation obligations also changes. Despite the inherent imprecision in these estimates, these estimates are used in assessing the provision for rehabilitation. The carrying amount of provision for rehabilitation at 31 December 2019, 2020 and 2021 were RMB21,303,000, RMB21,971,000 and RMB23,316,000 respectively. More details are given in note 24.

Useful lives of property, plant and equipment

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. Useful lives are determined based on management's past experience with similar assets, estimated changes in technologies and in the case of mining related property, plant and equipment, estimated lives of mine. If the estimated useful lives change significantly, adjustment of depreciation will be provided in the future year. The carrying amount of property, plant and equipment at 31 December 2019, 2020 and 2021 were RMB274,668,000, RMB262,409,000 and RMB282,083,000, respectively. More details are given in note 14.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 17 to the Historical Financial Information.

Mineral reserves

Engineering estimates of the Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimates for accounting purposes and is reflected on a prospective basis at related depreciation rates.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group has one reportable operating segment: mining and processing gold that is ultimately sold as gold bullion. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

Revenue from each of the major customers which amounted to 10% or more of the Group's revenue during the Relevant Periods is set out below:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	61,606	25,221	—
Customer B	167,596	335,778	247,872
	229,202	360,999	247,872

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the gold bullion sales.

An analysis of revenue and other income and gains is as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Sale of gold bullion	229,202	360,999	247,872
	229,202	360,999	247,872

Represented by:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from sale of gold bullion			
Recognised at a point in time	229,202	360,999	247,872

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Other income and gains			
Investment income	—	2,673	—
Tailing pond rental income	1,394	—	—
Sales of sulfuric acid	—	—	1,408
Government grants*	899	281	292
Interest income	560	928	1,664
Others	190	91	249
Total	3,043	3,973	3,613

* Various government grants have been received from the PRC local government authorities to support a subsidiary's daily operation. There are no unfulfilled conditions related to these government grants.

6. OTHER EXPENSES

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Suspension cost	—	—	28,728
Donation	100	2,090	83
Losses on disposal of property, plant and equipment	281	—	975
Others	135	840	408
Total	516	2,930	30,194

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings	5,272	4,059	2,643
Increased in discounted amounts of provisions and other long-term liabilities arising from the passage of time	1,230	1,177	1,181
Others	46	—	—
	6,548	5,236	3,824

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	Year ended 31 December		
		2019	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold		158,463	166,013	107,767
Employee benefit expense (including directors' and chief executive's remuneration):	9			
Wages, salaries and other benefits		19,352	23,461	27,585
Pension scheme contributions		2,161	1,044	5,040
		21,513	24,505	32,625
Depreciation of items of property, plant and equipment		34,261	28,652	14,678
Depreciation of right-of-use assets		8,626	8,822	8,840
Amortisation of intangible assets*		1,718	2,543	3,334
Loss/(gain) on disposal of items of property, plant and equipment		281	(35)	975
Auditor's remuneration		3	3	5
Additional provision	24	709	681	714

* The amortisation of intangible assets for the year are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors before the Company was incorporated on 21 May 2019.

Dr. SHAO Xuxin and Mr. MACKIE James Thomas were appointed as executive directors of the Company on 21 May 2019. Mr. LO Cheuk Kwong and Mr. CHEN Shaohui were appointed as the executive directors of the Company on 8 May 2020.

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	876	1,859	1,696
Performance-related bonuses	—	100	—
Pension scheme contributions and social welfare	—	16	21
Total	876	1,975	1,717

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

Year ended 31 December 2019

	Fees	**Salaries, allowances and benefits in kind**	**Performance-related bonuses**	**Pension scheme contributions and social welfare**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
— Dr. SHAO Xuxin	—	553	—	—	553
— Mr. MACKIE James Thomas	—	323	—	—	323
	—	876	—	—	876

Year ended 31 December 2020

	Fees	**Salaries, allowances and benefits in kind**	**Performance-related bonuses**	**Pension scheme contributions and social welfare**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
— Mr. CHEN Shaohui	—	480	100	—	580
— Dr. SHAO Xuxin	—	485	—	—	485
— Mr. MACKIE James Thomas	—	396	—	—	396
— Mr. LO Cheuk Kwong	—	498	—	16	514
	—	1,859	100	16	1,975

Year ended 31 December 2021

	Fees	**Salaries, allowances and benefits in kind**	**Performance-related bonuses**	**Pension scheme contributions and social welfare**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
— Mr. CHEN Shaohui	—	324	—	6	330
— Dr. SHAO Xuxin	—	481	—	—	481
— Mr. MACKIE James Thomas	—	393	—	—	393
— Mr. LO Cheuk Kwong	—	498	—	15	513
	—	1,696	—	21	1,717

Dr. SHAO Xuxin is the chief executive officer and an executive director of the Company. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2019, 2020 and 2021 included two, three and two directors, respectively. Details of the directors' remuneration are set out in note 9 above. Details of the remuneration of the highest paid employees who are neither a director nor chief executive of the Company for the years ended 31 December 2019, 2020 and 2021 are as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,358	878	1,305
Performance-related bonuses	200	100	50
Pension scheme contributions and social welfare	108	31	150
Total	1,666	1,009	1,505

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
Nil to HKD500,000	—	—	—
HKD500,001 to HKD1,000,000	3	2	3
Total	3	2	3

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company and its subsidiary incorporated in the Cayman Islands and British Virgin Islands, respectively, are not subject to any income tax.

Yantai Zhongjia is subject to PRC corporate income tax at the statutory rate of 25% on its respective estimated taxable profits during the year ended 31 December 2019. In December 2020, Yantai Zhongjia was identified as a "High and New Technology Enterprise" and thus was granted a preferential rate of 15% from 1 January 2020 to 31 December 2022, if certain conditions are met. In arriving at the current tax provision for Yantai Zhongjia during the year ended 31 December 2020 and 2021, the Group adopted the statutory income tax rate of 25% after considering that the tax authority may hold a different view about the preferential tax rate.

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
PRC corporate income tax	20,470	48,887	29,659
Deferred tax *(note 17)*	(397)	6,003	(1,165)
Total tax charge for the year	20,073	54,890	28,494

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	47,271	169,313	87,210
At the statutory income tax rate of 25%	11,818	42,328	21,803
Effect of tax rate differences in other jurisdictions	1,470	1,799	1,210
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	—	6,464	4,811
Expenses not deductible for tax	6,785	4,299	670
Total	20,073	54,890	28,494

12. DIVIDENDS

	Year ended 31 December 2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Dividends — HKD1.05 (2020: Nil) per ordinary share	—	—	33,891

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of preparation of the results of the Group for the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment and electronic and other devices	Motor vehicles	Mining infrastructure	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019							
Cost							
As at 31 December 2018	2,082	163,556	3,311	4,057	221,598	—	394,604
Additions	—	5,100	63	483	1,895	—	7,541
Disposals	—	(1,380)	—	(425)	—	—	(1,805)
As at 31 December 2019	2,082	167,276	3,374	4,115	223,493	—	400,340
Accumulated depreciation							
As at 31 December 2018	(83)	(63,428)	(2,528)	(3,628)	(22,791)	—	(92,458)
Charge for the year	(436)	(9,049)	(280)	(326)	(24,169)	—	(34,260)
Disposals	—	621	—	425	—	—	1,046
As at 31 December 2019	(519)	(71,856)	(2,808)	(3,529)	(46,960)	—	(125,672)
Net carrying amount							
As at 31 December 2019	1,563	95,420	566	586	176,533	—	274,668
As at 31 December 2018	1,999	100,128	783	429	198,807	—	302,146

	Buildings	Plant and machinery	Office equipment and electronic and other devices	Motor vehicles	Mining infrastructure	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020							
Cost							
As at 31 December 2019	2,082	167,276	3,374	4,115	223,493	—	400,340
Additions	—	1,983	801	430	13,372	—	16,586
Disposals	—	(620)	—	—	—	—	(620)
As at 31 December 2020	2,082	168,639	4,175	4,545	236,865	—	416,306
Accumulated depreciation							
As at 31 December 2019	(519)	(71,856)	(2,808)	(3,529)	(46,960)	—	(125,672)
Charge for the year	(269)	(9,100)	(281)	(207)	(18,795)	—	(28,652)
Disposals	—	427	—	—	—	—	427
As at 31 December 2020	(788)	(80,529)	(3,089)	(3,736)	(65,755)	—	(153,897)
Net carrying amount							
As at 31 December 2020	1,294	88,110	1,086	809	171,110	—	262,409
As at 31 December 2019	1,563	95,420	566	586	176,533	—	274,668
31 December 2021							
Cost							
As at 31 December 2020	2,082	168,639	4,175	4,545	236,865	—	416,306
Additions	1,147	20,521	502	584	8,530	4,094	35,378
Disposals	—	(1,478)	(111)	(355)	—	—	(1,944)
As at 31 December 2021	3,229	187,682	4,566	4,774	245,395	4,094	449,740
Accumulated depreciation							
As at 31 December 2020	(788)	(80,529)	(3,089)	(3,736)	(65,755)	—	(153,897)
Charge for the year	(27)	(10,124)	(446)	(240)	(3,801)	(40)	(14,678)
Disposals	—	679	103	136	—	—	918
As at 31 December 2021	(815)	(89,974)	(3,432)	(3,840)	(69,556)	(40)	(167,657)
Net carrying amount							
As at 31 December 2021	2,414	97,708	1,134	934	175,839	4,054	282,083
As at 31 December 2020	1,294	88,110	1,086	809	171,110	—	262,409

As at 31 December 2019, 2020 and 2021, certain of the Group's property, plant and equipment with a net carrying value of RMB47,700,000, nil and nil, respectively, were pledged to secure the Group's bank borrowings (note 26).

The ownership certificates of certain property, plant and equipment with an aggregate net carrying value of RMB1,563,000, RMB1,294,000 and RMB2,414,000, have not yet been obtained as at 31 December 2019, 2020 and 2021, respectively.

15. INTANGIBLE ASSETS

	Mining rights
	RMB'000
31 December 2019	
Cost	
As at 31 December 2018, 1 January 2019 and 31 December 2019	62,665
Accumulated depreciation	
As at 31 December 2018	(14,482)
Amortisation provided during the year	(1,718)
As at 31 December 2019	(16,200)
Net carrying amount	
As at 31 December 2019	46,465
As at 31 December 2018	48,183

	Mining rights
	RMB'000
31 December 2020	
Cost	
As at 31 December 2019	62,665
Additions	101,316
As at 31 December 2020	163,981
Accumulated depreciation	
As at 31 December 2019	(16,200)
Amortisation provided during the year	(2,543)
As at 31 December 2020	(18,743)
Net carrying amount	
As at 31 December 2020	145,238
As at 31 December 2019	46,465
31 December 2021	
Cost	
As at 31 December 2020	163,981
Additions	20,632
Price Adjustment*	(30,214)
As at 31 December 2021	154,399
Accumulated depreciation	
As at 31 December 2020	(18,743)
Amortisation provided during the year	(3,334)
As at 31 December 2021	(22,077)
Net carrying amount	
As at 31 December 2021	132,322
As at 31 December 2020	145,238

* In 2020, Yantai Zhongjia obtained a mining right from Yantai Natural Resources and Planning Bureau at an initial consideration of RMB101,136,000 (the "Initial Consideration"). The final purchase price of RMB74,120,800 (the "Final Consideration") was determined in 2021 based on the final evaluation results executed by Yantai Natural Resources and Planning Bureau. The present value (the "PV") of final consideration was RMB70,922,000, after considering the instalment payment. The difference between the Initial Consideration and the PV of Final Consideration was adjusted against the cost of the mining right in 2021.

16. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

The Group as a lessee

The Group has lease contracts for leasehold land and buildings used in its operations. Lump sum payments were made upfront to lease the leasehold land with lease periods of 30 years and buildings with lease periods of 20 years, and no ongoing payments will be made under the terms of the lease.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Leasehold land	**Buildings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2019	87,567	59,827	147,394
Additions	2,549	—	2,549
Depreciation charge	(4,194)	(4,432)	(8,626)
As at 31 December 2019 and 1 January 2020	85,922	55,395	141,317
Additions	—	2,503	2,503
Depreciation charge	(4,211)	(4,611)	(8,822)
As at 31 December 2020 and 1 January 2021	81,711	53,287	134,998
Additions	—	2,469	2,469
Depreciation charge	(4,190)	(4,650)	(8,840)
As at 31 December 2021	77,521	51,105	128,627

The leasehold land are all situated in Shandong Province, the PRC.

The net carrying value of land with land use right certificates amounts to RMB917,000, RMB897,000 RMB877,000 as at 31 December 2019, 2020 and 2021, respectively.

(b) ***Lease liabilities***

The carrying amounts of the Group's lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January:	—	(1,573)	—
New leases	(1,573)	—	—
Payments	—	1,573	—
Carrying amount at 31 December	(1,573)	—	—
Analysed into:			
Current portion	—	—	—
Non-current portion	(1,573)	—	—

The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	8,626	8,822	8,840
Expenses relating to short-term leases	160	152	131
Total amount recognised in profit or loss	8,786	8,974	8,971

17. DEFERRED TAX

Deferred tax liabilities

	Changes in Rehabilitation assets	Withholding taxes	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	3,044	—	3,044
Deferred tax charged to profit or loss during the year	149	—	149
Gross deferred tax liabilities at 31 December 2019	3,193	—	3,193

Deferred tax assets

	Provision for rehabilitation	Other long-term liabilities	Depreciation in excess of related depreciation allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	4,919	2,661	38	7,618
Deferred tax credited/(charged) to profit or loss during the year	407	(136)	275	546
Gross deferred tax assets at 31 December 2019	5,326	2,525	313	8,164

Deferred tax liabilities

	Changes in Rehabilitation assets	Withholding taxes	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2020	3,193	—	3,193
Deferred tax charged/(credited) to profit or loss during the year	(365)	6,464	6,099
Gross deferred tax liabilities at 31 December 2020	2,828	6,464	9,292

Deferred tax assets

	Provision for rehabilitation	Other long-term liabilities	Depreciation in excess of related depreciation allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	5,326	2,525	313	8,164
Deferred tax credited/(charged) to profit or loss during the year	167	(143)	72	96
Gross deferred tax assets at 31 December 2020	5,493	2,382	385	8,260

Deferred tax liabilities

	Changes in Rehabilitation assets	Withholding taxes	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	2,828	6,464	9,292
Deferred tax charged/(credited) to profit or loss during the year	95	(1,189)	(1,094)
Gross deferred tax liabilities at 31 December 2021	2,923	5,275	8,198

Deferred tax assets

	Provision for rehabilitation	Other long-term liabilities	Depreciation in excess of related depreciation allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	5,493	2,382	385	8,260
Deferred tax credited/(charged) to profit or loss during the year	336	(150)	(115)	71
Gross deferred tax assets at 31 December 2021	5,829	2,232	270	8,331

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position as at 31 December 2019, 2020 and 2021. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	4,971	5,432	5,408
Net deferred tax liabilities recognised in the consolidated statement of financial position	—	6,464	5,275

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. OTHER LONG-TERM ASSETS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Loans receivable*	—	12,100	4,000
Advance payments for purchases of property, plant and equipment	—	—	954
	—	12,100	4,954

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Current portion	—	—	1,000
Non-current portion	—	12,100	3,954
	—	12,100	4,954

* The loans receivables are non-trade in nature, unsecured, interest-free. The loans receivable of RMB12,100,000 should be repaid before July 2022 and the loans receivable of RMB4,000,000 is repayable in four instalments from 2022 to 2025.

19. INVENTORIES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Gold concentrate	13,935	11,916	2,565
Ore stockpile	10,998	11,068	9,899
Raw materials	5,451	6,005	7,324
Total	30,384	28,989	19,788

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	2,441	2,786	3,672
Deposits and other receivables	8,510	—	682
Interest receivables	—	—	10
	10,951	2,786	4,364

The Company

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	1,320	2,161	3,152
	1,320	2,161	3,152

Other receivables are unsecured, non-interest-bearing and repayable on demand.

The Group has applied the general approach in calculating the expected credit loss for deposits and other receivables under IFRS 9. The Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate. As at 31 December 2019, 2020 and 2021, the Group estimated that the expected loss rate for deposits and other receivables was insignificant.

21. CASH AND CASH EQUIVALENTS, RESTRICTED AND PLEDGED DEPOSITS

The Group

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	144,022	217,197	198,043
Less：Restricted and pledged deposits	(9,326)	(14,290)	(15,645)
Cash and cash equivalents	134,696	202,907	182,398

The Company

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	2,687	538	325

At 31 December 2019, 2020 and 2021, the cash and cash equivalents of the Group denominated in Hong Kong dollars ("HK$") amounted to approximately RMB2,776,000, RMB50,000 and RMB329,000, those denominated in Canadian dollars amounted to approximately RMB1,149,000, RMB1,101,000 and RMB578,000 and those denominated in United States dollars ("USD") amounted to approximately RMB16,000, RMB15,000 and RMB13,541,000, respectively. All other cash and cash equivalents held by the Group are denominated in RMB.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

At 31 December 2019, 2020 and 2021, the cash and cash equivalents of the Company denominated in Hong Kong dollars ("HK$") amounted to approximately RMB2,687,000, RMB26,000 and RMB319,000, those denominated in Canadian dollars amounted to approximately nil, RMB512,000 and nil and those denominated in United States dollars ("USD") amounted to approximately nil, nil and RMB6,000 respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

The restricted and pledged deposits amounting to RMB9,326,000, RMB14,290,000 and RMB15,645,000 as at 31 December 2019, 2020 and 2021 were placed as environmental rehabilitation deposits of which usage is restricted.

22. TRADE PAYABLES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	8,128	13,839	15,871

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	4,038	7,774	9,022
1 to 2 months	1,962	2,889	3,764
2 to 3 months	300	676	2,272
Over 3 months	1,828	2,500	813
Total	8,128	13,839	15,871

The trade payables are non-interest-bearing and normally settled on 30 to 90 days.

23. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Mining rights payables	—	71,136	—
Other payables	6,570	7,998	8,840
Other tax payables	7,064	9,900	7,671
Accrued salaries	5,653	3,879	3,908
Interest payable	145	52	36
	19,432	92,965	20,455

Other payables are repayable on demand.

24. PROVISIONS

		As at 31 December		
	Notes	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Provision for relocation	*(a)*	3,840	1,662	981
Provision for penalties	*(a)*	250	250	370
Provision for rehabilitation	*(b)*	21,303	21,971	23,316
Less: current portion		(4,090)	(1,912)	(1,351)
Non-current portion		21,303	21,971	23,316

(a) The provision for relocation is related to the relocation of villages surrounding the mine and the provision for penalty arising from the late application for construction project planning permit.

	Provision for relocation	**Provision for penalties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	13,664	250	13,914
Utilised during the year	(9,824)	—	(9,824)
At 31 December 2019 and 1 January 2020	3,840	250	4,090
Utilised during the year	(2,178)	—	(2,178)
At 31 December 2020 and 1 January 2021	1,662	250	1,912
Charged to profit or loss during the year	—	120	120
Utilised during the year	(681)	—	(681)
At 31 December 2021	981	370	1,351

(b) The provision for rehabilitation is related to the estimated costs of complying with the Group's obligations for land reclamation. These costs are expected to be incurred on mine closure, which, based on current mineral reserve estimates, will last for periods ranging from 6 to 12 years.

The movements in the present value of the provision for rehabilitation are as follows:

	Provision for rehabilitation		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January	19,675	21,303	21,971
Interest increment	709	681	714
Change in discount rate	919	(187)	631
Change in estimated rehabilitation cost	—	174	—
As at 31 December	21,303	21,971	23,316

25. DEFERRED INCOME

	Government grants
	RMB'000
As at 1 January 2019	299
Additions	1,450
Recognised in profit or loss during the year	(899)
As at 31 December 2019 and 1 January 2020	850
Recognised in profit or loss during the year	(170)
As at 31 December 2020 and1 January 2021	680
Recognised in profit or loss during the year	(170)
As at 31 December 2021	510

The deferred income represents government subsidies granted to the Group in relation to its daily operation.

26. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2019			As at 31 December 2020			As at 31 December 2021		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current									
Bank borrowings — secured	5.00 to 7.70	2020	90,000	4.80 to 7.70	2021	30,000	4.35	2022	30,000

The Group's bank borrowings amounting to RMB50,000,000, nil and nil as at 31 December 2019, 2020 and 2021, respectively, were guaranteed by an independent third party.

The Group's bank borrowings amounting to RMB10,000,000 and RMB10,000,000, nil as at 31 December 2019, 2020 and 2021, respectively, were guaranteed by Yantai Dahedong Processing Co. Ltd. ("Dahedong"), the non-controlling shareholder of a subsidiary, Fanzhong Kong, a director of a subsidiary, and his spouse.

The Group's bank borrowings amounting to RMB20,000,000, nil and nil as at 31 December 2019, 2020 and 2021, respectively, were guaranteed by Dahedong, Fanzhong Kong and his spouse, and an independent third party.

The Group's bank borrowings amounting to nil, nil and RMB30,000,000 as at 31 December 2019, 2020 and 2021, respectively, were guaranteed by Dahedong, Fanzhong Kong and his spouse, and Yantai Baiheng Gold Mine Co.Ltd. ("Baiheng").

The Group's bank borrowings amounting to RMB10,000,000, RMB10,000,000 and nil as at 31 December 2019, 2020 and 2021, respectively, were guaranteed by Dahedong, Fanzhong Kong and other independent third parties.

Certain of the Group's property, plant and equipment with a net carrying value of RMB47,700,000 were pledged to secure the Group's bank borrowings of RMB10,000,000 as at 31 December 2019 (note 14).

The Group's bank borrowings amounting to nil, RMB10,000,000 and nil as at 31 December 2019, 2020 and 2021, respectively, were guaranteed by Dahedong, Fanzhong Kong, Fanbo Kong and Baiheng and an independent third party.

Bank borrowings

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Repayable within one year	90,000	30,000	30,000

The Group's borrowings are all denominated in RMB with fixed interest rates.

27. OTHER LONG-TERM LIABILITIES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Instalment of the purchase of mining rights	—	—	34,602
Village distribution payables	10,101	9,527	8,925
Retention money	—	231	—
	10,101	9,758	43,527

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Current portion	1,065	1,065	7,369
Non-current portion	9,036	8,693	36,158
	10,101	9,758	43,527

28. SHARE CAPITAL

	As at 31 December		
	2019	**2020**	**2021**
	USD'000	*HKD'000*	*HKD'000*
Authorised:			
50,000 ordinary shares of USD1 each	50	—	—
37,000,000 ordinary shares of HKD0.01 each	—	370	370

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
1 ordinary share of USD1	—	—	—
1 ordinary share of HKD0.01	1	1	1

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital**
		RMB'000
At 21 May 2019 (date of incorporation) *(Note (a))*	100	1
At 31 December 2019 and 1 January 2020	100	1
New shares issued *(Note (b))*	80,000	1
Shares repurchased *(Note (c))*	(100)	(1)
At 31 December 2020 and 2021	80,000	1

(a) The Company was incorporated in the Cayman Islands on 21 May 2019 with authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1 each. The Company issued 94 ordinary shares to Majestic Gold Corp. and 6 ordinary shares to Richard's Resources Technologies Inc. on the same day.

(b) On 23 April 2020, the Company (i) increased its authorised share capital of HKD370,000 divided into 37,000,000 shares of a par value of HKD0.01 each; and (ii) issued 75,200 ordinary shares to Majestic Gold Corp. and 4,800 ordinary shares to Richard's Resources Technologies Inc. with a par value of HKD0.01 each.

(c) On 23 April 2020, the Company (i) repurchased 94 shares from Majestic Gold Corp. and 6 ordinary shares from Richard's Resources Technologies Inc. with a par value of USD1 each; and (ii) reduced its authorised but unissued share capital by the cancellation of USD50,000 divided into 50,000 shares with a par value of USD1 each such that the authorised share capital of the Company is HKD370,000 divided into 37,000,000 shares of a par value of HKD0.01 each.

29. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2019, 2020 and 2021 are presented in the consolidated statements of changes in equity.

Capital reserve

Capital reserve represents (i) contributions from shareholders; and (ii) the difference between the consideration paid for acquiring the non-controlling interest and the carrying value of net assets attributed to the non-controlling interest.

Statutory surplus reserve

In accordance with the Company Law of the PRC and the Articles of Association of Yantai Zhongjia, Yantai Zhongjia is required to allocate 10% of its profit after tax determined under PRC accounting standards to the statutory surplus reserve until such reserve reaches 50% of the authorised share capital of Yantai Zhongjia. Subject to certain restrictions set out in the Company Law of the PRC, part of this reserve may be converted to increase the share capital, provided that the remaining balance after the capitalisation is not less than 25% of the authorised share capital.

Special reserve

Pursuant to a notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish a safety fund surplus reserve based on the volume of mine extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment maintenance as well as safety production inspection, consultation and training.

Exchange fluctuation reserve

The foreign exchange reserve comprises all exchange differences arising from the translation of the financial statements of entities whose functional currency is not RMB.

The Company

	Capital Reserve	Exchange fluctuation reserve	Retained Profits/ (Accumulated Losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 21 May 2019 (date of incorporation)	—	—	—	—
Loss for the period	—	—	(5,802)	(5,802)
Other comprehensive loss for the year:				
Exchange differences on translation of financial statements of the Company	—	(104)	—	(104)
Total comprehensive loss for the period	—	—	(5,802)	(5,906)
As at 31 December 2019 and 1 January 2020	—	(104)	(5,802)	(5,906)
Loss for the period	—	—	(6,326)	(6,326)
Other comprehensive expense for the year:				
Exchange differences on translation of financial statements of the Company	—	(16,430)	—	(16,430)
Total comprehensive loss for the period	—	(16,430)	(6,326)	(22,756)
Contribution from a shareholder	322,847	—	—	322,847
As at 31 December 2020 and 1 January 2021	322,847	(16,534)	(12,128)	294,185
Profit for the period	—	—	45,966	45,966
Other comprehensive expense for the year:				
Exchange differences on translation of financial statements of the Company	—	(8,895)	—	(8,895)
Total comprehensive income/(loss) for the period	—	(8,895)	45,966	37,071
Dividend declared	—	—	(33,891)	(33,891)
As at 31 December 2021	322,847	(25,429)	(53)	297,365

30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interest are set out below:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	RMB'000	RMB'000
Percentage of equity interest held by non-controlling interests:			
Yantai Zhongjia Mining Co., Ltd.	25%	25%	25%
Profit for the year allocated to non-controlling interests:			
Yantai Zhongjia Mining Co., Ltd.	8,270	32,020	17,092
Accumulated balances of non-controlling interests at the reporting date:			
Yantai Zhongjia Mining Co., Ltd.	31,796	63,816	40,908

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	229,202	360,999	247,872
Other income and gains	3,043	3,916	3,556
Total expenses	(199,166)	(236,835)	(183,059)
Profit for the year	33,079	128,080	68,369
Total comprehensive income for the year	33,079	128,080	68,369
Current assets	180,111	245,649	205,590
Non-current assets	467,420	560,177	637,906
Current liabilities	(543,567)	(588,454)	(688,946)
Non-current liabilities	(30,338)	(30,664)	(59,474)
Net cash flows from operating activities	63,699	190,993	126,202
Net cash flows used in investing activities	(6,854)	(60,906)	(55,940)
Net cash flows used in financing activities	(2,919)	(59,102)	(104,051)
Net increase/(decrease) in cash and cash equivalents	53,926	70,985	(33,789)

31. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

On 30 September 2019, the Group signed an agreement with its shareholder, Majestic Gold Corp., to waive the debt due from the Group amounting to CAD920,000 (equivalent to RMB4,793,000), the amount was credited to capital reserve in 2019.

On 5 June 2020, the Group signed an agreement with its shareholder, Majestic Gold Corp., to waive the debt due from the Group amounting to CAD62,073,000 (equivalent to RMB322,847,000), the amount was credited to capital reserve in 2020.

(b) Changes in liabilities arising from financing activities

	Interest payable	Interest-bearing bank borrowings	Due to shareholders	Included in other payables and accruals/ other long-term liabilities	Total liabilities from financing activities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	145	90,000	350,762	15,643	456,550
Cash flows from financing activities	(5,272)	—	10,938	(6,063)	(397)
Interest expense	5,272	—	—	—	5,272
Incremental interest on provisions and other long-term liabilities	—	—	—	521	521
Debt exemption with a shareholder	—	—	(4,793)	—	(4,793)
Currency translation differences	—	—	19,458	—	19,458
At 31 December 2019 and 1 January 2020	145	90,000	376,365	10,101	476,611
Cash flows from financing activities	(4,152)	(60,000)	6,936	(839)	(58,055)
Interest expense	4,059	—	—	—	4,059
Incremental interest on provisions and other long-term liabilities	—	—	—	496	496
Debt exemption with a shareholder	—	—	(322,847)	—	(322,847)
Currency translation differences	—	—	(805)	—	(805)
At 31 December 2020 and 1 January 2021	52	30,000	59,649	9,758	99,459

	Interest payable	**Interest-bearing bank borrowings**	**Due to shareholders**	**Included in other payables and accruals/ other long-term liabilities**	**Total liabilities from financing activities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from financing activities	(2,659)	—	862	(1,300)	(3,097)
Interest expense	2,643	—	—	—	2,643
Incremental interest on provisions and other long-term liabilities	—	—	—	467	467
Debt exemption with a shareholder	—	—	—	—	—
Currency translation differences	—	—	(256)	—	(256)
At 31 December 2021	36	30,000	60,255	8,925	99,216

32. CONTINGENT LIABILITIES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Guarantees provided to:			
Baiheng*	70,000	50,000	—
Shandong Eastern Ocean Group Co.,Ltd ("Shandong Eastern")**	50,000	50,000	—
Dahedong***	20,000	—	—
	140,000	100,000	—

* At 31 December 2019 and 2020, the Group, together with certain related parties had provided a joint guarantee for the bank borrowing of RMB50,000,000 of Baiheng (note 35). As at 31 December 2021, Baiheng has settled RMB50,000,000 of the bank borrowing.

At 31 December 2019, the Group had provided a guarantee for the bank borrowing of RMB20,000,000 to Baiheng (note 35). As at 31 December 2020, Baiheng has settled RMB20,000,000 of the bank borrowing.

At 31 December 2019 and 2020, fair value of the financial guarantees was insignificant.

** At 31 December 2019 and 2020, the Group had provided a joint and several guarantee for Shandong Eastern's debt of RMB50,000,000 (excluding relevant financing interest and other fees incurred). The debt was also secured by a pledge of shares in a listed company owned by Shandong Eastern and a pledge of RMB50,000,000 certificate of deposit provided by an independent third party. As at 31 December 2021, the Group's guarantee liability has been relieved.

At 31 December 2019 and 2020, fair value of the financial guarantee was insignificant.

*** At 31 December 2019, the Group had provided a guarantee for the bank borrowing of RMB20,000,000 to Dahedong (note 35). As at 31 December 2020, Dahedong has settled RMB20,000,000 of the bank borrowing.

At 31 December 2019, fair value of the financial guarantee was insignificant.

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 14 and 26 to the Historical Financial Information.

34. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Mining infrastructure	670	670	320
	670	670	320

35. RELATED PARTY TRANSACTIONS

(1) *Name and relationship*

Name of related parties	**Relationship with the Group**
Majestic Gold Corp. Yantai Dahedong Processing Co. Ltd. ("Dahedong")	Controlling shareholder of the Company Non-controlling shareholder of Yantai Zhongjia
Fanzhong Kong	A director of Yantai Zhongjia and shareholder of Majestic Gold Corp.
Fanbo Kong	A director of Yantai Zhongjia and a close family member of Fanzhong Kong's family
Yantai Baiheng Gold Mine Co. Ltd. ("Baiheng")	An entity controlled by Fanzhong Kong and significantly influenced by Fanbo Kong
Yantai Qingjia Construction Materials Co., Ltd ("Qingjia")	An entity controlled by a close family member of Fanzhong Kong's family

(2) *Significant related parties' transactions*

The following transactions were carried out with related parties during the Relevant Periods:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Payment made by a related party on behalf of the group:			
Majestic Gold Corp.	6,576	881	874
Funds borrowed from related parties:			
Dahedong	—	—	—
Majestic Gold Corp.	2,728	3,334	103
Payments collected on behalf of a related party:			
Dahedong	1,062	—	—
Repayment of security deposits to a related party:			
Baiheng	5,000	—	—
Sell bank acceptance bills to related parties:			
Dahedong	11,000	—	—
Qingjia	450	—	—
Baiheng	5,050	—	—
Purchase bank acceptance bills from related parties:			
Dahedong	16,350	10,000	—
Qingjia	1,100	200	—
Lease tailing pond to a related party:			
Dahedong	1,394	—	—

(3) *Other transactions with related parties*

Dahedong and Fanzhong Kong, Fanbo Kong, Baiheng with other independent third party, have guaranteed certain bank borrowings made to the Group of RMB40,000,000, RMB30,000,000, RMB30,000,000 as at 31 December 2019, 2020 and 2021, as further detailed in note 26 to the Historical Financial Information.

Yantai Zhongjia guaranteed a bank borrowing of RMB20,000,000 of Dahedong from November 2018 to November 2020.

Yantai Zhongjia guaranteed a bank borrowing of RMB50,000,000 of Baiheng from December 2016 to December 2021, a bank borrowing of RMB20,000,000 of Baiheng from January 2019 to October 2020.

On 30 September 2019, the Group signed an agreement with its shareholder, Majestic Gold Corp., to waive the debt due from the Group amounting to CAD920,000 (equivalent to RMB4,793,000), the amount was credited to capital reserve in 2019.

On 5 June 2020, the Group signed an agreement with its shareholder, Majestic Gold Corp., to waive the debt due from the Group amounting to CAD62,073,000 (equivalent to RMB322,847,000), the amount was credited to capital reserve in 2020.

(4) *Outstanding balances with related parties*

Balances relating to non-trade activities

The Group

Due from related parties:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Majestic Gold Corp.	1	1	—
	1	1	—

Due to related parties:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Dahedong	33,861	36,349	36,349
Majestic Gold Corp.	342,504	23,300	23,906
	376,365	59,649	60,255

The balances with the above related parties were non-trade, unsecured, interest-free and repayable on demand.

The Company

Due from related parties

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Majestic Yantai Gold Ltd.	327,243	305,831	316,897

Due to related parties

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Majestic Gold Corp.	336,216	12,530	13,136
Yantai Zhongjia Mining Co., Ltd.	—	1,037	—
Majestic Yantai Gold Ltd.	269	757	9,750
	336,485	14,324	22,886

The balances with the above related parties were unsecured, interest-free and repayable on demand.

(5) ***Compensation of key management personnel of the Group***

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	2,501	3,212	2,956
Pension scheme contributions	112	56	205
Total compensation paid to key management personnel	2,613	3,268	3,161

Further details of directors' emoluments are included in note 9 to the Historical Financial Information.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

Financial assets at amortised cost

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets included in other long-term assets	—	12,100	4,000
Financial assets included in prepayments, other receivables and other assets	8,510	—	692
Restricted and pledged deposits	9,326	14,290	15,645
Due from related parties	1	1	—
Cash and cash equivalents	134,696	202,907	182,398
	152,533	229,298	202,735

Financial liabilities

Financial liabilities at amortised cost

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	8,128	13,839	15,871
Financial liabilities included in other payables, deposits received and accruals	6,715	79,186	8,876
Interest-bearing bank borrowings	90,000	30,000	30,000
Other long-term liabilities	10,101	9,758	43,527
Lease liabilities	1,573	—	—
Due to related parties	376,365	59,649	60,255
	492,882	192,432	158,529

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted and pledged deposits, amounts due from related parties, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables, deposits received and accruals, amounts due to related parties, other long-term liabilities and the interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of other long-term assets and other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At the end of each of the Relevant Periods, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors once a year for annual financial reporting.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include financial assets included in other long-term assets, financial assets included in prepayments, deposits and other receivables, restricted and pledged deposits, cash and cash equivalents, trade payables, financial liabilities included in other payables, deposits received and accruals, other long-term liabilities, which arise directly from its operations. The Group has other financial assets and liabilities such as amounts due from related parties, interest-bearing bank borrowings, lease liabilities and amounts due to related parties. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings set out in note 26. The Group does not use derivative financial instruments to hedge interest rate risk, and obtains all bank borrowings with a fixed rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *RMB'000*	**Increase/ (decrease) in equity*** *RMB'000*
2021			
If interest rate increases	50	(244)	—
If interest rate decreases	(50)	244	—
2020			
If interest rate increases	50	(340)	—
If interest rate decreases	(50)	340	—
2019			
If interest rate increases	50	(450)	—
If interest rate decreases	(50)	450	—

* Excluding retained profits

(b) Credit risk

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade receivable periodically and management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. The balances of trade receivables were nil as at 31 December 2019, 2020 and 2021. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

31 December 2021

	12-month ECLs	Lifetime ECLs		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other long-term assets				
— Not yet past due	4,000	—	—	4,000
Financial assets included in prepayments, other receivables and other assets				
— Normal*	692	—	—	692
Restricted and pledged deposits				
— Not yet past due	15,645	—	—	15,645
Cash and cash equivalents				
— Not yet past due	182,398	—	—	182,398
	202,735	—	—	202,735

31 December 2020

	12-month ECLs	Lifetime ECLs		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other long-term assets				
— Not yet past due	12,100	—	—	12,100
Restricted and pledged deposits				
— Not yet past due	14,290	—	—	14,290
Due from related parties	1	—	—	1
Cash and cash equivalents				
— Not yet past due	202,907	—	—	202,907
	229,298	—	—	229,298

31 December 2019

	12-month ECLs	**Lifetime ECLs**		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets				
— Normal*	8,510	—	—	8,510
Restricted and pledged deposits				
— Not yet past due	9,326	—	—	9,326
Due from related parties	1	—	—	1
Cash and cash equivalents				
— Not yet past due	134,696	—	—	134,696
	152,533	—	—	152,533

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021					
Interest-bearing bank borrowings	—	323	30,141	—	30,464
Trade payables	15,871	—	—	—	15,871
Other payables and accruals	8,876	—	—	—	8,876
Other long-term liabilities	—	—	7,369	42,188	49,557
Due to related parties	60,255	—	—	—	60,255
	85,002	323	37,510	42,188	165,023
31 December 2020					
Interest-bearing bank borrowings	—	465	31,194	—	31,659
Trade payables	13,839	—	—	—	13,839
Other payables and accruals	79,186	—	—	—	79,186
Other long-term liabilities	—	—	1,065	11,761	12,826
Due to related parties	59,649	—	—	—	59,649
Financial guarantees*	—	—	—	100,000	100,000
	252,674	465	32,259	11,761	297,159
31 December 2019					
Interest-bearing bank borrowings	—	1,307	92,592	—	93,899
Trade payables	8,128	—	—	—	8,128
Other payables and accruals	6,715	—	—	—	6,715
Other long-term liabilities	—	—	1,065	12,829	13,894
Lease liabilities	1,573	—	—	—	1,573
Due to related parties	376,365	—	—	—	376,365
Financial guarantees*	—	—	—	140,000	140,000
	532,781	1,307	93,657	12,829	640,574

* The Group is exposed to liquidity risk that arises from financial guarantees given by the subsidiary of the Group. The guarantees are callable if the respective subsidiary is unable to meet its obligations (note 32).

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank borrowings, lease liabilities, amounts due to related parties, trade payables, financial liabilities included in other payables, deposits received and accruals, and other long-term liabilities, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	90,000	30,000	30,000
Lease Liabilities	1,573	—	—
Due to related parties	376,365	59,649	60,255
Trade payables	8,128	13,839	15,871
Financial liabilities included in other payables, deposits received and accruals	6,715	79,186	8,876
Other long-term liabilities	10,101	9,758	43,527
Less: Cash and cash equivalents	(134,696)	(202,907)	(182,398)
Net debt	358,186	(10,475)	(23,869)
Equity attributable to owners of the parent	75,714	482,185	488,637
Capital and net debt	433,900	471,710	464,768
Gearing ratio	83%	N/A	N/A

As at 31 December 2020 and 2021, the Group's cash and cash equivalents exceeded the financial liabilities. As such, no gearing ratio as at 31 December 2020 and 2021 was presented.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2021.

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the Track Record Period (the "Accountants' Report") prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this document, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline ("AG") 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the HKICPA is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of our Group attributable to owners of the Company as at 31 December 2021 as if it had taken place on 31 December 2021.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 31 December 2021 or at any future dates following the [REDACTED]. It is prepared based on our unaudited consolidated net tangible assets of our Group as at 31 December 2021, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report.

	Audited consolidated net tangible assets attributable to equity owners of the parent as at 31 December 2021	**Estimated [REDACTED] from the [REDACTED]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$ equivalent*
	(note 1)	*(note 2)*		*(note 3)*	*(note 4) (note 5)*
Based on an [REDACTED] of HKD$[REDACTED] per Share after a [REDACTED] of 10%	356,315	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	356,315	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	356,315	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The consolidated net tangible assets attributable to owners of the parent as at 31 December 2021 is extracted from the Accountants' Report set out in Appendix I to this Document, which is based on the consolidated net assets of our Group attributable to owners of the Company as at 31 December 2021 of approximately RMB489 million with an adjustment for the intangible assets of RMB133 million.

2. The estimated [REDACTED] from the [REDACTED] are based on the [REDACTED] of HKD$[REDACTED] HK$[REDACTED] per Share or HK$[REDACTED] per Share, being the price after making a [REDACTED], the [REDACTED] after deduction of the estimated [REDACTED] fees and other related expenses payable by the Company and takes no account of any Share which may be issued upon the exercise of the [REDACTED]. The estimated [REDACTED] from the [REDACTED] are converted from Hong Kong dollars into RMB at an exchange rate of HK$1.00 to RMB0.8113.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share has been arrived at after having made the adjustments referred to in the preceding paragraphs and on the basis of a total of [REDACTED] shares, were in issue assuming that [REDACTED] has been completed as at 31 December 2021, excluding Shares which may be issued upon the exercise of the [REDACTED].

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from RMB into Hong Kong dollars at the rate of HK$1.00 to RMB0.8113. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa at that rate or at any other rates or at all.

5. No adjustment has been made to reflect any trading results or other transactions entered into by our Group subsequent to 31 December 2021.

[REDACTED]

[REDACTED]

[REDACTED]

Qualified Person's Report for Songjiagou Gold Project, Shandong Province, People's Republic of China

Report Prepared for

SINOGOLD

SINOGOLD Resources Holdings Group Co., Ltd.

Report Prepared by

srk consulting

SRK Consulting China Ltd.
SRK Project Number: **SCN709**
Effective date: **31 December 2021**
Signature date: **31 December 2021**

Qualified Person's Report for Songjiagou Gold Project Shandong Province, People's Republic of China

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IMPORTANT NOTICE

SRK Consulting China Ltd. (the "**SRK**") was requested by SINOGOLD Resources Holdings Group Co., Ltd. ("**SINOGOLD**" or the "**Company**") to prepare a Qualified Person's Report (the "**QPR**" or "**CPR**") for Songjiagou Gold Project (the "**SJG Project**") located in Shandong Province of the People's Republic of China (the "**PRC**" or "**China**") in compliance with the requirements of Canadian National Instrument 43-101 (the "**NI 43-101**") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The quality of information, conclusions and estimates contained herein is consistent with the level of effort involved in SRK's services, based on: (i) information available at the time of preparation, (ii) data supplied by outside sources, and (iii) the assumptions, conditions and qualifications set forth in this QPR. This QPR is intended for use by SINOGOLD subject to the terms and conditions of its agreement with SRK and relevant securities legislation. The QPR will be included into the documents submitted to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for SINOGOLD's [REDACTED] (the "**[REDACTED]**"). Any other uses of this QPR by any third party are at that party's sole risk. The responsibility for this disclosure remains with SINOGOLD. The user of this document should ensure that this is the most recent QPR for the SJG Project as it is not valid if an updated QPR has been issued.

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EXECUTIVE SUMMARY

SRK Consulting China Ltd. (the "**SRK**") was requested by SINOGOLD Resources Holdings Group Co., Ltd. ("**SINOGOLD**" or the "**Company**") to prepare a Qualified Person's Report (the "**QPR**" or "**CPR**") for Songjiagou Gold Project (the "**SJG Project**") located in the People's Republic of China (the "**PRC**" or "**China**") in compliance with the requirements of Canadian National Instrument 43-101 (the "**NI 43-101**") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Yantai Zhongjia Mining Co., Ltd. (the "**Yantai Zhongjia**"), a limited liability company established in the PRC is 75% indirectly owned by SINOGOLD. Yantai Zhongjia holds two mining licences for the SJG Project, in respect of the Songjiagou Open-Pit Mine (the "**SJG Open-Pit Mine**") and the Songjiagou Underground Mine (the "**SJG Underground Mine**"). The SJG Open-Pit Mine is a producing open pit mine and will continue to be mined about nine years using open pit methods. The SJG Underground Mine is a producing underground mine and will continue to be mined about eight years by underground methods.

This QPR is an independent review of the SJG Project's geology, exploration, Mineral Resources, Mineral Reserves, mining, mineral processing, capital investment, operating cost, and environmental and social aspects.

Outline of work program

The scope of work includes the construction of a mineral resource model for the gold ("**Au**") mineralisation delineated by drilling on the SJG Project and the preparation of a QPR in compliance with the NI 43-101 and the Listing Rules.

The Mineral Resource statement reported herein is a collaborative effort between SINOGOLD and SRK personnel. The exploration database was compiled and maintained by SINOGOLD and was reviewed by SRK.

The geological model and wireframes defining the Songjiagou mineralisation were constructed by SRK based on the exploration database provided by SINOGOLD. In SRK's opinion, the geological model is a reasonable representation of the distribution of the targeted mineralisation at the current level of sampling. The geostatistical analysis, variography and grade models were completed by SRK from June 2018 to September 2018 and were updated in December 2021.

Based on the Mineral Resource statements and models, and the feasibility studies and designs of the mines by other third parties, SRK converted the qualified Mineral Resources into Mineral Reserves, and rescheduled the productions of the mines.

Overview

The SJG Project, owned by Yantai Zhongjia, is located in the eastern part of the Jiaobei Terrane and northeast margin of the Jiaolai Basin on the Shandong Peninsula, approximately 50 kilometres ("**km**") south of Yantai City, an important coastal city in China's well developed eastern Shandong Peninsula.

The SJG Project consists of SJG Open-Pit Mine, SJG Underground Mine, and related facilities that are suitable for supporting the operations. The SJG Open-Pit Mine is a producing open pit applying conventional drilling-blasting-loading-hauling mining techniques to produce about 1.0–1.5 million tonnes per annum ("**Mtpa**") ore in years from 2019 to 2021. The SJG Underground Mine is a producing underground mine applying cut-and-fill mining and shrinkage stope mining to produce ores since 2019. The processing plant has a designed capacity of 6,000 tonnes per day ("**tpd**") to produce gold concentrate.

The SJG Open-Pit Mine and the SJG Underground Mine are situated in the Muping-Rushan gold belt. It is a moderate temperature hydrothermal filling and metasomatic conglomerate type gold deposit. SRK has worked on the SJG Project since 2012, conducting technical services and preparing various technical reports on the SJG Project, and conducted data verification programs and carried out quality assurance and quality control programs on some exploration programs. Based on the review of active database and economic and technical parameters provided by Yantai Zhongjia technical department, SRK has estimated and updated the Mineral Resources and Mineral Reserves of the SJG Project.

The Mineral Resource statements for SJG Open-Pit Mine and SJG Underground Mine are shown in Table ES-1 and Table ES-2, respectively.

Table ES-1: Mineral Resources Statement for SJG Open-Pit Mine, as of 31 December 2021[1, 2]

Category	Cut-off Grade	Quantity	Gold Grade	Gold Content	
	g/t Au	Mt	g/t	t	koz
Indicated	0.3	35.3	1.10	38.9	1,250
Inferred	0.3	37.0	0.95	35.1	1,129

Notes:

1. All figures are rounded to reflect the relative accuracy of the estimate.

2. The information in this QPR with regard to Mineral Resource estimates is based on information compiled by Dr Anson Xu and Mr Pengfei Xiao, employees of SRK Consulting China Ltd. Dr Xu, FAusIMM, and Mr Xiao, MAusIMM, have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Qualified Persons as defined in the NI 43-101. Dr Xu and Mr Xiao consent to the reporting of this information in the form and context in which it appears.

Table ES-2: Mineral Resources Statement for SJG Underground Mine, as of 31 December 2021[1, 2]

Category	Cut-off	Quantity	Gold Grade	Gold Content	
	g/t Au	kt	g/t	t	koz
Indicated	0.7	1,717	1.39	2.4	77
Inferred	0.7	3,050	1.24	3.8	122

Notes:

1. All figures are rounded to reflect the relative accuracy of the estimate.

2. The information in this QPR with regard to Mineral Resource estimates is based on information compiled by Dr Anshun Xu and Mr Pengfei Xiao, employees of SRK Consulting China Ltd. Dr Xu, FAusIMM, and Mr Xiao, MAusIMM, have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Qualified Persons as defined in the NI 43-101. Dr Xu and Mr Xiao consent to the reporting of this information in the form and context in which it appears.

The Mineral Reserve statement for SJG Open-Pit Mine and SJG Underground Mine are shown in Table ES-3 and Table ES-4, respectively.

The mine plan prepared based on the Mineral Reserves generates a 9-year mine life for the SJG Open-Pit Mine at a production rate of 3.3 Mtpa, and an 8-year mine life for the SJG Underground Mine at a production rate of 90 ktpa.

The capital costs and operating costs provided to SRK were modified to match production capacity and the current economic conditions. The economic analysis results demonstrate the economic viability of the SJG Project.

Table ES-3: Mineral Reserve Statement for SJG Open-Pit Mine, as of 31 December 2021[1, 2, 3, 4]

Category	Cut-off	Ore Quantity	Gold Grade	Gold Content	
	g/t Au	Mt	g/t	t	koz
Probable	0.3	23.8	1.16	27.6	887

Notes:

1. All figures are rounded to reflect the relative accuracy of the estimate.

2. Both the mining dilution and loss rates are set to 5%.

3. The Mineral Reserves are included in the Mineral Resources. They shouldn't be added to the Mineral Resources.

4. The information in this QPR which relates to Mineral Reserve conversion is based on information compiled by Mr Yonggang Wu, MAusIMM, and Dr Anshun Xu, FAusIMM, employees of SRK Consulting China Ltd. Both Dr Xu and Mr Wu have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Qualified Persons as defined in the NI 43-101. Dr Xu supervised the work of Mr Wu. Dr Xu and Mr Wu consent to the reporting of this information in the form and context in which it appears.

Table ES-4: Mineral Reserve Statement for SJG Underground Mine, as of 31 December 2021[1, 2, 3, 4]

Domain	Category	Cut-off	Ore Quantity	Gold Grade	Gold Content	
		g/t Au	kt	g/t	kg	koz
6	Probable	0.7	38	1.92	73	2.4
7	Probable	0.7	109	1.73	188	6.1
11	Probable	0.7	248	1.50	372	12.0
16	Probable	0.7	262	1.12	292	9.4
Total	Probable	0.7	657	1.41	926	29.8

Notes:

1. All figures are rounded to reflect the relative accuracy of the estimate.

2. The mining dilution rate is 11%. The mining loss rate is 8%.

3. The Mineral Reserves are included in the Mineral Resources. They shouldn't be added to the Mineral Resources.

4. The information in this QPR which relates to Mineral Reserve conversion is based on information compiled by Mr Yonggang Wu, MAusIMM, and Dr Anshun Xu, FAusIMM, employees of SRK Consulting China Ltd. Both Dr Xu and Mr Wu have sufficient experience relevant to the style of mineralisation and type of deposit under consideration

and to the activity which they are undertaking to qualify as Qualified Persons as defined in the NI 43-101. Dr Xu supervised the work of Mr Wu. Dr Xu and Mr Wu consent to the reporting of this information in the form and context in which it appears.

Based on the SRK's review and projection using discount cash flow modelling, the SJG Open-Pit Mine has a net present value (the "**NPV**") of Renminbi (the "**RMB**") 3,064 million Yuan at a discount rate of 9%, and the SJG Underground Mine has an NPV of RMB98 million Yuan at a discount rate of 9%.

Property description and location

The SJG Project is located in the eastern part of the Jiaobei Terrane and northeast margin of the Jiaolai Basin on the Shandong Peninsula. The SJG Open-Pit Mine and the SJG Underground Mine are regarded as a conglomerate type of gold deposits, associated with mesothermal filling activities followed by alterations and metasomatism.

Table ES-5 summarises the status of key operational licences and permits for the SJG Project. SRK has reviewed the information provided by Yantai Zhongjia and is satisfied that the extent of the properties described in the various rights are consistent with the maps and diagrams received from Yantai Zhongjia.

Table ES-5: Key Operational Licenses and Permits

Holder	Business License	Mining Licenses	Safety Production Permits	Water Use Permit
Yantai Zhongjia	Y	Y	Y	Y

Note: "Y" denotes the licence/permit is granted and has been sighted by SRK.

Accessibility, climate, local resources, infrastructure and physiography

The SJG Project is located approximately 50 km south of Yantai City, an important coastal city in the well-developed eastern Shandong Peninsula of China. The SJG Project is easily accessed by road, railway, sea, and air.

The mine area has a warm and semi-humid monsoon climate with marine characteristics and no drastic seasonal changes. Generally, there is no extreme cold or hot weather to hinder mining and processing operations.

Local provision of mining labour is sufficient for the operation of the SJG Project. Industry and agriculture are well developed in the area. Mining equipment and accessories are available in Yantai City, as are workshops for mechanical maintenance. Materials such as cement, steel, wood, and chemical agent are generally purchasable in Yantai City.

Domestic and industrial water can be supplied by the Rushan River, which passes approximately about 2 km east of the SJG Project area, adequate to support mine's production. Electrical power is available locally. A 10 kilovolt ("**kV**") power line and a diesel generator owned by Yantai Zhongjia, with an installed generation capacity of 120 kilowatts ("**kW**") are adequate to support the mine's production.

The geomorphology of the SJG Project area is originally characterised by gently undulating hills, and overall the topography slopes downward from west to east. The highest elevation is about 140 metres ("**m**") above sea level ("**ASL**") and the lowest is 78 m ASL with a relative relief of 62 m in the SJG Project area.

History

The area has been explored by various Chinese geological brigades since the 1960s, and such exploration was carried out according to Chinese national exploration standards. The following are simple chorological description of exploration activities in history:

- Between 1982 and 1989 the Shandong Geophysical and Geochemical Prospecting Institute (the "**Shandong GGPI**") conducted a gravity survey at a scale of 1:200,000 and a stream sedimentary survey at a scale of 1:50,000.

- Between 1983 and 1986, the No. 3 Geological Mineral Resource Prospecting Institute of Shandong Province (the "**No. 3 Geological Institute**") undertook regional gold metallogenetic research.

- Between 1984 and 1993, the No. 3 Geological Institute and the No. 1 Geological Mineral Resource Prospecting Institute of Shandong Province (the "**No. 1 Geological Institute**") carried out regional geological mapping on a scale of 1:50,000.

- In 1991 the No. 3 Geological Institute conducted preliminary mineral prospecting in the Songjiao-Songjiagou area. Several gold mineralised bodies were defined by a few trenches and drill holes.

- In 1997 and 1998, prospecting work continued with geological mapping, surveying, trenching, tunnelling and drilling, and the exploration results were compiled in a report titled *Geological Prospecting Report of Songjiagou Gold Prospect in Muping District, Yantai City, Shandong Province* by No. 3 Geological Institute in February 1998. The geological report was approved by the Yantai Bureau of Land and Resources in 2001.

- In 1998 the No. 3 Geological Institute conducted prospecting in the Fayunkuang area and estimated a total Mineral Resource in former Chinese Categories D and E Categories (similar to Inferred Mineral Resource of JORC Code) of approximately 1.8 Mt with an average grade of 6.8 g/t Au. The exploration results were summarised in a report titled *Fayunkuang Gold Prospect in Muping District, Yantai City, Shandong Province*, submitted by No. 3 Geological Institute in October 2012.

- Between 1999 and 2003, the No. 3 Geological Institute was commissioned by Yantai Mujin Mining Co., Ltd. (the "**Yantai Mujin**") to conduct general exploration in the Songjiagou area. Yantai Mujin completed 20 shallow drill holes and carried out 1,600 m of induced polarization (the "**IP**") geophysical profiling that resulted in the identification of nine anomalies. Exploration works completed during this period also included geological mapping, magnetic surveying, trenching, 14 drill holes with a total depth of 1,640 m, and 2,860 m long of underground workings.

- Between October 2003 and December 2011, exploration was conducted by Yantai Zhongjia itself within the mine area. The main works include the topographic survey at a scale of 1:2,000 covering 1 km^2, 30 drill holes with a total length of 8,947.59 m, 472.32 cubic metres trenches, density testing of 106 samples and logging of hydrogeology and engineering geology for 13 drill holes.

- During 2012 and April 2013, the No. 3 Geological Institute was commissioned by Yantai Zhongjia to conduct detailed exploration campaign. The main works include 1:10,000 geological revision covering 12 km^2, 1:10,000 hydrogeological revision covering 12 km^2, 1:2,000 topographic survey covering 1.30 km^2, 1:2,000 hydrogeological revision covering 3.76 km^2, 1,204.08 cubic metres trenches, 20 drill holes with a total length of 7,093.42 metres, basic analysing of 7,853 samples, 75 samples for geotechnics test, 7 samples for complete water quality analysis, 8 samples for rock-mineral determination, 8 samples for quantitative spectrographic analysis, 137 samples for density and humidity test, 89 composites, 991 basic internal duplicates, 7 composting internal duplicates, and 320 external duplicates.

Geological setting and mineralisation

The SJG Project is situated in China's Shandong Peninsula, along the southeastern margin of the North China Plate and on the western margin of the Pacific Plate, in the eastern part of the Jiaobei Terrane and northeastern margin of the Jiaolai Basin, which is regarded as part of the Muping-Rushan gold belt.

Regional tectonics are characterised by two major orogenesis: the Indosinian collision between the North China and Yangtze cratons, with the nearly east-west directional suture defined as the Triassic Qinling-Dabie-Sulu metamorphic belt during the late Permian to Triassic epoch; and the Yanshanian subduction of the Pacific Plate beneath Eurasia Plate during the Middle Jurassic epoch.

The rock layer consists of Paleoproterozoic Jingshan Group metamorphic rocks, Mesozoic Cretaceous Laiyang Group sediments and Cenozoic quaternary system and is dominated by Laiyang Group. The local structure features two major fault zones, the northeast striking Yazi Fault Zone and the northwest oriented Tanjia Fault Zone. Main magmatic activity is represented by monzonite granite.

The highest grades of gold mineralisation are confined to relatively narrow although vertically and horizontally persistent zones. Gold mineralisation is associated with sulphides. Mineralised rocks present in grained, in-filling, clastic, or brecciated textures. The boundaries between wall rocks, internal waste, and host rocks are not visually obvious, and must be determined by chemical analysis.

Deposit types

Gold mineralisation occurs in pyrite-sericite altered conglomerates in the Linsishan Formation, which is part of the Cretaceous Laiyang Group. Gold enrichment occurs as veins as well as in disseminated structures and stockwork distributions.

The deposit is a moderate temperature hydrothermal filling and metasomatic conglomerate type gold deposit. As there is no clear boundary between wall rocks and ore chemical analysis is used for defining ore bodies.

Exploration

The SJG Open-Pit Mine has been well prospected within the current licenced area, with completed works including geophysics and geochemical studies, exploration, geological mapping, surveying, trenching, underground channelling, and drilling.

The SJG Underground Mine has been explored with drilling, trenching and underground channelling and has potential for in-fill Mineral Resource exploration and upgrade.

Drilling, trenching and underground channelling

The SJG Project has been explored with several campaigns at various stages. These stages can be classified into two types: 1) prior to 2005, the No.3 Geological Institute took main responsibility in the exploration and submitted reports for relevant authorities; and 2) post 2005, Yantai Zhongjia has taken over the exploration and the No. 3 Geological Institute has been assisting Yantai Zhongjia with exploration.

A total of 145 diamond drill holes have been completed since 1997, including 17 underground drill holes with a total length of 1,435 m and 128 surface drill holes with an aggregate length of 37,053 m. Prior to Yantai Zhongjia, there were 32 drill holes completed by No. 3 Geological Institute. A total of 1,152 samples were collected from the underground drilling and 26,654 samples were collected from the surface drilling. Drilling was performed using mostly HQ core and a few NQ core sized drill rods. More than half of the holes were drilled with dips of –60° or –45° to the northwest, and a few were drilled vertically (dip angle –90°). Core recoveries generally averaged above 95% and recoveries of mineralised intervals were about 97%. The statistics and calculations were performed by No. 3 Geological Institute.

The surface trenching used in earlier stage revealed good indications of mineralisation, which encouraged systematic drilling to follow up. A total of 75 trenches with an aggregate length of 5,883 m were excavated by Yantai Zhongjia in 1999–2007, from which 5,378 samples were collected. Gold content of these samples ranged from zero to 46.2 g/t Au, with about 5% of the assay values exceeding 1.0 g/t Au. Trenches were dug by backhoe and then cleaned prior to sampling. The trenches were completed by third-parties and were sampled by Yantai Zhongjia personnel. Trench sections were trapezoidal, with upper widths of 1.2 m and bottom widths greater than 0.8 m.

A total of 91 underground channels have been completed on the +9 m, –40 m, –80 m, and –120 m level in the underground voids of SJG Open-Pit Mine, from which 3,309 channel samples were collected. Data from these channel samples were compiled by Yantai Zhongjia. The underground engineering was undertaken by Yantai Huazhong Mine Engineering Company Limited, as reported by No. 3 Geological Institute. The underground tunnels were excavated with dimension of 2.2 m high by 2.2 m wide.

In 2018, a total of 15 underground channels were sampled in the SJG Underground Mine, on the +49 m, +9 m and –40 m levels, and a total of 257 underground channel chips were dispatched to SGS Laboratory in Tianjin, China (the "**SGS Tianjin**") for sample preparation and chemical assay. SRK has supervised the sampling program.

The underground channelling suggests that the gold mineralisation of the SJG Project has a considerable extension from surface down to at least –120 m level. There are both surface and underground drill holes having intercepted gold mineralisation at deeper zones below this level.

The database for Mineral Resource estimation used in this QPR consists of 128 surface diamond drill holes with an aggregate length of 37,053 m drilled from surface since 1997, and 106 underground channels totalling 12,262 m, in addition to 17 underground drill holes with a total length of 1,435 m, as well as 75 surface trenches with an aggregate length of 5,883 m.

The actual workload completed in SJG Project might exceed these amounts. Quite a few of drill holes and trenches and/or channel data was not incorporated due to missing of verifiable collar or sample records. Prospecting pits and other workings had previously been conducted in the SJG Project area but are not included in the database provided.

The exploration generally followed a systematic sectional layout, designed with a number of exploration lines oriented northwest-southeast. The designed exploration lines cross-cut the gold enriched mineralised veins with overall north-easterly strikes. The exploration lines were spaced about 60 m apart and drill holes on a 60 m × 80 m grid were supplemented by surface trenching spaced about 30 m to 60 m apart. The vertical extension of the gold mineralisation was verified by underground cross-cuts spaced about 30 m apart on the +9 m, –40 m, –80 m, and –120 m levels.

Regional geochemical and geophysical investigations have been conducted by various geological brigades and institutes during the reconnaissance stage. SRK has not been provided with such data as it is not material to this review.

Sample preparation, analyses, and security

Samples related to Mineral Resource statement for the SJG Open-Pit Mine were derived from exploration conducted mainly between 2005 and 2007, with about 20% from the exploration campaigns prior to 2005 and after 2007, which were validated for Mineral Resource estimation. The database for SJG Underground Mine Mineral Resource estimates combined sample data in various stages, mainly consisting of drilling program since 2005, trenches conducted prior to 2005, and the underground channelling in 2018.

Sampling was completed by No. 3 Geological Institute or SINOGOLD staff under supervision of a Competent Person (the "**CP**") from SINOGOLD. Samples were logged and prepared to rock chips at the SJG Project site and then shipped to SGS Tianjin. Samples were analysed by SGS Tianjin using screen fire assays, in which 1 kilogram ("**kg**") quantities of pulp were subjected to screening for metal content prior to analysis. The screen fire assay is typically used for nugget gold samples that contain coarse gold particles.

Drill core was logged by No. 3 Geological Institute and SINOGOLD staff; and core samples were obtained by cutting the core into two halves. One half was placed in sample bags; the remaining half-cores were returned to the core box. The basic length of drill core samples was 1 m. Trench samples were collected using channel method with a sectional size of 10 centimetres ("**cm**") × 5 cm and a basic sample length of 1 m.

Underground channel sampling was conducted by Yantai Zhongjia. The samples were taken from cross-cuts as well as from drifts along veins. Sample length varied from 0.5 m to 2.4 m with an average length of 1 m. The channel section size was 10 cm × 3 cm.

Specific gravity (the "**SG**") samples were collected and analysed by No. 3 Geological Institute. Density, humidity, and gold grade were determined.

Prior to 2007, the previous exploration has been summarised in a report prepared in compliance with China exploration standard by No. 3 Geological Institute, in which an internal laboratory check and an external check with pulp duplicates are obligatory. The previous technical report and Mineral Resource estimation were prepared by Wardrop Engineering Inc. (the "**Wardrop**") in accordance with NI 43-101, and as reported by Yantai Zhongjia. The Qualified Persons include Nory Narciso, John Huang and Greg Mosher. The quality assurance and quality control (the "**QA/QC**") programs were assessed.

- Assay data was reviewed for 174 blanks (3.5% of the total sample population) that were analysed in conjunction with samples from the drilling and trenching programs. All analyses of blanks were below the detection (<5 parts per billion ("**ppb**") gold) threshold, indicating that there is no evidence of cross-sample contamination during the sample preparation process.

- The same set of four standards were used for both the drilling and trenching programs: CDN-GS15A with an expected mean value of 14.83 g/t Au and 2 standard deviations (the "**SD**") of 0.61 g/t Au; CDN-GS1P5B with an expected mean of 1.46 g/t Au and 2 SD of 0.12 g/t; CDN-GSP1 with an expected mean of 0.12 g/t Au and 2 SD of 0.02 g/t Au; and CDN-GSP5B with an expected mean of 0.44 g/t Au and 2 SD of 0.04 g/t Au. All standards were prepared by CDN Resource Laboratories of Delta, British Columbia, Canada.

- The high failure rate for analyses of standard CDN-GS15A is noteworthy: 58% for the drill program and 78% for the trench program. Failures include both over and under-estimations. These results suggest that high assay values may be inaccurate, either positively or negatively, and such a high failure rate could potentially compromise the quality of the dataset, except for the fact that only 18 of the nearly 5,000 assays exceed 10 g/t Au, so the potential impact is considered to be negligible."

SRK notes that SGS Tianjin has its own protocols for quality control applying standards, blanks and duplicates as well. As advised, actions were taken by SINOGOLD with respect to the out-of-bound values, i.e., repeated sampling and assaying, using duplicates and standard samples to monitor the procedures.

SGS Tianjin returned the sample pulps and coarse rejects to Yantai Zhongjia. The sample rejects and pulps are stored together with drill cores in a security facility near Yantai Zhongjia's office building.

SRK has performed QA/QC check after 2011 and is of opinion the previous database is integrated and suitable for Mineral Resource estimation.

The sampling program at the underground of SJG Underground Mine in 2018 has been supervised by SRK and the samples were prepared and analysed in SGS Tianjin. A screening fire assay with atomic absorption spectrometry (the "**AAS**") finish has been applied.

Data verification

The exploration data used for Mineral Resource estimation in this QPR was compiled by SINOGOLD; most of it was previously used by Wardrop in preparation of the preliminary economic analysis (the "**PEA**") technical report issued in 2011. Wardrop stated in 2011 that they have verified both drill assays (73%) and trench assays (18%) as received from SINOGOLD against assay reports issued by SGS Tianjin.

SRK has reviewed the geological report prepared by No. 3 Geological Institute issued in 2011 and compared it with the compiled database; furthermore, the assay result datasheet from SGS Tianjin was partly inspected by SRK.

In 2012 SRK collected a random group of field samples within the open pit during the site visit and three additional samples, one each from feed processing, concentrate, and tailings. The samples randomly collected by SRK were prepared and analysed by the Intertek Laboratory in Beijing (the

"**Intertek**"). The results of this random check verified that the gold mineralisation is distributed broadly within the Linsishan Formation conglomerate with gold grades varying from 0.1 g/t Au up to several grams per tonne of gold.

A total of 102 coarse rejects (particles sized approximately one millimetre or "**mm**") and 48 pulp duplicates (sized approximately 75 microns or "**µm**") were selected by SRK for independent verification purposes in 2012. The samples were collected from Yantai Zhongjia's core storage located near the SJG Open-Pit Mine; and each sample massed approximately 200 g. The coarse rejects (grain size approximately 1 mm) were further pulverised to 75 µm in the ALS Chemical Assaying Laboratory in Guangzhou, China (the "**ALS**"). All the verification samples were analysed by ALS. The applied method was aqua regia digestion followed by fire assays.

There are noticeable discrepancies between coarse rejects and the original assays, however more than half of the comparable results have a relative deviation within a range of +/–20%. The discrepancies discovered in the coarse reject assays are considered reasonable if considering the style of mineralisation and nugget effect. SRK has analysed the sample results with grades above 0.3 g/t Au (the cut-off grade at SJG Open-Pit Mine) and is of opinion that the overall comparison provides a confidence in the original assays. The sample preparation in SGS Tianjin has been further revisited and monitored by SINOGOLD and it was concluded that the processes were compliant with industrial applied QA/QC protocols.

The comparison between pulp duplicates and original assays were matched well and the deviation is general with a range of +/–10% with few discrepancies.

The SJG Open-Pit Mine has been operated for many years at a relatively low cut-off grade and the daily ore feeds in the processing plant have confirmed that.

To test and verify the grades of the SJG Underground Mine, SRK has supervised a sampling program of the underground channels in 2018. A total of 257 samples from three underground levels, namely 85 samples from +49 level, 112 samples from +9 level and 60 samples from –40 level, were taken continuously along the cross-cuts walls. Samples were taken at the panel of an approximate size at 1 m × 1 m.

The underground samples, about 4–5 kg each, were despatched to SGS Tianjin for preparation and analyses. A screening fire assay method was applied, with **AAS** finish. SRK reviewed the assays of these underground samples and is of opinion that the results coincide with the underground development of cross-cuts of the mineralised bodies. Therefore, this sample information was accepted in the integration of the drill hole database.

Mineral Resource estimation

SRK converted the database provided by SINOGOLD into comma-separated values (the "**CSV**") format, validated the database, and removed repeated samples. The drill hole database used for Mineral Resource estimation contains 326 geological engineering works including 145 drill holes (128 surface drill holes and 17 underground drill holes), 75 trenches, and 106 underground engineering.

The database contains 36,748 gold samples in total, including 27,805 from drill holes, 5,377 from trenches, and 3,566 from underground engineering. The maximum gold grade is 263.09 g/t Au and the average gold grade is 0.37 g/t Au prior to grade capping.

The topographic model was converted from the topographic survey map conducted in 2014 and has been updated to 31 December 2021. The block model used fixed size blocks for modelling. Grade interpolation was done using Ordinary Kriging.

The block models for the SJG Open-Pit Mine and SJG Underground Mine were created by SRK and the Mineral Resource estimation were constrained within the low grade shell (modelled basing on the lithology and topography) and the mineralised domains (modelled basing on a cut-off grade of 0.7 g/t Au), respectively.

Mineral Reserve estimation

The SJG Open-Pit Mine is a producing mine. The technical department of the mine maintains an active database for the open pit operation, and provided SRK with related technical and economic parameters for the open pit optimisation and the design of the open pit. SRK reviewed and used SINOGOLD's database and parameters to estimate Mineral Reserves.

With respect to the SJG Underground Mine, a feasibility study report (the "**FSR**") by Yantai Dehe Metallurgy Design Institute Ltd. has been reviewed by SRK to estimate Mineral Reserves.

The cut-off grades were defined to be 0.3 g/t and 0.7 g/t run-of-mine (the "**RoM**") to estimate Mineral Reserves for SJG Open-Pit Mine and SJG Underground Mine, respectively.

SJG Open-Pit Mine

The open pit optimisation was limited within mining licence area. A series of nested open pit shells were generated using floating-cone scenario to simulate pushbacks enlarged at about 1,500 kt ore interval. Economics of these open pit shells were analysed to select the open pit shell for the Mineral Reserve estimation.

SJG Underground Mine

Mineralised zones, including Nos. 6, 7, 11, 16 and 19, were initially selected by SRK to report potential Mineral Reserves. Zones were sliced to create levels, then stopes along strike direction were designed. All stopes within domain 19 have gold grade less than the cut-off grade and were excluded. Stopes within the Inferred Mineral Resources were excluded from reporting of Mineral Reserves. The stopes with a RoM gold grade greater than the cut-off grade of 0.7 g/t Au were included and reported within the Mineral Reserves.

Mining

SJG Open-Pit Mine

SJG Open-Pit Mine is currently operated as an open pit using conventional road-truck technique which is assumed as the bench development method. The mining sequence will be controlled by two pushbacks.

The mine is scheduled to operate 8 hours per shift, 3 shifts per day and 330 days per year. The production capacity is assumed to be 3.3 Mtpa ore.

Conventional drill-blast-load-haul mining cycle is assumed to move rocks within the open pit. The bench height is 12 m high. The blast holes have a grid pattern of (3.5 × 3.8 – 4.0 × 4.0) m. The explosives applied include emulsion for wet rocks and ammonium nitrate/fuel oil (the "**ANFO**") for dry rocks. Ore is trucked directly to the processing plant and waste rock trucked directly to buyers, as such there is no requirement for waste dumps.

The open pit is inspected monthly for open pit stability.

Mine service facilities have been well developed and will continue to support daily operations.

SJG Underground Mine

The SJG Underground Mine utilises cut-and-fill mining and shrinkage stope mining methods and relies on cemented paste fill or cemented rock fill to support the stoping operation. The development system mainly consists of a trackless access ramp, six level haulage ways, an auxiliary shaft, a surface upcast and an underground upcast.

Off-road/underground dump trucks move both ore and wastes to surface along the level haulage way and the access ramp.

The mine is scheduled to operate 8 hours per shift, 3 shifts per day, 330 days per year. Hauling of ore along the access ramp is scheduled to operate just one shift per day. The production capacity is assumed to be 90 ktpa ore.

Mine service facilities have been well developed or shared with the SJG Open-Pit Mine to support daily operations.

Mineral processing

The ore of Songjiagou deposit is low-grade gold with low content of sulphides. Both processing test results and historical production records show that the ore is amenable to conventional floatation process. A simple floatation flowsheet achieves a satisfied gold recovery to a concentrate.

Yantai Zhongjia organised and funded the construction of a processing plant with a throughput of 6,000 tpd, a tailings storage facility (the "**TSF**") and other suitable auxiliary facilities. The TSF is in good condition and has capacity to support 12 years of production at current throughput as of December 2021.

The processing plant adopts a processing flowsheet including the following major operations:

- A process of conventional three-stage crushing in closed circuit and one-stage screening is adopted to crush the RoM from a maximum size of 1,000 mm to 80% passing 12 mm.
- A process of one-stage grinding in closed circuit with conventional spiral classification is adopted to grind the crushed ore to approximately 50% passing 75 μm.
- Roughing floatation of the spiral classifier overflow followed by two scavenger cells produce rough concentrate and final tailings. The final tailings are pumped to the TSF. Two cleaning stages are conducted on the rough concentrate to produce a final gold concentrate.
- The final concentrate is dewatered through condensing and filtration in the processing plant. The dewatered concentrate is sold to nearby smelters.

The historical performance of the processing plant is shown in Table ES-6.

Table ES-6: Historical Processing Performances

Item	**Unit**	**2019**	**2020**	**2021[1]**
RoM tonnage	kt	1,304	1,590	1,024
RoM gold grade	g/t	0.68	0.70	0.62
Gold content in RoM	kg	883	1,109	640
Concentrate production	kt	47.29	46.83	28.66
RoM/concentrate	t/t	27.56	33.96	35.72
Concentrate grade	g/t	17.87	22.69	21.28
Gold content in concentrate	kg	845	1,062	610
Gold recovery rate	%	95.73	95.82	95.33

Note:

1. Processing was conducted in months January, February, April, May, and August to December.

Environmental, social, health and safety impact

The sources of inherent environmental risk are project activities that may result in potential environmental impacts. The environmental risks for the SJG Project are:

- Land disturbance and steep side slope;
- Poor water management; and
- Dust emission.

The above environmental risks are categorised as moderate/tolerable risks (i.e., requiring risk management measures). In addition, Yantai Zhongjia is of the view that the environment issues identified above will be under consideration and resolved in the foreseeable future.

Based on the review of the information provided and the site visit observations, it is SRK's opinion that the environmental risks for SJG Project are generally being managed in accordance with Chinese national requirements.

Mine closure and land rehabilitation

No comprehensive site closure plan was provided to SRK for review, but SRK was provided with a Land Reclamation Plan/approval and a Mine Site Geological Environment Protection and Rehabilitation Plan/approval for SJG Open-Pit Mine and SJG Underground Mine respectively.

SRK notes that the proposed approach to site rehabilitation is generally in line with the relevant recognised Chinese industry practices.

Capital cost and operating cost

Records of capital cost ("**Capex**") and operating cost ("**Opex**") have been provided to SRK. Production capacity ratio was applied to modify records to estimate future costs.

SJG Open-Pit Mine

The life of mine (the "**LoM**") Capex and forecasts are shown in Table ES-7. The Opex forecasts are shown in Table ES-8.

Table ES-7: Capex Records and Forecasts for SJG Open-Pit Mine ('000 RMB)

Item	Actual Value	SRK Forecast
Sunk Capex	—	443,653
Initial Capex	684,028	—
Sustaining Capex	—	110,522
Total	684,028	554,176

Table ES-8: LoM Opex Forecasts for SJG Open-Pit Mine ('000 RMB)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030
Mining	377,663	28,797	33,420	38,043	40,355	40,355	49,601	49,601	49,601	47,890
Processing	1,104,829	71,464	85,818	105,490	115,326	115,326	154,671	154,671	154,671	147,392
Administration	148,025	16,141	16,486	16,486	16,486	16,486	16,486	16,486	16,486	16,486
Refining	68,959	4,258	5,676	6,990	8,302	8,577	9,409	9,711	7,871	8,165
Mineral resource tax	319,415	22,098	27,671	33,339	38,714	38,953	42,457	43,822	35,516	36,845
Total	2,018,891	142,759	169,071	200,348	219,183	219,697	272,623	274,290	264,144	256,777

SJG Underground Mine

The Capex records and forecasts are shown in Table ES-9. The LoM Opex forecasts are shown in Table ES-10.

Table ES-9: Capex Records and Forecasts for SJG Underground Mine ('000 RMB)

Item	Actual Value	SRK Forecasts
Sunk Capex	—	99,378
Initial Capex	140,618	—
Sustaining Capex	—	3,886
Total	140,618	103,265

Table ES-10: LoM Opex Forecasts for SJG Underground Mine ('000 RMB)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029
Mining	71,838	9,744	9,744	9,744	9,744	9,744	9,744	9,386	3,988
Processing	29,474	4,024	4,024	4,024	4,024	4,024	4,024	3,716	1,615
Administration	5,575	753	753	753	753	753	753	745	312
Refining	2,315	383	381	341	364	286	262	216	80
Mineral resource tax	10,994	1,986	1,858	1,626	1,699	1,301	1,184	977	362
Total	120,196	16,889	16,760	16,488	16,584	16,108	15,968	15,042	6,357

SJG Project

The combined operating costs of historical and forecasted are shown in Table ES-11 for the SJG Project. Please note that:

- the production in year 2021 was significantly interrupted by the People's Government of Shandong Province due to safety production inspection.

- the operating costs after year 2022 are less than those of in history, which is mainly caused by the expanded mining rates of SJG Open-Pit Mine, from 1.5 Mtpa ore to 3.3 Mtpa ore.

Table ES-11: Short-term Opex Records and Forecasts for SJG Project (RMB/g gold sold)

	Historical			Forecasts				
Item	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Workforce employment	24.51	20.35	23.49	24.25	18.58	15.35	12.99	12.70
Consumables	59.28	49.50	36.14	27.41	26.26	31.09	30.28	29.61
Fuel, electricity, water and other Services	55.56	44.92	66.67	24.88	23.43	19.93	17.34	17.01
On and off-site administration	3.19	6.30	9.87	1.05	0.80	0.66	0.56	0.55
Environmental protection and monitoring	0.00	0.04	0.00	0.01	0.01	0.01	0.01	0.01
Transportation of workforce	1.14	0.66	0.72	0.49	0.38	0.31	0.26	0.26
Product marketing and transport	—	—	—	—	—	—	—	—
Non-income taxes, royalties and other governmental charges	13.44	15.59	17.58	16.57	15.44	14.88	14.38	14.01
Contingency allowances	4.67	7.86	9.35	3.74	2.86	2.37	2.00	1.96
Total	161.79	145.22	163.82	98.40	87.76	84.60	77.82	76.11

Economic analysis

The discounted cash flow (the "**DCF**") method is selected as the foundation of economic analysis. The base date is set at 31 December 2021. The sunk costs were not considered during economic analysis, as sunk costs should not affect the rational decision-maker's best choice.

The results in Table ES-12, showing a positive NPV, indicate that the SJG Project is economically viable.

Table ES-12: Summary of Overall Economic Analysis

Item	Unit	SJG Open-Pit Mine	SJG Underground Mine	Total	Comments
Production capacity	ktpa ore	3,300	90	3,390	
Life of mine	years	9	8	/	
Ore tonnage	kt	23,752	657	24,409	
Gold grade in ore	g/t	1.16	1.41	1.17	
Gold content in ore	kg	27,584	926	28,509	
Gold content in ore	koz	887	30	917	
Processing recovery rate	%	95.00	95.00	95.00	historical data based
Concentrate gold grade	g/t	19.00	19.00	19.00	
Concentrate tonnage	kt	1,379	46	1,425	
Gold content in concentrate	kg	26,204	880	27,084	
Gold content in concentrate	koz	842	28	871	
Payable gold	kg	24,108	809	24,917	
Gold price	RMB g/t	310	310	310	long-term forecasts
Sales revenue	million RMB	7,605	262	7,867	
Operating cost	million RMB	2,019	120	2,139	
Operating cost	RMB/t ore	85	183	88	
Mineral resource tax	million RMB	319	11	330	
Corporate income tax	million RMB	772	8	781	
Sunk capital cost	million RMB	444	99	543	
NPV (9%)	million RMB	3,064	98	3,162	9% is derived from WACC

Risk assessment

SRK completed a risk assessment of the risks identified for the SJG Project in relation to their likelihood of occurrence within the LoM and consequence in accordance with Guidance Note 7 to the Listing Rules.

In general, project risk decreases from exploration, development, through to the production stage. SRK considers the SJG Project to be an advanced project.

SRK considered various technical aspects which may affect the feasibility and future cash flow of the SJG Project and conducted a qualitative risk analysis which has been summarised in Table ES-13. In this risk analysis, various risk sources/issues have been assessed for likelihood and consequence, and then an overall risk rating has been assigned.

Table ES-13: Risk Assessment for SJG Project

Risk Issue	Likelihood	Consequence	Overall
Geology and Mineral Resources			
Lack of significant Mineral Resource tonnage	Unlikely	Moderate	Low
Lower average grade of gold (i.e. 15% lower)	Unlikely	Major	Medium
Unexpected groundwater ingress	Unlikely	Moderate	Low
Overestimate of Mineral Resource potential	Unlikely	Minor	Low
Improper classification of Mineral Resource category	Possible	Moderate	Medium
Misleading geological description (related to low-quality exploration done)	Unlikely	Moderate	Low
Mining			
Significant geological structures	Possible	Moderate	Medium
Deformation of final open pit wall	Possible	Moderate	Medium
Designing of final open pit is wrong	Unlikely	Moderate	Low
Long-term schedule is optimistic	Unlikely	Moderate	Low
Ore production capacity is optimistic	Unlikely	Major	Low
Lack of significant Mineral Reserves	Unlikely	Moderate	Low
Mineral Processing			
Unfit configuration of equipment	Unlikely	Moderate	Low
Actual throughput cannot meet design capacity	Unlikely	Moderate	Low
Unsuitable flowsheet	Unlikely	Moderate	Low
Lower metal recovery	Unlikely	Moderate	Low
Poor plant design	Unlikely	Moderate	Low
Environmental and Social			
Land disturbance and ecological protection	Unlikely	Moderate	Low
ARD impact to the environment	Possible	Moderate	Medium
Land rehabilitation and site closure	Unlikely	Moderate	Low
Stakeholder engagement and cultural heritage protection	Unlikely	Moderate	Low
Capital and Operating Costs			
Project timing delay	Unlikely	Minor	Low
Poor mine management-plan	Possible	Minor	Low
Capital cost increases	Possible	Minor	Low
Higher capital costs — ongoing	Unlikely	Minor	Low
Operating cost underestimated	Possible	Moderate	Medium

Recommendations

Geology

Grade control should be performed for both SJG Open-Pit Mine and SJG Underground Mine to meet grade requirement of the processing plant.

As observed by SRK from the mineral resource model, it can be noted that there are significant Inferred Mineral Resources occurred deeply, especially for those occurred in open pit walls and at depth below the open pit base for SJG Open-Pit Mine. SRK suggests further exploration campaign may be performed to upgrade the category of these Inferred Mineral Resources to reduce exploitation risks and extend the life of mine.

Mining

In order to substantially scale up mining operations, gold concentrate processing and increase gold mineral reserves, optimising open pit mine design should be implemented to cater for the increase in mining capacity, which includes expanding to the south of the current open pit boundary so that the Mineral Resources in the expanded area can be accessible as much as possible, the stripping of topsoil, wastes and ore materials to expose Mineral Resources as soon as possible, the construction of water storage pool and drainage system, the construction of site office and accommodation, the construction of stockpiles to store topsoil for future reclamation, and acquiring of additional equipment to support the expansion plan.

With respect to the SJG Underground Mine, SRK considers that Yantai Zhongjia should strengthen its communication with technicians and management of Mineral Resources to ensure the mining operations could be performed as planned.

Legal claims or proceedings

SRK has been advised by SINOGOLD and its legal advisers that there are no legal claims or proceedings that could influence Yantai Zhongjia's rights to explore and/or mine at both SJG Open-Pit Mine and SJG Underground Mine.

Effective date

The effective date for this QPR is deemed to be 31 December 2021 (the "**Effective Date**"). The Mineral Resource and Mineral Reserve statements set out in this QPR are reported as of 31 December 2021 and represent the Mineral Resources and Mineral Reserves at the Effective Date as audited by SRK.

The LoM plans and associated technical and economic parameters included in the LoM plans and techno-economic models all commence on 1 January 2022.

The financial results for the SJG Open-Pit Mine and SJG Underground Mine are taken to be correct on 31 December 2021, the Effective Date of this QPR.

Material change statement

Based on the information provided by SINOGOLD, there are no events that have occurred since the Effective Date that are likely to have a material impact on the Mineral Resource and Mineral Reserve statements for the SJG Open-Pit Mine and SJG Underground Mine at the date of publication of this QPR.

Requirement and reporting standard

This QPR has been prepared in the format of the NI 43-101 technical report with some modification to fit the requirements of the Stock Exchange, and the Mineral Resources and Mineral Reserves were estimated according to Canadian Institute of Mining, Metallurgy and Petroleum (the "**CIM**") Definition Standards for Mineral Resources and Mineral Reserves adopted by the NI 43-101. The CIM Definition Standards are compatible with the JORC Code which is binding upon all Australasian Institute of Mining and Metallurgy (the "**AusIMM**") members.

Reliance on SRK

This QPR is addressed to and may be relied upon by SINOGOLD, the Directors of SINOGOLD and SINOGOLD's various financial, legal and accounting advisors (the "**Advisers**") in support of the proposed [REDACTED] of SINOGOLD on the Stock Exchange (the "**[REDACTED]**"), specifically in respect of compliance with the requirements of the Listing Rules. SRK agrees that this QPR may be made available to and relied upon by the Advisers.

SRK is responsible for this QPR and for all the technical information contained therein. SRK declares that it has taken all reasonable care to ensure that this QPR and the technical information contained therein is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

SRK confirms that the presentation of technical information contained elsewhere in the document released by SINOGOLD in connection with the [REDACTED] which relates to information in the QPR is accurate, balanced and not inconsistent with the Qualified Person's Report.

SRK believes that its opinion should be considered as a whole and selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in this QPR. The preparation of a QPR is a complex process and does not lend itself to partial analysis or summary.

This QPR includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

Independence

SRK will be paid a fee for this work at commercial rates in accordance with normal professional consulting practice.

Payment of fees is in no way contingent upon the conclusions to be reached in this QPR.

Forward looking statements

This QPR contains statements of a forward-looking nature which are subject to a number of known and unknown risks, uncertainties and other factors that may cause the results to differ materially from those anticipated in this QPR. The achievability of these projections is neither assured nor guaranteed by SRK. The projections cannot be assured as they are based on economic assumptions, many of which are beyond the control of SINOGOLD and SRK. Future cash flows and profits derived from such projections are inherently uncertain and actual results may be significantly more or less favourable.

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GLOSSARY OF TERMS AND ABBREVIATIONS

Abbreviation	Terminology
'	minute of arc
%	percent/percentage
/	per
°	degree(s) of arc
°C	degree(s) Centigrade
3D	three-dimensional
AAS	Atomic absorption spectroscopy
AER	Annual Environmental Report
Ag	The chemical symbol for silver
ALS	ALS Chemical Assaying Laboratory in Guangzhou, China
ANFO	ammonium nitrate/fuel oil
ARD	acid rock drainage
As	The chemical symbol for arsenic
ASL	above sea level
Au	The chemical symbol for gold
AusIMM	Australasian Institute of Mining and Metallurgy
B.Eng.	Bachelor of Engineering
B×H	breadth × height
BD	bulk density
Canadian NI 43-101	National Instrument 43-101, which is a national instrument for the (Canadian) Standards of Disclosure for Mineral Projects, including Companion Policy 43-101 as amended from time to time.
Capex	capital cost
CIM	Canadian Institute of Mining, Metallurgy and Petroleum
CIM Definition Standards	The Definition Standards for Mineral Resources and Mineral Reserves adopted by CIM
cm	centimetre(s)
CME	Chicago Mercantile Exchange
CMF	Consensus Market Forecasts
CMP	composite(s)
Co	The chemical symbol for cobalt
Conc.	Concentrate
CP	Competent Person
CPR	Competent Person's Report
CRF	cemented rock fill
CSV	comma-separated values
Cu	The chemical symbol for copper
Cut-off grade	The grade threshold above which a mineral material is considered potentially economic and is selectively mined and processed as ore
$CuSO_4$	copper sulphate

Abbreviation	Terminology
CoV	Coefficient of Variation
DA	depreciation and amortisation
Dahedong	Yantai City Dahedong Processing Co., Ltd.
m/s	metre(s) per second
DCF	discounted cash flow
DNR of Shandong	Department of Natural Resources of Shandong Province
Dr	Doctor of Philosophy
ECAP	Environmental Corrective Action Plan
EIA	The Environmental Impact Assessment
EPMP	Environmental Protection and Management Plan
ESHS	Environmental, Social, Health and Safety
etc.	et cetera (= and so on)
FAusIMM	Fellow of the AusIMM
Fe	The chemical symbol for iron
FSR	feasibility study report
g	gram(s)
g/t	gram(s) per tonne
GPS	global positioning system
GRG	gravity recoverable gold
ha	hectare(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited
HQ core	core diameter of 63.5 mm
i.e.	id Est (= that is)
ID3	inverse distance power of 3
IDW	inverse distance squared
IFC	International Finance Corporation
Indicated Mineral Resource	An Indicated Mineral Resource is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed
Inferred Mineral Resource	An Inferred Mineral Resource is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes which may be limited or of uncertain quality and reliability

Abbreviation	Terminology
Intertek	Intertek Laboratory in Beijing
IP	Induced Polarisation, which is an exploration technique whereby an electrical current is pulsed through the ground and the response from the sub surface measured in order to identify minerals of interest. Strong IP responses may be a result of sulphide which may be associated with gold mineralisation
[REDACTED]	[REDACTED]
IRR	internal rate of return
Jinyuan Metallurgical Lab.	Metallurgical Laboratory of Yantai Jinyuan Mining Machinery Co., Ltd.
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2012 edition, as published by the Joint Mineral Reserves Committee.
JORC Committee	Joint Mineral Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
kg	kilogram(s), equivalent to 1,000 grams
kg/t	kilogram(s) per tonne
km	kilometre(s), equivalent to 1,000 metres
km^2	square kilometre(s)
koz	1,000 troy ounces
kt	kiloton(s)
ktpa	kiloton(s) per annum
kV	kilovolt(s)
kW	kilowatt(s)
kWh/t	kilowatt(s) hour per tonne
L×B×H	length × breadth × height
LHD	load-haul-dump machine
LoM	life of mine
m	metre(s)
M	Million(s)
m ASL	metre(s) above sea level
M.Eng.	Master of Engineering
M.Sc.	Master of Science
m/kt	metre(s) per kiloton
m^2	square metre(s)
m^3	cubic metre(s)
m^3/d	cubic metre(s) per day
m^3/s	cubic metre(s) per second
m^3/t	cubic metre(s) per tonne
m^3/year	cubic metre(s) per year
MAusIMM	Member of the AusIMM

Abbreviation	Terminology
Measured Mineral Resource	A Measured Resource is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
Mineral Reserve	The economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, and social and government factors, as defined in the CIM definition standards. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Mineral Reserves are sub-divided in order of increasing confidence into probable Mineral Reserves and proved Mineral Reserves
Mineral Resources	A concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the CIM definition standards. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge
mg/l	milligram(s) per litre
mg/m^3	milligram(s) per cubic metre
mm	millimetre(s)
Mn	The chemical symbol for manganese
Mo	The chemical symbol for molybdenum
Moz	Million ounce(s)
Mr	Mister
Mt	Million tonne(s)
Mtpa	Million tonne(s) per annum
Yantai Mujin	Yantai Mujin Mining Co., Ltd.
MW	Megawatt(s), equivalent to 1,000,000 watts
NCF	net cash flow
Ni	The chemical symbol for nickel
NI 43-101	Canadian National Instrument 43-101
No. 1 Geological Institute	No. 1 Geological Mineral Resource Prospecting Institute of Shandong Province
No. 3 Geological Institute	No. 3 Geological Mineral Resource Prospecting Institute of Shandong Province
No. 6 Geological Institute	No. 6 Geological Mineral Resource Prospecting Institute of Shandong Province
NPV	net present value
NQ core	core diameter of 47.6 mm

Abbreviation	Terminology
O.K.	Ordinary Kriging
OHS	occupational health and safety
Opex	operating cost
oz	ounce
Pb	The chemical symbol for lead
PEA	Preliminary Assessment Technical Report on the Songjiagou Project, Shandong Province, China, which was prepared by Wardrop and dated in 2011
PGE	platinum group element
pH	potential of hydrogen
Ph.D.	Doctor of Philosophy
ppb	part(s) per billion
PRC	People's Republic of China
Probable Mineral Reserve	A Probable Mineral Reserve is the economically mineable part of an Indicated, and in some circumstances Measured Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified
Proved Mineral Reserves	A Proved Mineral Reserve is the economically mineable part of a Measured Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Provincial Government	the People's Government of Shandong Province.
QA/QC	Quality Assurance/Quality Control
QMS	Quality Management System
QPR or CPR	Qualified Person's Report
RMB	Renminbi, which is the official currency of the People's Republic of China.
RMB/a	RMB per annum
RMB/g	RMB per tonne
RoM	run-of-mine
RTK	real-time kinematic

Abbreviation	Terminology
S	The chemical symbol for Sulphur
SBX	Sodium butyl xanthate
SD	standard deviations
SG	specific gravity
SGS Tianjin	SGS Laboratory in Tianjin, China
Shandong GGPI	Shandong Geophysical and Geochemical Prospecting Institute
SINOGOLD or the Company	SINOGOLD Resources Holdings Group Co., Ltd.
SJG	Songjiagou, the name of the village near the SJG Project.
SJG Open-Pit Mine	Songjiagou Open-Pit Mine, which is the open-pit operating mine of the SJG Project.
SJG Project	The SJG Project consists of SJG Open-Pit Mine, SJG Underground Mine, and related facilities.
SJG Underground Mine	Songjiagou North Mine, which is the underground operating mine north of the SJG Open-Pit Mine.
SRK	SRK Consulting China Ltd. trading as SRK Consulting
t	tonne(s), equivalent to 1,000kg
t/h	tonne(s) per hour
t/m^3	tonne(s) per cubic metre
TFe	Total iron, including magnetic and non-magnetic iron
tpa	tonne(s) per annum
tpd	tonne(s) per day
tph	tonne(s) per hour
TSF	tailings storage facility
TSX	Toronto Stock Exchange
TSXV	TSX Venture Exchange
USD	United States Dollar
USGS	United States Geological Survey
V	The chemical symbol for vanadium
Valmin Code	Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
VAT	value-added tax
Wardrop	Wardrop Engineering Inc.
WRD	waste rock dump
WSCP	Water and Soil Conservation Plan
Yantai Design Institute	Shandong Gold Group Yantai Design and Research Engineering Co., Ltd.
Yantai Zhongjia	Yantai Zhongjia Mining Co., Ltd.
Zn	The chemical symbol for zinc
μm	micron(s), 1/1,000 of a millimetre

1 INTRODUCTION AND TERMS OF REFERENCE

SRK Consulting China Ltd. ("**SRK**") was requested by SINOGOLD Resources Holdings Group Co. Ltd. ("**SINOGOLD**" or "**Company**") to prepare a Qualified Person's Report (the "**QPR**" or "**CPR**") for Songjiagou Gold Project (the "**SJG Project**") located in The People's Republic of China (the "**PRC**" or "**China**") in compliance with the requirements of Canadian National Instrument 43-101 (the "**NI 43-101**") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The ownership structure chart is presented in Figure 1-1.

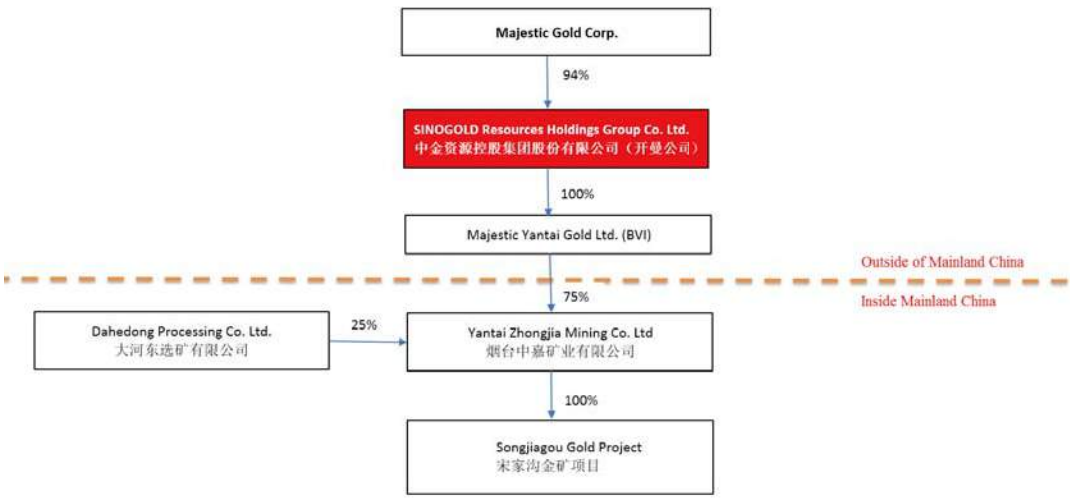


Figure 1-1: Ownership Structure Chart

1.1 Scope of work

The scope of work includes the construction of a mineral resource model for the gold mineralisation delineated by drilling on the SJG Project and the preparation of a QPR in compliance with NI 43-101 and the Stock Exchange listing requirements. This work typically involves the assessment of the following aspects of the SJG Project:

- Regional, local and mine geology;
- Exploration history, quality and independent data verification;
- Geological modelling, Mineral Resource estimation and validation;
- Mining;
- Processing and mineral recovery;
- Environmental and social;

- Operating and capital costs; and
- Economic analysis.

1.2 Work program

The Mineral Resource statement reported herein is a collaborative effort between SINOGOLD and SRK personnel. The exploration database was compiled and maintained by SINOGOLD and was reviewed by SRK.

The geological model and wireframes for the Songjiagou mineralisation were constructed by SRK based on the exploration database provided by SINOGOLD. In SRK's opinion, the geological model is a reasonable representation of the distribution of the targeted mineralisation at the current level of sampling. The geostatistical analysis, variography and grade models were completed by SRK from June 2018 to September 2018; and were updated in December 2021.

1.3 Basis of Qualified Person's report

This QPR is based on information collected by SRK during site visits (see section "1.7 Site visits" for details) and on additional information provided by SINOGOLD throughout the course of SRK's investigations. Other information was obtained from the public domain. SRK has no reason to doubt the reliability of the information provided by SINOGOLD. This QPR is based on the following sources of information:

- Discussions with SINOGOLD personnel;
- Inspection of the SJG Project area, including outcrops, drill cores, open pit, open pit benches, underground mine, processing plant, tailings storage facilities and environmental and social aspects;
- Review of exploration and geological data provided by SINOGOLD;
- Data verification, including re-sampling and re-assaying of duplicates and verification drilling; and
- Additional information from public domain sources.

1.4 Reporting standard, reporting compliance and reliance

1.4.1 *Reporting standard*

This QPR has been prepared in the format of NI 43-101 technical report with some modification to fit the requirements of Stock Exchange, and the Mineral Resources and Mineral Reserves were estimated according to Canadian Institute of Mining, Metallurgy and Petroleum (the "**CIM**") Definition Standards for Mineral Resources and Mineral Reserves adopted by the NI 43-101. The CIM Definition Standards are compatible with the JORC Code which is binding upon all Australasian Institute of Mining and Metallurgy (the "**AusIMM**") members.

1.4.2 ***Reporting compliance***

SRK confirms that this QPR complies with the disclosure and reporting requirements of the Listing Rules, including:

- Rules 18.02 to 18.04 inclusive, relating to conditions for [REDACTED] of SINOGOLD;
- Rules 18.05 to 18.08 inclusive, relating to content of the document for [REDACTED] of SINOGOLD;
- Rules 18.18 to 18.27 inclusive, relating to statements on Mineral Resources and/or Mineral Reserves;
- Rules 18.28 to 18.30 inclusive, relating to reporting standard; and
- Guidance Note 7 to the Listing Rules, titled "Suggested Risk Assessment for Mineral Companies" [Rule 18.05(5)].

SRK understands the requirements set out in the Listing Rules with regard to the qualifications and experience of the Independent Qualified Person. SRK confirms that the staff employed on the SJG Project satisfy these requirements of the Listing Rules.

Compliance with the Listing Rules is shown in Appendix F to this QPR.

1.4.3 ***Reliance***

This QPR is addressed to and may be relied upon by SINOGOLD, the Directors of the SINOGOLD and SINOGOLD's various financial, legal and accounting advisors (the "**Advisers**") in support of the proposed [REDACTED] of SINOGOLD on The Stock Exchange of Hong Kong Limited (the "**[REDACTED]**"), specifically in respect of compliance with the requirements of the Listing Rules. SRK agrees that this QPR may be made available to and relied upon by the Advisers.

SRK is responsible for this QPR and for all the technical information contained therein. SRK declares that it has taken all reasonable care to ensure that this QPR and the technical information contained therein is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

SRK confirms that the presentation of technical information contained elsewhere in the document released by SINOGOLD in connection with the [REDACTED] which relates to information in the QPR is accurate, balanced and not inconsistent with the QPR.

SRK believes that its opinion should be considered as a whole and selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in this QPR. The preparation of a QPR is a complex process and does not lend itself to partial analysis or summary.

SRK has no obligation or undertaking to advise any person of any development in relation to the SJG Project which comes to its attention after the date of the QPR or to review, revise or update the QPR or opinion in respect of any such development occurring after the date of the QPR.

1.5 Effective date

The effective date for this QPR is deemed to be 31 December 2021 (the "**Effective Date**"). The Mineral Resource and Mineral Reserve statements set out in this QPR are reported as of 31 December 2021 and represent the Mineral Resources and Mineral Reserves at the Effective Date as audited by SRK.

The life of mine (the "**LoM**") plans and associated technical and economic parameters included in the LoM plans and techno-economic models all commence on 1 January 2022.

The financial results for the Songjiagou Open-Pit Mine (the "**SJG Open-Pit Mine**") and Songjiagou Underground Mine (the "**SJG Underground Mine**") are taken to be correct on 31 December 2021, the Effective Date of this QPR.

1.5.1 *Commodity price*

The gold price is 310 RMB/g (or 1,400 USD/oz) for the Mineral Reserves estimate. The price selected by SRK is derived from forecast of Consensus Market Forecasts (the "**CMF**") delivered in December 2021 by assuming an exchange rate of 6.80 RMB/USD.

1.5.2 *Material change*

Based on the information provided by SINOGOLD, there are no events that have occurred since the Effective Date that are likely to have a material impact on the Mineral Resource and Mineral Reserve statements for the SJG Open-Pit Mine and SJG Underground Mine at the date of publication of this QPR.

1.5.3 *Legal claims and proceedings*

SRK has been advised by SINOGOLD and its legal advisers that there are no legal claims or proceedings that could influence Yantai Zhongjia's rights to explore and/or mine at both SJG Open-Pit Mine and SJG Underground Mine.

1.5.4 ***Sufficiency of rehabilitation funding***

SRK notes that Yantai Zhongjia has put efforts on the open pit slope rehabilitations including plating parthenocissus and other vegetations by allocating annual budgets, upon the request of the local governments. SINOGOLD appointed a consultancy to prepare a rehabilitation plan, and some staff have been assigned to implement this rehabilitation plan.

1.5.5 ***Claims over land***

SINOGOLD has advised SRK that there are no land claims that may exist over the land on which exploration or mining activity is being carried out. From a list of outstanding liabilities provided by SINOGOLD, SRK could not find any outstanding claims that could materially influence SINOGOLD's rights or prevent it from continuing with its operations.

1.6 Qualifications of SRK and SRK team

The SRK Consulting comprises over 1,500 professionals, offering expertise in a wide range of resource engineering disciplines. The SRK Consulting's independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. This fact permits SRK to provide its clients with conflict-free and objective recommendations on crucial judgment issues. SRK has a demonstrated track record in undertaking independent assessments of Mineral Resources and Mineral Reserves, project evaluations and audits, technical reports and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide. The SRK Consulting has also worked with a large number of major international mining companies and their projects, providing mining industry consultancy service inputs.

The short biographies of key SRK personnel involved in this QPR are shown below:

- **Anshun Xu (Anson Xu),** ***Ph.D. (Geology), FAusIMM,*** is a Corporate Consultant (Geology) who specialises in the exploration of mineral deposits. He has more than 25 years' experience in exploration and development of various types of mineral deposits including Cu-Ni sulphide deposits related to ultra-basic rocks, tungsten and tin deposits, diamond deposits, and especially deep expertise in various types of gold deposits, including vein-type, fracture-breccia zone type, alteration type, and Carlin type. He was responsible for the Mineral Resource estimations of several diamond deposits, and for reviews of Mineral Resource estimations of several gold deposits. He recently completed several due diligence jobs for clients from both China and overseas including technical review projects such as Canadian NI43-101 reports and Stock Exchange [REDACTED] technical reports. *Dr Xu was the project manager of this project and the Qualified Person (the "**QP**") who takes overall responsibility for this QPR.*

- **Pengfei Xiao,** ***M.Sc., MAusIMM,*** is a Principal Consultant (Geology). He specialises in mineral exploration applying comprehensive geological and geophysical methods; and his expertise also includes mineral resource modelling and estimation. He is familiar with both theory and practice in sampling, sample preparation, and chemical analysis. As a consulting geoscientist, he has been active in over 60 projects including due diligence reviews, exploration design, data verification, and Mineral Resource estimation in China, Mongolia, Africa, America, and Southeast and Central Asia. His experience relates precious metals (Au, Ag, and PGE), base metals (Cu, Ni, Pb, Zn), and other metal deposits (Fe, Mn, V, Mo, Co), and also includes a few non-metal projects (phosphorite, potash, gypsum). In the past five years, he has been working in geology and Mineral Resource assessment with SRK and co-authored a dozen Qualified Person's Reports aiding clients in successful property transactions, more than half of which have been published in stock exchanges. *Mr Xiao assisted Dr Xu in completing the geological modelling and Mineral Resource estimate.*

- **Yonggang Wu,** ***M.Eng., MAusIMM,*** is a Principal Consultant (Mining). He joined SRK after graduation from Jiangxi University of Science and Technology in 2007. He has acquired specialised knowledge of mining engineering and MineSight software and has been involved in a large number of projects to date. Minerals involved include Au, Pb, Zn, Mn, Cu, Fe, fluorite, potassium salts, alum, phosphorus, and many more. He has accumulated extensive experience in Mineral Resource and Mineral Reserve estimation, open pit limit optimisation and design, underground mining design, long-term production planning, and due diligence studies. Yonggang has expertise in geological and mining modelling and is proficient in using MineSight, AutoCAD, and other specialised software packages. *Yonggang assisted Dr Xu in completing the mineral reserve modelling and estimate.*

- **Lanliang Niu,** ***B.Eng., MAusIMM,*** is a Principal Consultant (Mineral Processing), who graduated in 1987 from Beijing University of Science and Technology majoring in ore processing. He has worked on the industrial testing of gold leaching with low grade ores, managed or participated in processing and metallurgical testing for more than 10 precious and non-ferrous metals projects. With SRK, he has been responsible for the ore processing and metallurgical scope of work and involved in many key projects. *He was responsible for the metallurgical and processing review, and economic analysis.*

- **Yuanhai Li,** ***Ph.D., MAusIMM,*** is a Principal Consultant (Environmental) with SRK Consulting China Ltd., who is an environmental scientist with 11 years' experience in environmental management for the hazardous waste treatment industries. This experience has been gained mainly from within United States and China. He has particular expertise in environmental due diligence reviews, phase II/III site investigations, environmental impact assessment, wetland and landfill rehabilitation, and environmental risk assessment. In addition, he has extensive experience in environmental engineering with a thorough knowledge of dealing with various environmental hazardous waste/solid waste issues, including contaminated site assessment, landfill closures/brownfield redevelopment, and contaminated site remedial designs. He also has a deep understanding of water/wastewater treatment design, water distribution systems, storm water management systems, geographic information systems (the "**GIS**"), and geotechnical issues through various projects. Furthermore, he is also experienced in AutoCAD/MicroStation, ArcGIS, and GMS. *Dr Li was responsible for the review of environmental issues.*

- **Nan Xue,** ***MSc, MAusIMM,*** is a Principal Consultant (Environmental) at SRK China. He holds a master's degree in Environmental Science from Nankai University, in Tianjin. He has more than ten years' experience in environmental impact assessment, environmental planning, environmental management, and environmental due diligence. He has been involved in a number of large EIA projects and pollution source surveys for SINOPEC as well as in the environmental-planning project funded by UNDP. He has particular expertise in construction project engineering analysis, pollution source calculation, and impact predictions. He also has an acute understanding of equator principles and International Finance Corporation environmental and social performance standards. After joining SRK, Nan has been involved in a number of [REDACTED] and due diligence projects in China, Laos, Russia, Mongolia, Philippines, and Indonesia; these projects include the Fuguiniao Mining project, Zijin Mining project, Hanking Mining project, and Future Bright Mining project. *Mr Xue updated the review and report on the environmental and permit issues.*

- **Yiefei Jia,** ***PhD, FAusIMM (CP),*** is a Principal Consultant (geology) with a specialty of exploration of mineral deposits. He has more than 25 years' experience in the field of exploration, development, and Mineral Resources estimate of precious metal (gold, silver and PGE), base metal (lead, zinc, copper, nickel, vanadium and titanium), and black metals (iron and manganese) as well as non-metallic metal (fluorite and graphite) and decorative stone (marble) ore deposits in different geological settings in Australia, Africa, Asia, and North and Central America. He has extensive experience in project management, exploration design and Mineral Resource assessment. He, as Competent Person, has led and coordinated many due diligence projects with technical reports either for fund raising or overseas stock listing such as on Stock Exchange. *Dr Jia provided internal peer review to ensure the quality the report meets the required standard.*

- **Alexander Thin,** ***BEng (Hons), GDip Engineering, FAusIMM (CP), FIMMM (C.Eng), FSAIMM, RPEQ,*** is a Principal Consultant (Mining and Evaluation) with SRK Australasia. He is an experienced mining professional, with over 30 years' experience growing businesses across Africa and Australasia (Australia, Papua New Guinea, Solomon Island and Fiji), from start-ups to corporates and multinationals — listed and unlisted. His strategy and leadership experience spans feasibility studies, mineral asset audits and evaluations, independent technical reports, techno-economic studies, capital raising, merger and acquisitions, managing joint ventures, research and development, local and international stock exchange compliance, business development, company promotion, and investor/stakeholder relations. His industry experience spans operational (underground and open pit), technical, consulting and corporate within the metalliferous resources sector, covering precious metals, base metals and bulk commodities. *Alexander provided external peer review to ensure the quality the report meets the required standard.*

1.7 Site visits

The site visit histories are shown below:

- Mr Anshun Xu and Pengfei Xiao visited the SJG Project site between 30 and 31 October 2012, accompanied by personnel of SINOGOLD. The visit covered open pit, exploration site, processing plant, core storage and laboratory. The second site visit, between 23 and 30 November 2012, covered the technical reviewing of mining, processing, licensing/permitting, and environmental and social aspects.

- Mr Pengfei Xiao visited the SJG Project site between 29 and 31 January 2013. He compared the historical core samples and coarse/duplicate samples and collected verification samples from coarse rejects and pulp duplicates independently.

- Mr Anshun Xu, Lanliang Niu, Yuanhai Li and Yonggang Wu visited the SJG Project site between 6 and 8 June 2018, accompanied by personnel of SINOGOLD. The visit covered open pit, processing plant, and underground mine;

- Mr Anshun Xu, Lanliang Niu and Nan Xue conducted site visits from 14 to 16 November 2019.

- Mr Yonggang Wu conducted site visits from 10 to 12 October 2020.

- Mr Yuntao Liu, on behalf of Mr Lanliang Niu and Yonggang Wu conducted site visits from 7 to 8 November 2021.

The purpose of site visits was to review the digitalisation of the exploration database and validation procedures, review the exploration procedures used to acquire the data, define the geological modelling procedures, examine the drill cores, interview SJG Project personnel, and collect all relevant information for the preparation of a revised mineral resource model and the compilation of the QPR. During these visits, particular attention was paid to the treatment and validation of historical drilling data.

The site visits also investigated the geological and structural controls on the distribution of the gold mineralisation to aid the construction of three-dimensional (the "**3D**") gold mineralisation domains.

SRK was given full access to relevant data and conducted interviews with SINOGOLD personnel to obtain information on the past exploration work, to understand the procedures used to collect, record, store, and analyse historical and current exploration data.

1.8 Acknowledgement

SRK would like to acknowledge the support and collaboration provided by SINOGOLD personnel for this assignment. Their collaboration was greatly appreciated and instrumental to the success of SJG Project.

1.9 Limitations, reliance on information, declaration, consent and cautionary statements

1.9.1 *Limitations*

Mineral Reserve estimates are based on many factors, including data with respect to drilling and sampling. Mineral Reserves are derived from estimates of future technical factors, which include data with respect to operating and capital costs and product prices. The Mineral Reserve estimates contained in this QPR should not be interpreted as assurances of economic life of the SJG Project. As Mineral Reserves are only estimates based on the factors and assumptions described herein, future Mineral Reserve estimates may need to be revised. For example, if production costs increase or product prices decrease, a portion of the current Mineral Resources, from which the Mineral Reserves are derived, may become uneconomical to recover and would therefore result in lower estimated Mineral Reserves. Furthermore, should any of the assumed factors change adversely, the values and parameters for the SJG Open-Pit Mine and SJG Underground Mine as reported herein may need to be revised and may result in lower estimates.

This QPR contains statements of a forward-looking nature. These forward-looking statements are estimates and involve a number of risks and uncertainties that may cause the actual results to differ materially from those anticipated in this QPR. The achievability of the projections, LoM plans, budgets and forecast parameters as included in this QPR is neither warranted nor guaranteed by SRK. The projections as presented and discussed herein have been proposed by SINOGOLD management and have been adjusted where appropriate by SRK.

The projections cannot be assured as they are based on economic assumptions, many of which are beyond the control of SINOGOLD and Yantai Zhongjia. Future cash flows and profits derived from such forecasts are inherently uncertain and actual results may be significantly more or less favourable.

This QPR includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

Unless otherwise expressly stated, all the opinions and conclusions set out in this QPR are those of SRK.

1.9.2 *Reliance on information*

SRK's opinion, contained herein and effective 31 December 2021, is based on information collected by SRK throughout the course of SRK's investigations, which in turn reflect various technical and economic conditions at the time of writing. Given the nature of the mining business, these conditions can change significantly over relatively short periods of time. Consequently, actual results may be significantly more or less favourable.

SRK has reviewed the information provided by SINOGOLD and is satisfied that the extents of the properties described in the various rights are consistent with the maps and diagrams received from SINOGOLD.

This QPR may include technical information that requires subsequent calculations to derive sub-totals, totals, and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK does not consider them to be material.

1.9.3 ***Declaration***

SRK is not an insider, associate, or an affiliate of SINOGOLD, and neither SRK nor any affiliate has acted as advisor to SINOGOLD, its subsidiaries or its affiliates in connection with SJG Project. The results of the technical review by SRK are not dependent on any prior agreements concerning the conclusions to be reached, nor are there any undisclosed understandings concerning any future business dealings.

Consequently, SRK, the Competent Person (the "**CP**") consider themselves to be independent of SINOGOLD, their respective directors, senior management and SINOGOLD's Advisers.

In this QPR, SRK provides assurances to the Board of Directors of SINOGOLD, in compliance with the requirements of the reporting standards, that the Mineral Resources and Mineral Reserves as provided to SRK by SINOGOLD and reviewed and where appropriate modified by SRK, are reasonable given the information currently available.

1.9.4 ***Consent***

SRK consents to the issuing of this QPR in the form and content in which it is to be included in documentation distributed to shareholders of SINOGOLD.

Neither the whole nor any part of this QPR nor any reference thereto may be included in any other document without the prior written consent of the CP as to the form and context in which it appears.

1.9.5 ***Cautionary statements***

The reader and any potential or existing shareholder or [REDACTED] in SINOGOLD is cautioned that Yantai Zhongjia is involved in mining the SJG Open-Pit Mine and SJG Underground Mine and there is no guarantee that any unmodified part of the Mineral Resources will ever be converted into Mineral Reserves nor ultimately extracted at a profit.

1.10 Indemnities provided by SINOGOLD

SRK provides technical services, including preparation of the report based on the agreements between SRK and the client, and only charges the client with the amount of fees both parties agreed on, without any other fees or charges.

2 RELIANCE ON OTHER EXPERTS

SRK trusts the information from SINOGOLD regarding mine ownership, legal and financial liability. SRK did not carry out independent validation of the information regarding land ownership and use rights summarised in "3 Licences and Permits" of this QPR. SRK did not verify the legality of any underlying agreement(s) that may exist concerning the permits or other agreement(s) between third parties but have relied on SINOGOLD. SRK was informed by SINOGOLD that there are no known litigations potentially affecting the SJG Project.

SINOGOLD provided the digital database used for geological modelling. SRK verified this database and removed repeated samples. It is SRK's opinion that the database used for Mineral Resource estimation has been validated and was collected and built in a professional manner.

The topography used in estimating the Mineral Resource statement in this QPR relies on the topographic survey map dated December 2021 provided by SINOGOLD. SRK trusts the results of this survey.

SRK also relied on the geological reports approved by related governmental authorities which were compiled by various Chinese geological brigades.

3 LICENCES AND PERMITS

SRK relies on the information provided by Yantai Zhongjia and SRK understands that a legal due diligence review of SJG Project has been undertaken by Yantai Zhongjia's legal advisors. The following sections summarise matters related to operational licences and permits.

3.1 Business licence

Details of the business licences for the SJG Project are presented in Table 3-1.

Table 3-1: Songjiagou Business Licence

Item	Description
Project	Yantai Zhongjia
Business licence number	91370600717854556W
Issued to	Yantai Zhongjia
Issued by	Yantai Industry and Commerce Bureau
Issue date	24 December 2015
Expiry date	16 March 2035
Licenced business activities	Gold and precious metals mine mining, processing, smelting, and sale

3.2 Mining licences

The current two mining licences (Appendix A) owned by Yantai Zhongjia were issued by the Department of Natural Resources of Shandong Province ("D**NR of Shandong**"). The information pertaining to these two mining licences are shown in Table 3-2 and Table 3-3 respectively. SRK notes that both the SJG Open-Pit Mine and SJG Underground Mine are operational.

Table 3-2: Mining Licence for SJG Open-Pit Mine

Item	Description
Mine name	Songjiagou Open-Pit Mine
Mining licence number	C3700002009044110010983
Issued to	Yantai Zhongjia
Issued by	DNR of Shandong
Issue date	17 May 2020
Expiry date	17 May 2031
Mining method	Open pit/Underground Mining
Production capacity	900,000 tonnes per annum ("**tpa**")
Area	0.5937 square kilometres ("**km^2**")

Table 3-3: Mining Licence for SJG Underground Mine

Item	Description
Mine name	Songjiagou North Mine
Mining licence number	C3700002016024210141314
Issued to	Yantai Zhongjia
Issued by	DNR of Shandong
Issue date	18 February 2021
Expiry date	18 February 2031
Mining method	Underground Mining
Production capacity	90,000 tpa
Area	0.4140 km^2

SINOGOLD advised SRK that the comprehensive uses of waste materials to recover gold mineral resources are allowed and encouraged by government in actual production. SRK understands that the Mineral Resources estimated and reported in the report by SRK according to NI 43-101/CIM Definition Standards are not the same as the mineral resources estimated and reported by Chinese geological teams according to Chinese standard. It is SRK's opinion that the production plan proposed in the report by SRK was based on the Mineral Resources estimated according to the NI 43-101/CIM Definition Standards, which may include the waste materials in Chinese standard.

3.3 Safety operational permits

Details for the existing safety operational permits of the SJG Project are presented in Table 3-4, Table 3-5 and Table 3-6 respectively.

Table 3-4: Safety Operational Production Permit for SJG Open-Pit Mine

Item	Description
Project	SJG Open-Pit Mine
Safety production permit number	(Lu) FM [2020] 06-0011
Issued to	Yantai Zhongjia
Issued by	Department of Emergency Management of Shandong Province
Licenced activity	Open Pit Operation
Issue date	2 March 2020
Expiry date	1 March 2023

Table 3-5: Safety Operational Production Permit for SJG Underground Mine

Item	Description
Project	SJG Underground Mine
Safety production permit number	(Lu) FM [2019] 00-0016
Issued to	Yantai Zhongjia
Issued by	Department of Emergency Management of Shandong Province
Licenced activity	Underground Operation
Issue date	12 September 2019
Expiry date	11 September 2022

Table 3-6: Safety Operational Permit for Tailings Storage Facility

Item	Description
Project	SJG Open-Pit Mine
Safety production permit number	(Lu) FM [2020] 06-0052
Issued to	Yantai Zhongjia
Issued by	Department of Emergency Management of Shandong Province
Licenced activity	Tailings Storage Facility Operation
Issue date	8 December 2020
Expiry date	7 December 2023

3.4 Other operational permits

SRK sighted a relocation agreement between Yantai Zhongjia and the residents in Songjiagou Village and Fayunkuang Village in a site visit in 2018. The relocation was completed in 2019. All apartment units were equipped with air conditions, solar panel hot water tank, communication system, water, electricity, etc. Figure 3-1 shows the typical resident apartments for the local residents. However, no land use permit within the mining and processing area is sighted as part of this review.

SRK sighted a water use permit for Yantai Zhongjia, and details of this permit are presented in Table 3-7.

Figure 3-1: Typical Resident Apartments

Table 3-7: Water Use Permit

Item	**Description**
Project	Yantai Zhongjia
Water use permit number	(LuYanMu) [2017] 007
Issued to	Yantai Zhongjia
Issued by	Yantai Muping District Water Bureau
Issue date	16 May 2017
Expiry date	15 May 2022
Water source	Surface water
Water use allocation	464,900 cubic meters per year ("**m^3/year**")

4 REGIONAL DESCRIPTION

4.1 Location and accessibility

The geographical coordinates of the SJG Project site are centred at approximately 121°22′ East longitude and 37°07′ North latitude.

The SJG Project is located approximately 50 km south of Yantai City, which was previously known to the West as "Chefoo", an important coastal city in China's well developed eastern Shandong Peninsula. The SJG Project is easily accessible by means of road, railway, sea and air (Figure 4-1).

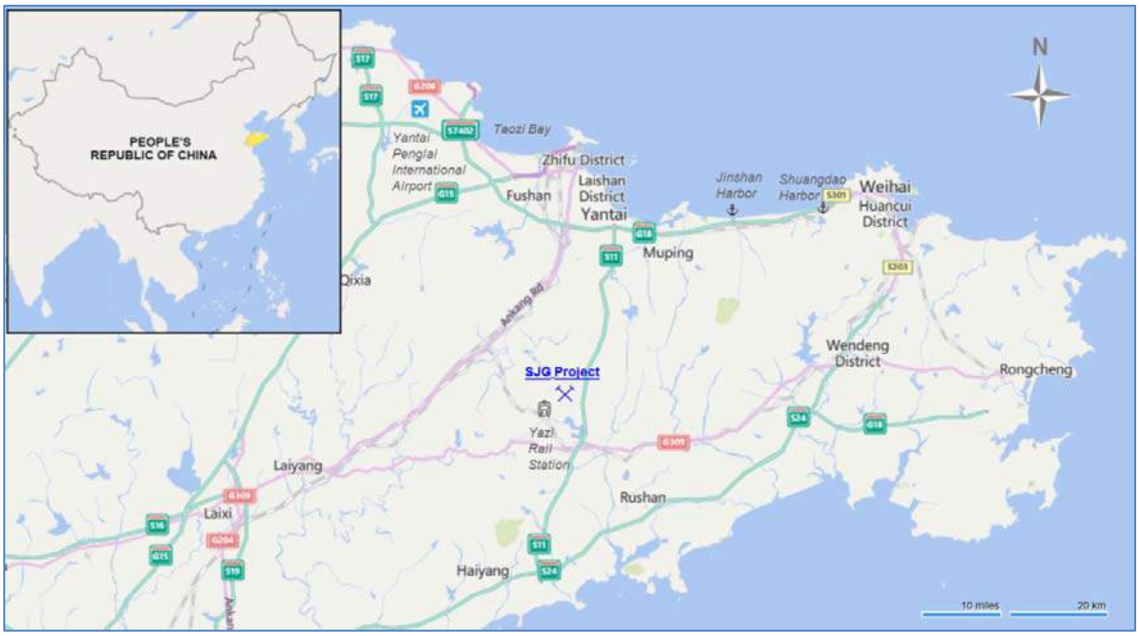


Figure 4-1: SJG Project Location and Accessibility

Provincial Highway S304 is approximately 8 km north of the mine, and National Expressway G309 passes 11 km south of the mine. The western and eastern areas of the SJG Project are connected to Provincial Roads S208 and S207, respectively. Roads in the region are generally paved with asphalt and maintained well.

The nearest railway station is at Yazi Town, about 10 km southwest of the SJG Project. The railway joins the Laiyang-Yantai rail line and provides a link to China's national railway network.

The Yellow Sea surrounds the Shandong Peninsula to the northeast, east, and south, and the SJG Project is approximately 50 km far away from the shoreline.

Yantai Penglai International Airport, located approximately 93 km directly northwest of the SJG Project, hosts daily flights to and from many Chinese cities including Beijing, Shanghai, and Jinan, the capital city of Shandong Province, as well as weekly flights to Japan, South Korea, Hong Kong, and Taiwan. It takes approximately one hour to drive from the airport to the mine site.

4.2 Climate

The mine area has a warm and semi-humid monsoon climate with displays marine characteristics. Generally, there are no drastic seasonal changes. The year round average annual relative humidity is 68 percent ("**%**"); recorded statistics shows the yearly precipitation is around 650 millimetres ("**mm**").

The annual average temperature is about 12 degrees Centigrade ("**°C**"), with about 210 frost-free days per year. The highest temperature reaches 30°C and the lowest drops to 5°C below zero (minus 5° C, or –5°C). Generally, there is no extreme cold or hot weather to hinder the mining and processing operations.

The prevailing winds are southerly and predominantly occur in spring and summer; and secondary prevailing winds come from the north and mainly occur in winter.

4.3 Local resources and infrastructure

The mine area is densely populated by Han Chinese, with minorities of Hui and Manchu. Muping District has a population of approximately 500,000 people. Local provision of mining labour is sufficient for the operation of the SJG Project.

Industry and agriculture are well developed in the area, including wheat, corn, and sweet potato; economic crops include peanuts, apples, peaches, pears, ginkgo, and chestnuts. Yantai is famous throughout China for a particular variety of apple and is home to the country's largest and oldest grape winery. Manufacturing, fishing, international trade, and tourism are important industries in the Yantai region and are instrumental in supporting and creating the local infrastructure.

Mining equipment and accessories are available in Yantai City, as are workshops for mechanical maintenance. Materials such as cement, steel, wood, and chemical agent are generally purchasable in Yantai City.

Daily necessities are supplied to the SJG Project. Office and accommodation buildings are built near the current open pit. Telecommunication and internet services are available in the SJG Project area. A post office, hospital facilities, and schools are available locally.

4.4 Physiography

The geomorphology of the SJG Project area is originally characterised by gently undulating hills, and overall topography slopes downward from west to east. The highest elevation is 140 meters above sea level ("**m ASL**") and the lowest is 78 m ASL, with a relative relief of 62 m in the SJG Project area. A view of the SJG Project area is presented in Figure 4-2.

The mainly local water system is the Rushan River to the east of the mine, a seasonal river flowing south through Longjiaoshan Reservoir into the Yellow Sea. The local water supply is adequate to support the mine's production.

Figure 4-2: View of Landscape of the SJG Project

5 HISTORY

5.1 Ownership history

The mining licence for the SJG Open-Pit Mine was initially issued by the Shandong Department of Land and Resources in 2006, based on the *Geological General Exploration Report of Songjiagou Gold Prospect in Muping District, Yantai City, Shandong Province*, submitted in December 2002 by No. 3 Geological Mineral Resource Prospecting Institute of Shandong Province (the "**No. 3 Geological Institute**"). Mine construction commenced in December 2002. The mining licence holder at the time was Yantai Mujin Mining Co., Ltd. (the "**Yantai Mujin**"). On 2 August 2010, ownership of the mining licence was transferred to Yantai Zhongjia, the current owner of the SJG Project.

The mining licence for the SJG Underground Mine was initially issued by the Shandong Department of Land and Resources on 18 February 2016.

5.2 Exploration history

The area has been explored by various Chinese geological teams since the 1960s. In 1969 the No. 6 Geological Mineral Resource Prospecting Institute of Shandong Province (the "**No. 6 Geological Institute**") carried out preliminary regional gold investigation and found gold occurrences in the SJG Project area.

Between 1982 and 1989 the Shandong Geophysical and Geochemical Prospecting Institute (the "**Shandong GGPI**") conducted a gravity survey at a scale of 1:200,000 and a stream sedimentary survey at a scale of 1:50,000.

Between 1983 and 1986, the No. 3 Geological Institute undertook regional gold metallogenetic research.

Between 1984 and 1993, the No. 3 Geological Institute and the No. 1 Geological Mineral Resource Prospecting Institute of Shandong Province (the "**No. 1 Geological Institute**") carried out regional geological mapping on a scale of 1:50,000.

In 1991 the No. 3 Geological Institute conducted preliminary mineral prospecting in the Songjiao-Songjiagou area. Several gold mineralised bodies were defined by a few trenches and drill holes.

In 1997 and 1998, prospecting work continued with geological mapping, surveying, trenching, tunnelling and drilling, and the exploration results were reported in a report titled *Geological Prospecting Report of Songjiagou Gold Prospect in Muping District, Yantai City, Shandong Province* by No. 3 Geological Institute in February 1998. The geological report was approved by the Yantai Bureau of Land and Resources in 2001.

In 1998 the No. 3 Geological Institute conducted prospecting in the Fayunkuang area and estimated a total mineral resource of former Chinese Categories D and E (similar to Inferred Mineral Resource) of approximately 1.8 Mt with an average grade of 6.8 g/t gold ("**Au**"). The exploration results were summarised in a report titled *Fayunkuang Gold Prospect in Muping District, Yantai City,* *Shandong Province,* submitted in October 2012. The "Fayunkuang" area covered by that report is within the current SJG Project area. The main workload completed in 1998 included detailed geological mapping at scales of 1:2,000 and 1:1,000, and a total of 12 drill holes with an aggregate length of 5,036 m.

During 1999 and 2003, the No. 3 Geological Institute was commissioned by Yantai Mujin to conduct general exploration in the SJG Project area. Yantai Mujin completed 20 shallow drill holes, and carried out 1,600 m of induced polarization (the "**IP**") geophysical profiling which resulted in the identification of nine anomalies. The completed exploration during the period also included geological mapping, magnetic surveying, trenching, 14 drill holes with a total depth of 1,640 m, and 2,860 m long of underground workings.

Between October 2003 and December 2011, exploration was conducted by Yantai Zhongjia itself within the mine area. The main works include the topographic survey at a scale of 1:2,000 covering 1 km^2, 30 drill holes with a total length of 8947.59 m, 472.32 cubic meters ("**m^3**") trenches, density testing of 106 samples and logging of hydrogeology and engineering geology for 13 drill holes.

During 2012 and April 2013, the No. 3 Geological Institute was commissioned by Yantai Zhongjia to conduct detailed exploration campaign. The main works include 1:10,000 geological revision covering 12 km^2, 1:10,000 hydrogeological revision covering 12 km^2, 1:2,000 topographic survey covering 1.30 km^2, 1:2,000 hydrogeological revision covering 3.76 km^2, 1,204.08 m^3 trenches, 20 drill holes with a total length of 7,093.42 meters ("**m**"), basic analysing of 7,853 samples, 75 samples for geotechnics test, 7 samples for complete water quality analysis, 8 samples for rock-mineral determination, 8 samples for quantitative spectrographic analysis, 137 samples for density and humidity test, 89 composites, 991 basic internal duplicates, 7 composting internal duplicates, and 320 external duplicates.

6 GEOLOGICAL SETTING AND MINERALISATION

6.1 Regional geology

The SJG Project is located in China's Shandong Peninsula, along the southeastern margin of the North China craton and on the western margin of the Pacific Plate. The Shandong Peninsula, also called the Jiaodong Peninsula, is known as a gold enriched district. It is bounded to the west by the northeast-trending Tan-Lu Major Fault Zone, which extends more than 3,000 km from the Russian Far East to the Yangtze River in south China. To the south, the Shandong Peninsula extends into the Yangtze craton.

The regional tectonics is characterised by two major orogenesis, the Indosinian collision between the North China and Yangtze cratons, with the nearly east-west directional suture defined as the Qinling-Dabie-Sulu metamorphic belt from Triassic period; and the Yanshanian subduction of the Pacific plate beneath Eurasia during the Middle Jurassic epoch.

The Shandong Peninsula is broadly divisible into two pre-Jurassic components: the Jiaobei Terrane of North China strata in the north, and the Sulu (the "**Jiaonan**") Terrane of Yangtze strata in the south. The two terranes are separated by the northeast trending Wulian-Qingdao-Rongcheng ductile shear belt and the Jiaolai depression (the "**Laiyang Basin**"), comprising Jurassic and Cretaceous-age sedimentary rocks. The SJG Project is located in the eastern part of the Jiaobei Terrane.

The Jiaobei Terrane is largely represented by granitoid intrusions and Archaean greenstone, and is also comprised of Proterozoic and Mesozoic rock sequences and Quaternary alluvium. The Sulu Terrane is characterised by the presence of high-pressure metamorphic minerals and is interpreted to be the eastern extension of the Qinling-Dabie orogenic belt.

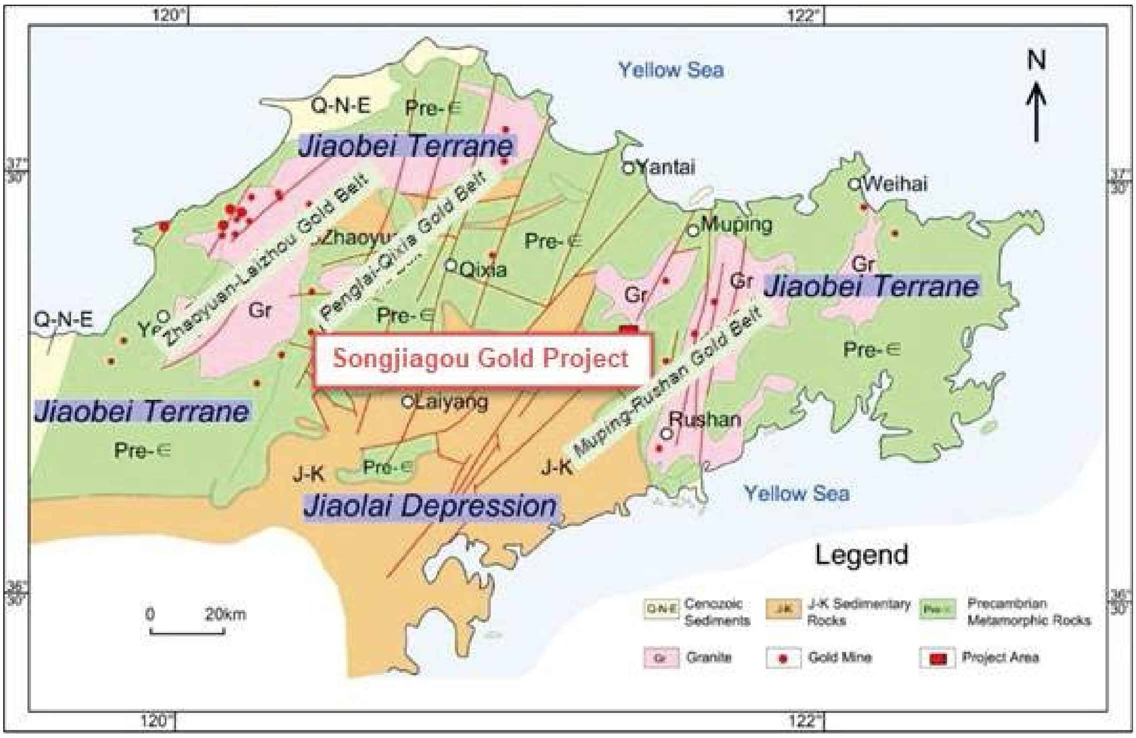


Figure 6-1: Regional Geology of Shandong Peninsula

The granitoid rocks of the peninsula are dominated by Mesozoic-age intrusions as well as by Precambrian granitoids, but economic mineralisation is exclusively associated with Mesozoic intrusive bodies.

The eastern Shandong (the "**Jiaodong**") gold district is divided from west to east into the Zhaoyuan-Laizhou, Penglai-Qixia, and Muping-Rushan gold belts (Figure 6-1). The SJG Project is located within the Muping-Rushan gold belt situated in the eastern part of the Jiaobei Terrane. Gold mineralisation is characterised as either vein-filling or as disseminated structures/stockwork.

6.2 Property geology

The SJG Project is situated in the eastern part of the Jiaobei Terrane and on the northeast margin of the Jiaolai Basin and is regarded as part of the Muping-Rushan gold belt. A simplified map of local geology is shown in Figure 6-2.

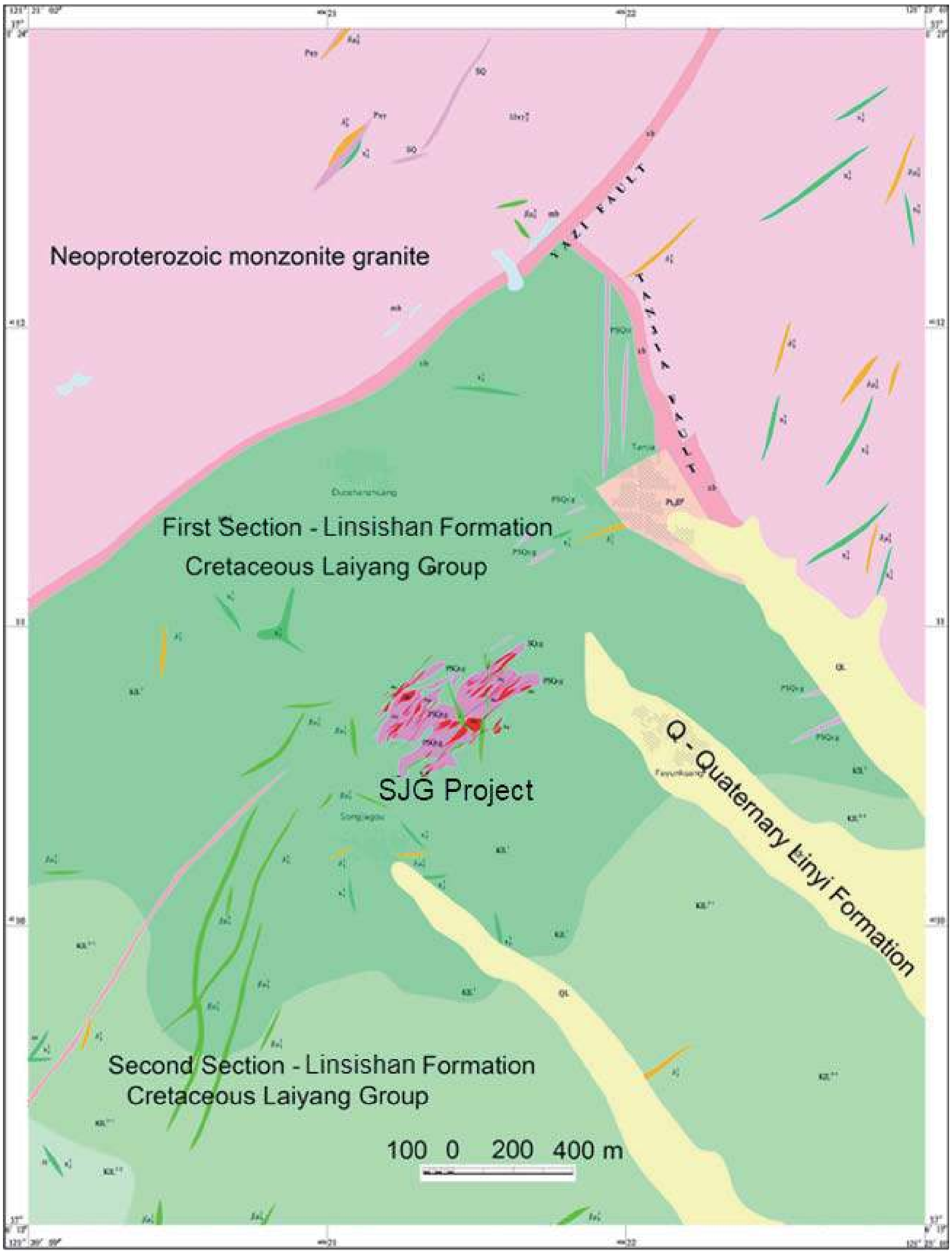


Figure 6-2: Simplified Local Geology

Note: modified from No. 3 Geological Institute 2011.

Local strata include metamorphic rocks of the Paleoproterozoic Jingshan Group, sedimentary rocks of the Mesozoic Cretaceous Laiyang Group, and Cenozoic Quaternary system. The Laiyang Group dominates the SJG Project area. A ductile shear zone and ductile brittle fault zone are major geological structures in the area. Major magmatic activity is represented by monzonite granite. Other dykes include diabase, diorite, hornblende porphyrite, and lamprophyre.

Paleoproterozoic metamorphic rocks of the Jingshan Group are mainly distributed to the north of the SJG Project area near Tanjia village, and are comprised of biotite granulite, graphite-bearing gneiss, leucogranite, and marble. These strata generally dip southeast with angles varying from 15° to 50°.

Cretaceous-age rocks are predominately represented by the Linsishan Formation, part of the Laiyang Group and comprised of conglomerate and sandstone. The Linsishan Formation in the SJG Project area has an overall northeast strike and dips southeast with an angle of 20° to 40°. The formation is divisible into two conformably contacted sections according to the clast size. The first section of Linsishan Formation consists of relatively larger clasts with grain sizes of about 3 centimetres ("**cm**")–20 cm and is predominately composed of monzonitic granite and quartz; marble, gneiss, schist and granulite are occasionally visible in this section. The second section is characterised by finer grained and rounded clasts made of sandstone and siltstone.

The gold mineralisation is mainly hosted within the conglomerate in first section of the Laiyang Group Linsishan Formation.

Quaternary sediments in the property area are classified as Linyi Formation, represented by alluvial deposits distributed to the lower terrain near Tanjia, Fayunkuang, and Songjiagou villages.

Local structure features two major fault zones, the north-easterly striking Yazi Fault Zone and the north-westerly orientated Tanjia Fault Zone. The two major fault zones mark the margin of the SJG Project's mineralisation and lie at or near the contact between metamorphic Proterozoic rocks and the overlying Laiyang Group conglomerate.

Alteration minerals associated with the fault zone include sericite, silica, pyrite, carbonate, chlorite, and potassium feldspar, which present in a large halo around the fault zone and its contained mineralisation.

Dykes are developed in the property area and represent intrusive activities during the Proterozoic and Mesozoic periods; they are composed of diabase, diorite, granite, and lamprophyre.

6.3 Mineralised zones

The SJG Project's gold mineralised zones are concentrated within an area of approximately 1.0 km^2 which is covered by the aggregate areas of Yantai Zhongjia's currently valid mining licences (Figure 6-3). The defined mineralised zones are bounded within the Laiyang Group Linsishan Formation conglomerate without distinct boundaries, and a number of gold enriched bodies present as gold veins occurring within the lithological zone characterised by Linsishan Formation conglomerate (Figure 6-4).

Historical exploration before 2005 had been primarily focusing on mineralisation with gold grade greater than 1 g/t Au. Although the previous underground workings suggest that most mineralisation was confined to relatively narrow zones, there was also evidence, by way of room-and-pillar stopes, that in some areas mineralisation extended laterally away from the controlling structures for 10 m or more. The underground sampling carried out by SINOGOLD substantially confirmed that the highest grades of gold mineralisation are confined to relatively narrow although vertically and horizontally persistent zones. Away from those higher-grade corridors, gold grades dropped to 0.5 g/t Au or less, with rare, interspersed higher values.

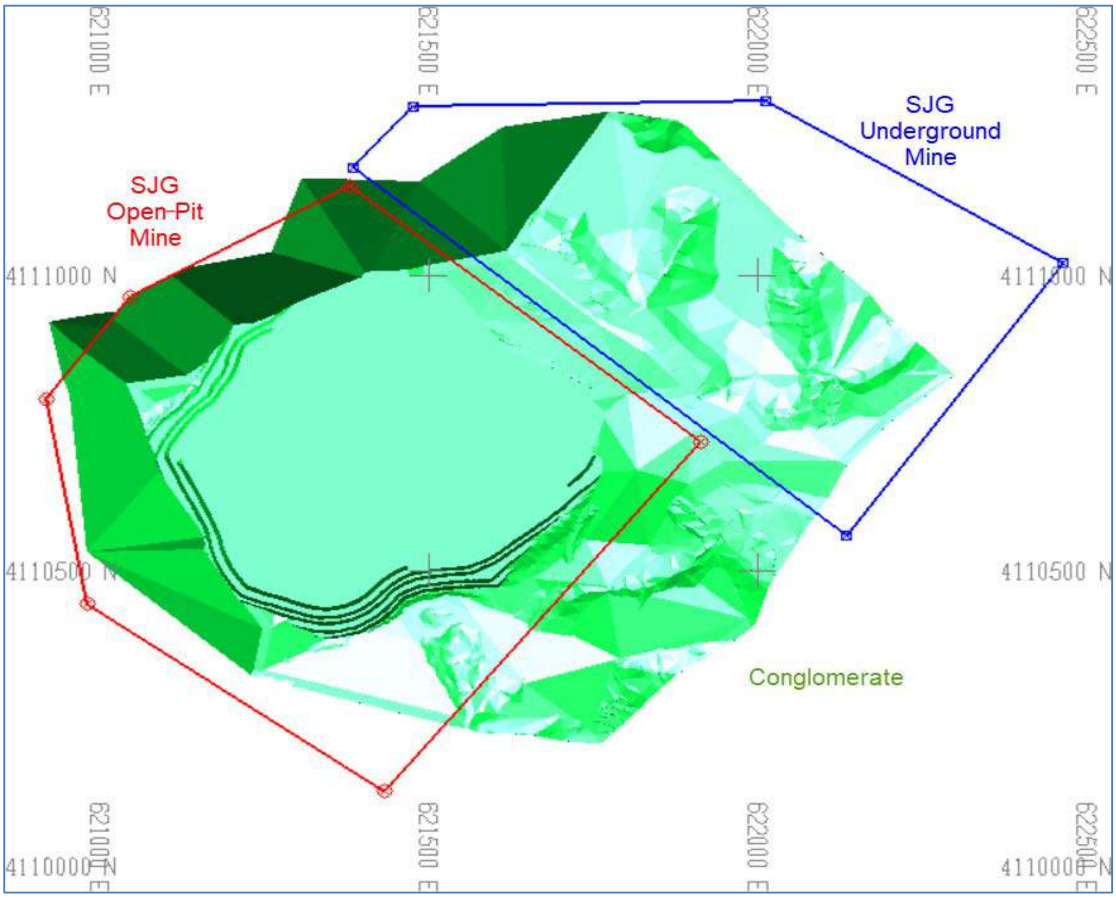


Figure 6-3: Songjiagou Mineralised Zone

The open pit mining operation begun in 2005 and indicates that the zones of Linsishan Formation conglomerate are generally mineralised. There is also evidence that lamprophyre dykes intruded into the Cretaceous conglomerate and interrupted the gold enriched bodies (see Figure 6-4).

Gold mineralisation is associated with sulphides that include electrum, pyrite, chalcopyrite, galena, sphalerite, and bornite. Gold is most abundantly associated with electrum and pyrite. The secondary metallic minerals include sphalerite, galena, chalcopyrite, magnetite, and limonite. The associated gangue minerals are represented by feldspar, quartz, muscovite, calcite, and clay minerals.

Sulphur ("**S**") grades vary from 1.1% to 7.8% according to tests done on 13 samples by No. 3 Geological Institute, with an average grade of 3.7%. Silver ("**Ag**") grades have been analysed within a range of 0.5 g/t and 8.5 g/t Ag. The harmful element arsenic ("**As**") was found to occur with grades ranging from 0.0040% to 0.0302% As. The average grade of arsenic is about 0.0012% As. As the content of arsenic is far lower than the required standard of 0.5% in the content of the gold product as stipulated in the sales contract, SRK does not consider this could materially affect the saleability of the gold produced at the mines. Furthermore, in view of the graded of arsenic, SRK do not consider that it would be likely to adversely impact the environment.

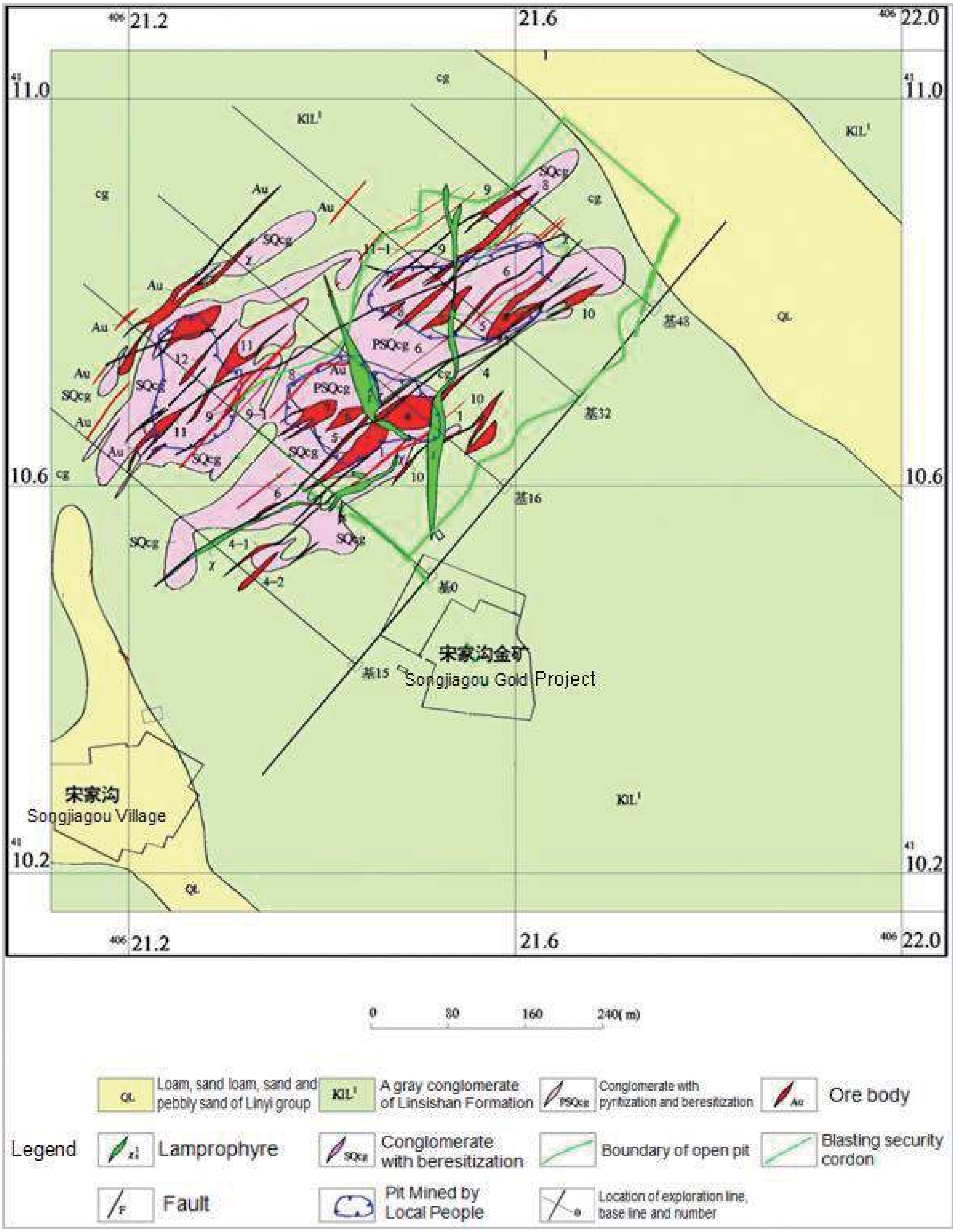


Figure 6-4: Geology of SJG Project

Based on observation as well as on the phase analysis results, the types of gold mineralised zones present at the SJG Project include oxidised, mixed, and primary sulphide (Figure 6-5); primary sulphide or accounts for the largest proportion. The mineralised rocks present in grained, in-filling, clastic, or brecciated textures.

Partly oxidised mineralised conglomerate

Primary host rock

Figure 6-5: Typical Gold Mineralisation Host Rocks

7 DEPOSIT TYPES

Gold mineralisation of the SJG Project is hosted within the pyritic-sericitic conglomerate of the Linsishan Formation from Laiyang Group of Cretaceous-age. Gold enrichment occurs as veins, as well as in disseminated and stockwork distributions. The SJG vein-type mineralisation could be appropriately described as mesothermal genesis. The disseminated and stockwork types of mineralisation have some aspects of epithermal mineralisation but are both spatially and genetically associated with the vein-type; as such it can be considered a variant of that type.

The SJG Project's conglomerate type gold deposit is believed to be associated with mesothermal filling activities and followed by alterations and metasomatism.

Wall rocks are generally consistent with the host rocks, comprised of conglomerate and occasional lamprophyre. Wall rocks and internal waste contain small quantities of gold, usually less than 0.10 g/t Au. The boundaries between wall rock, internal waste, and the host rocks are not visually obvious, and must be determined by chemical analysis.

8 EXPLORATION

8.1 Geological mapping

Geological mapping has been successively conducted by previous explorers as described in section "5.2 Exploration history" of this QPR. The geological report prepared by No. 3 Geological Institute in January 2011 provided geological maps at scales of 1:10,000 and 1:2,000. Other than cross section information, no updated surface geological mapping has been conducted since 2011.

8.2 Survey

Topographic and engineering surveys have been conducted mainly by No. 3 Geological Institute, and Yantai Mujin carried out previous underground surveys. Local control points were set up and utilised in these surveys. Handheld global positioning system (the "**GPS**") and real-time kinematic (the "**RTK**") instruments were used.

Topography for the SJG Project area, locations of all borehole and trench collars, and surface samples were surveyed and mapped at scales of 1:2,000 and 1:1,000.

Yantai Zhongjia used its own professionally equipped survey team to meet the requirements for frequent surveys during the normal production cycle of open pit mining, such as blasting, stripping, and grade-control sampling. The mining area's topography is surveyed and updated regularly for mine planning purposes.

SRK notes that the previous survey was conducted and reported using different coordinate system; Yantai Zhongjia has reconciled all the survey results and converted all coordinates to China Xi'an 1980 system.

SRK's Mineral Resource estimation as stated in this QPR used the topography map dated on 31 July 2018, and then was updated with the latest open pit map or mining voids, which was provided to SRK by Yantai Zhongjia.

8.3 Other

Regional geochemical and geophysical investigations have been conducted by various geological brigades and institutes during the reconnaissance stage. SRK has not been provided with such data for review as it is not material to this QPR.

Inventory density determination was based on tests using a total of 81 samples collected from the deposit over various periods: seven samples were taken in 1998, 35 samples were taken in 2002, 32 samples in 2007, and 7 samples in 2010.

9 DRILLING, TRENCHING AND UNDERGROUND WORKINGS

9.1 Trenching

The surface trenching used in the earlier stages revealed good indications of mineralisation, which encouraged systematic drilling to follow up. A total of 75 trenches with an aggregate length of 5,883 m were excavated by Yantai Zhongjia between 1999 and 2007, from which 5,378 samples were collected. Gold content of these samples ranged from zero to 46.2 g/t Au, with about 5% of the assay values exceeding 1.0 g/t Au.

Trenches were dug by back-hoe and were cleaned prior to sampling. The trenches were completed by third-parties and were sampled by Yantai Zhongjia personnel. Trench sections were trapezoidal, with upper widths of 1.2 m and bottom widths greater than 0.8 m.

The distribution of assay values suggests that the mineralised fractures that are being exploited underground extend to the surface. This finding is reinforced by the fact that surface mining is taking place in the area of the trenches.

Most of the trenches have been backfilled or levelled by recent mining activities.

9.2 Underground channelling

A total of 91 underground channels have been completed on the +9 m, –40 m, –80 m, and –120 m levels in the SJG Project prior to 2012, from which 3,309 channel samples were collected. Data from these underground channel samples were compiled by Yantai Zhongjia. The underground engineering was undertaken by Yantai Huazhong Mine Engineering Company Limited, as reported by No. 3 Geological Institute. The underground tunnels were excavated with section size of 2.2 m high by 2.2 m wide.

In 2018, a total of 15 underground channels were sampled in the SJG Underground Mine, on the +49 m, +9 m and –40 m levels, and a total of 257 underground channel chips were dispatched to SGS Laboratory in Tianjin, China (the "**SGS Tianjin**") for sample preparation and chemical assay. SRK has supervised the sampling program.

The underground channelling suggests that the gold mineralisation of the SJG Project has a considerable extension from surface down to at least –120 m ASL. There were both surface and underground drill holes having intercepted gold mineralisation at deeper zones below this level, which confirmed the discovery and interpretations from underground channels.

9.3 Drilling

A total of 145 diamond drill holes have been completed since 1997, including 17 underground drill holes with a total length of 1,435 m and 128 surface drill holes with an aggregate length of 37,053 m. Prior to Yantai Zhongjia, there were 32 drill holes completed by No. 3 Geological Institute.

Drilling was conducted by No. 3 Geological Institute. A total of 1,152 samples were collected from the underground drilling and 26,654 samples were collected from the surface drilling.

Drilling was performed using mostly HQ and a few NQ sized drill rods. More than half of the holes were drilled with dips of –60° or –45° to the northwest, and a few were drilled vertically (dip angle –90°).

Core recoveries generally averaged above 95% and recoveries of mineralised intervals were about 97%. The statistics and calculations were performed by No. 3 Geological Institute.

9.4 Drilling and trenching pattern and density

The database for Mineral Resource estimation used in this QPR consists of 128 diamond holes for a total of 37,053 m drilled on the surface since 1997, and 106 underground workings totalling 12,262 m, in addition to 17 underground drill holes with a total length of 1,435 m, as well as 75 surface trenches with an aggregate length of 5,883 m.

The actual workload completed in SJG Project might exceed these amounts. Quite a few of drill holes and trenches and/or channel data was not incorporated due to missing of verifiable collar or sample records. Prospecting pits and other workings had previously been conducted in the SJG Project area but are not included in the database provided. Layout of the drilling and trenching used in the Mineral Resource estimation in this QPR is shown in Figure 9-1.

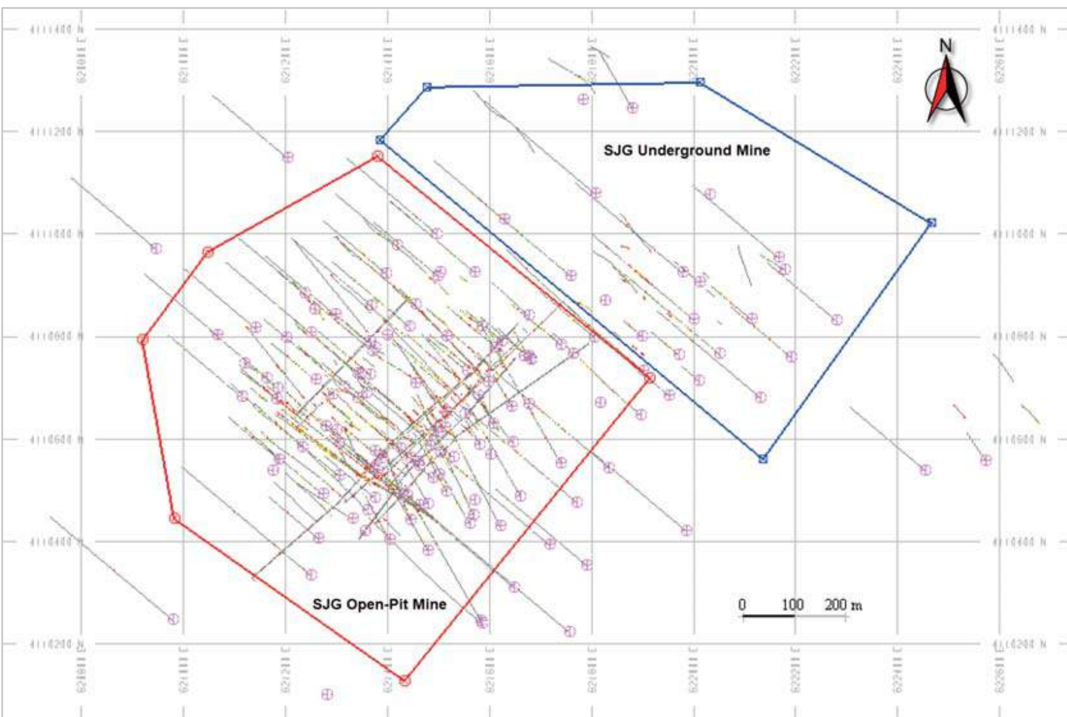


Figure 9-1: Drilling and Trenching Completed in SJG Project

The exploration generally followed a sectional layout, designed with a number of exploration lines oriented northwest-southeast. The designed exploration lines cross-cut the gold enriched mineralised veins with overall north-easterly strikes. The exploration lines were spaced about 60 m apart and drill holes on a 60 m × 80 m grid were supplemented by surface trenching spaced about 30 m to 60 m apart. The vertical extension of the gold mineralisation was verified by underground cross-cuts spaced about 30 m apart on the +9 m, –40 m, –80 m, and –120 m levels.

10 SAMPLE PREPARATION, ANALYSES, AND SECURITY

10.1 Sample preparation and analyses

Multiple batches of samples were prepared and assayed for the SJG Project. The samples used for Mineral Resource estimate were derived from exploration conducted since 1997.

Sampling was completed by No. 3 Geological Institute and SINOGOLD staff under the supervision of a CP from SINOGOLD. Samples were logged and prepared to rock chips on site and then shipped to the SGS Tianjin.

All samples for routine chemical assays collected between 2005 and 2007 were further prepared by SGS Tianjin following a standard rock preparation procedure of drying, weighing, crushing, splitting, and pulverization. The pulverised pulps were about 74 microns ("**µm**", Tyler 200 mesh).

Samples were analysed by SGS Tianjin using screen fire assays, where 1 kg quantities of pulp were subjected to screening for metallic content prior to analysis. The screen fire assay is typically used for nugget gold samples that contain coarse gold particles.

10.1.1 *Drill core samples*

Drill cores were logged by No. 3 Geological Institute and SINOGOLD staff; core samples were obtained by cutting the core lengthwise into two halves. One half of each core was placed in sample bags that were then shipped by commercial courier to the SGS Tianjin. The basic length of drill core samples was 1 m. The half-core that was not sampled was placed back in the core box, and all cores were stored for archival purposes in Yantai Zhongjia's storage facilities.

10.1.2 *Trench samples*

Trench samples were collected using the channel method with a sectional size 10 cm × 5 cm and basic sample length of 1 m. The trench sampling was conducted by No. 3 Geological Institute and SINOGOLD staff.

10.1.3 *Underground channel samples*

Underground channel sampling was conducted by Yantai Zhongjia. The samples were taken from cross-cuts, as well as from drifts along the veins. Sample length varied from 0.5 m to 2.4 m with an average length of 1 m. The channel section size was 10 cm × 3 cm.

10.1.4 *Specific gravity samples*

Specific gravity (the "**SG**") samples were collected and analysed by No. 3 Geological Institute. Density, humidity and gold grade were determined. Tests of 81 SG samples returned an average SG value of 2.7.

10.1.5 *Other information*

The routine chemical assay samples collected in 2008 were prepared and analysed by No. 3 Geological Institute. The sample preparation was similar to the process for samples taken between 2005 and 2007. No. 3 Geological Institute used fire assays to determine the gold grade. SRK has been advised by Yantai Zhongjia that since no CP was responsible for the sampling and sample preparation process in 2008, these samples were not reviewed for a QPR under NI 43-101.

10.2 Quality assurance and quality control programs

Prior to 2007, the previous exploration has been summarised in a report prepared in compliance with China exploration standard by No. 3 Geological Institute, in which an internal laboratory check and an external check with pulp duplicates are obligatory. The previous technical report and Mineral Resource estimation were prepared by Wardrop Engineering Inc. (the "**Wardrop**") in accordance with NI 43-101, and as reported by Yantai Zhongjia, there was a qualified person responsible for the exploration, and the quality assurance and quality control (the "**QA/QC**") programs were assessed.

As reported by Wardrop in 2011, the 2007 drilling and trenching programs used blanks and standard reference materials as the basis of the QA/QC program. The following paragraphs are extracted from the *Preliminary Assessment Technical Report on the Songjiagou Project, Shandong Province, China* (the "**PEA**") prepared by Wardrop and dated in 2011:

- Assay data was reviewed for 174 blanks (3.5% of the total sample population) that were analysed in conjunction with samples from the drilling and trenching programs. All analyses of blanks were below the detection (<5 parts per billion ("**ppb**") gold) threshold, indicating that there is no evidence of cross-sample contamination during the sample preparation process.

- The same set of four standards were used for both the drilling and trenching programs: CDN-GS15A with an expected mean value of 14.83 g/t Au and 2 standard deviations (the "**SD**") of 0.61 g/t Au; CDN-GS1P5B with an expected mean of 1.46 g/t Au and 2 SD of 0.12 g/t; CDN-GSP1 with an expected mean of 0.12 g/t Au and 2 SD of 0.02 g/t; and CDN-GSP5B with an expected mean of 0.44 g/t Au and 2 SD of 0.04 g/t. All standards were prepared by CDN Resource Laboratories of Delta, British Columbia, Canada.

- Assay data is available for 133 standard samples as summarised in Table 10-1.

- The high failure rate for analyses of standard CDN-GS15A is noteworthy: 58% for the drill program and 78% for the trench program. Failures include both over and under-estimations. These results suggest that high assay values may be inaccurate, either positively or negatively, and such a high failure rate could potentially compromise the quality of the dataset, except for the fact that only 18 of the nearly 5,000 assays exceed 10 g/t, so the potential impact is considered to be negligible.

Table 10-1: Standard Analyses in 2007 as Summarised by Wardrop

Standard	Drilling Program				Trenching			
	Used (Count)	Over	Under	Fail (%)	Used (Count)	Over	Under	Fail (%)
CDN-GS15A	24	9	5	58	9	1	6	78
CDN-GS1P5B	22	5	1	27	11	2	—	18
CDN-GSP1	24	1	—	4	13	—	—	—
CDN-GSP5B	18	—	—	—	12	1	—	8
Total	**88**	**15**	**6**	**24**	**45**	**4**	**6**	**22**

The accuracy of analyses for the remaining standards is considerably better and improves markedly at the lower analytical levels. This suggests that most assay values obtained from the 2007 exploration programs are accurate.

As advised, action was taken by SINOGOLD with respect to the out-of-bound values. Wardrop considers that the assays are suitable for use in the Mineral Resource estimation that is the subject of this QPR. Wardrop believes sample preparation, analyses and security are "acceptable".

SRK notes that SGS Tianjin has its own protocols for quality control applying standards, blanks and duplicates as well.

SGS Tianjin returned the sample pulps and coarse rejects to Yantai Zhongjia. The sample rejects and pulps are stored together with drill cores in a security facility near Yantai Zhongjia's office building (see Figure 10-1).

SRK has performed QA/QC check after 2011 (see "11 Data Verification") and is of opinion the previous database is integrated and suitable for Mineral Resource estimation.

pulp and coarse reject containers

remained drill cores

Figure 10-1: Storage of Coarse Rejects, Pulps, and Drill Cores

10.3 SRK comments

SRK considers that the sampling, sample preparation, security, and analytical procedures performed between 2005 and 2007 for the SJG Project are consistent with generally accepted industry practices and are therefore adequate.

11 DATA VERIFICATION

11.1 Verifications by SINOGOLD and Wardrop

The exploration data used for Mineral Resource estimation in this QPR was compiled by SINOGOLD; a majority of it was previously used by Wardrop in preparation of the PEA report issued in 2011. Wardrop stated in 2011 that they have digitally verified both drill assays (73%) and trench assays (18%) as received from SINOGOLD against assay reports issued by SGS Tianjin. No errors or discrepancies were found in either dataset.

11.2 Verifications by SRK

SRK has reviewed the geological report prepared by No. 3 Geological Institute as issued in 2011 and compared it with the compiled database; furthermore, the assay result datasheet from SGS Tianjin was partly inspected by SRK.

SRK had a site visit to the SJG Project to inspect the field geology. The presence of an operating mine was taken as sufficient proof of the existence of gold mineralisation.

During SRK's visit, a random group of field samples was collected from the current open pit plus three additional samples, one each from the feed processing plant feed ore, concentrate, and tailings. The samples randomly collected by SRK were prepared and analysed by the Intertek Laboratory in Beijing (the "**Intertek**"). The assay results for these random check samples are provided in Table 11-1.

Table 11-1: Random Check Samples Collected by SRK

Sample Number	Gold Grade (g/t)
SJ01	0.121
SJ02	0.262
SJ03	0.374
SJ04	0.206
SJ05	6.340
SJ06	0.394
SJ07	0.881
SJ08	2.330
SJ09	0.323
SJ10	2.270
SJ11	0.936
A — feed	0.328
B — concentrate	29.600
X — tailings	0.043

The random check results verified that the gold mineralisation is distributed broadly within the Linsishan Formation conglomerate with gold grades varying from about 0.1 g/t Au up to several grams per tonne.

A total of 102 coarse rejects (1 mm sized) and 48 pulp duplicates (75 µm sized) were selected by SRK for an independent verification purpose. The samples were collected from Yantai Zhongjia's core storage located near SJG Project; each sample was approximately about 200 grams ("**g**") in weight. The coarse rejects with about 1 mm grain size were further pulverised to 75 µm in the ALS Chemical Assaying Laboratory in Guangzhou, China (the "**ALS**"). All of the verification samples were analysed by ALS. The applied method was aqua regia digestion followed by fire assay.

The verification sample results were compared with their counterparts amongst the original assays. A detailed log of the verification samples is provided in Appendix D. The performances of coarse reject and pulp duplicate assays are illustrated in Figure 11-1 and Figure 11-2, respectively.

In general, there are notable discrepancies between coarse rejects and the original assays. About half of the comparable results show relative deviations within a range from –20% to 20%, while the rest (about 50%) show relatively large deviations. These discrepancies may be generated by the nugget effect, uneven splitting and reduction during sample preparation, and/or different chemical analysis approaches, as well as improper sample handling. SRK has analysed the sample results with grades above 0.3 g/t Au (the cut-off grade at SJG Open-Pit Mine) and is of opinion that the overall comparison provides a confidence in the original assays. The sample preparation in SGS Tianjin has been further revisited and monitored by SINOGOLD and it was concluded that the processes were compliant with QA/QC protocols. SRK is of opinion that due to the existence of nugget effect, the coarse rejects are not comparable to the pulps used for sample analyses.

Comparatively, the pulp duplicate assays returned acceptable results considering a cut-off grade of 0.3 g/t Au. The comparison between pulp duplicates and original assays were matched well and the deviation is general with a range of +/– 10% with few discrepancies.

The SJG Open-Pit Mine has been put into operation since 2011 at a relatively low cut-off grade and the daily ore feeds in the processing plant have corroborated that.

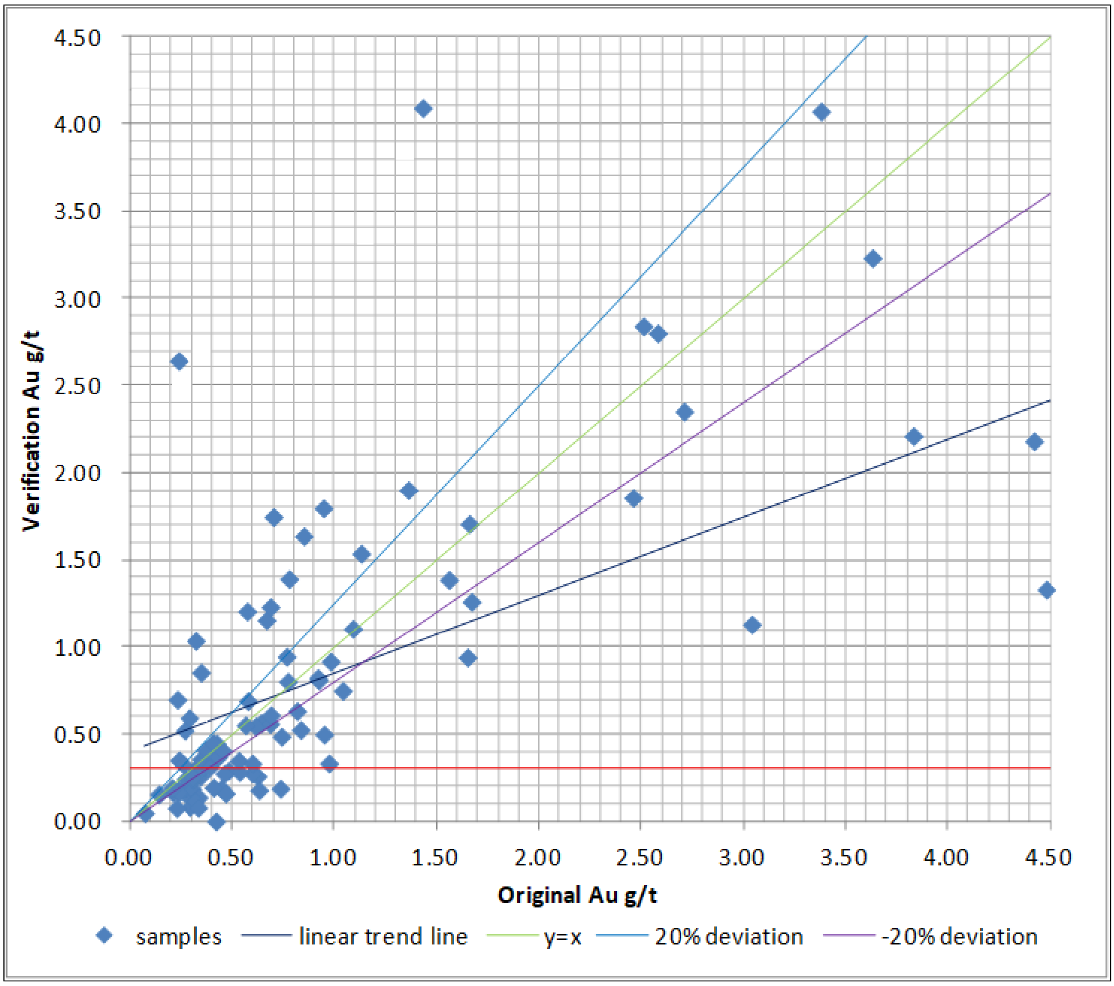


Figure 11-1: Performance of Coarse Reject Assays vs. SRK Verification Samples

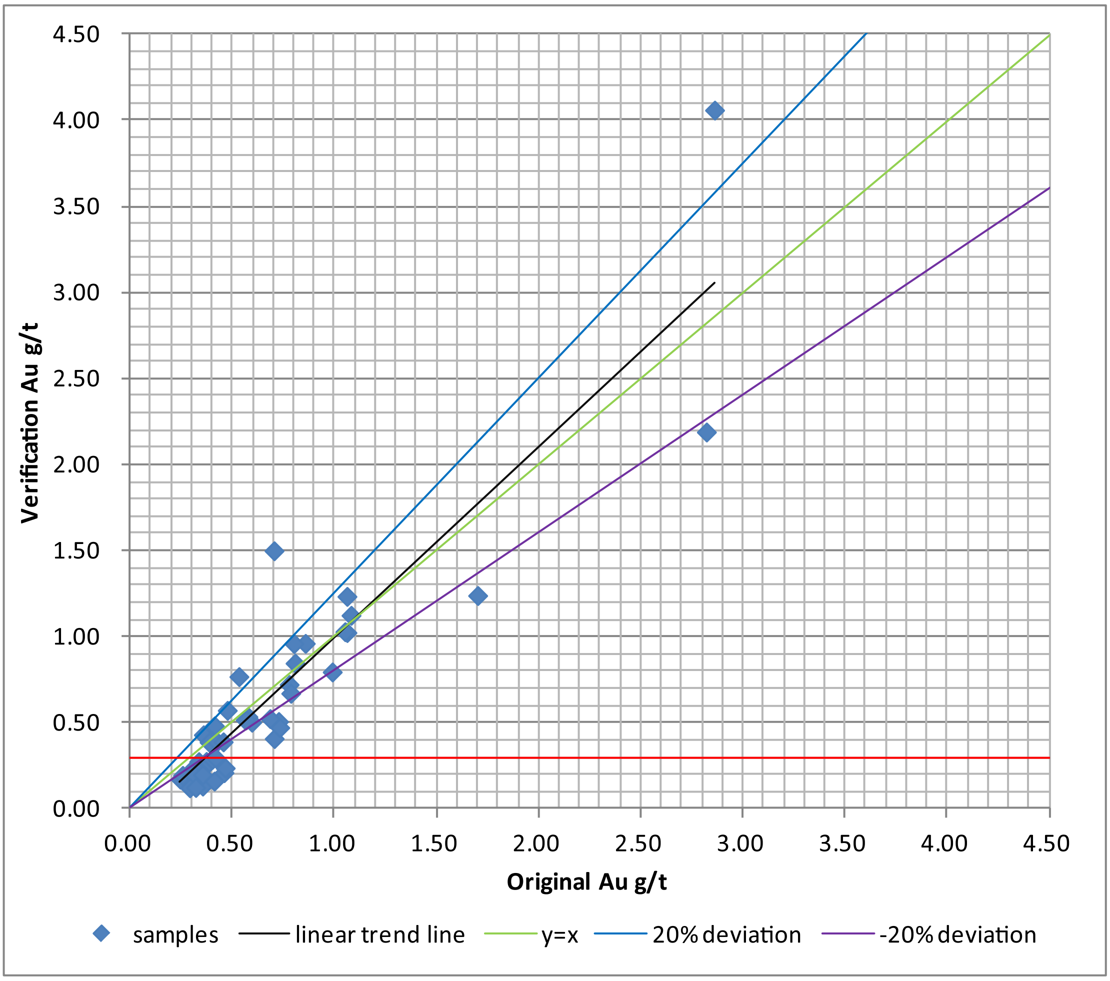


Figure 11-2: Performance of Pulp Duplicate Assays vs. SRK Verification Samples

11.3 Sample assays in 2018

To test and verify the grades of the SJG Underground Mine, SRK has supervised a sampling program of the underground channels. A total of 257 samples from three underground levels, namely 85 samples from the +49 level, 112 from the +9 level and 60 from the –40 level, were taken continuously along the cross-cuts walls. Samples were taken at the panel of an approximate size at 1 m × 1 m.

The underground samples, between 4 and 5 kg each, were despatched to SGS Tianjin for preparation and analyses. A screening fire assay method was applied, with atomic absorption spectroscopy finish. SRK has reviewed the assays of these underground samples and is of opinion that the results coincide with the underground development of cross-cuts of the mineralised bodies. Therefore, this sample information was accepted in the integration of the drill hole database. A copy of the detailed sample assays returned from SGS Tianjin is maintained by SRK and could be available upon request.

12 MINERAL RESOURCE ESTIMATION

12.1 Introduction

The Mineral Resource estimate presented herein represents the Mineral Resource evaluation prepared for the SJG Project in accordance with the CIM definition standards.

The Mineral Resource estimation work was completed by Mr Pengfei Xiao (MAusIMM) under the supervision of Dr Anshun Xu (FAusIMM), both employees of SRK, an appropriate "independent Qualified Person" as this term is defined in NI 43-101. The effective date of the Mineral Resource statement is 31 December 2021.

This section describes the Mineral Resource estimation methodology and summarizes the key assumptions made by SRK. In SRK's opinion, the Mineral Resource evaluation reported herein is a reasonable representation of the global gold mineral resources found in the SJG Project at the current level of sampling. The Mineral Resources have been estimated in conformity with generally accepted CIM definition standards and are reported in accordance with the Stock Exchange listing requirements. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resource will be converted into Mineral Reserves.

The mineral resource model prepared by SRK makes use of an integrated drill hole database compiled in 2018. SRK converted the database provided by SINOGOLD into comma-separated values (the "**CSV**") format, validated the database, and removed repeated samples. No exploration data is available in the years after 2018.

The database used to estimate the SJG Project Mineral Resources was reviewed by SRK. SRK believes the current drilling information is sufficiently reliable to interpret with confidence the boundaries for hydrothermal filling metasomatic altered conglomerate mineralisation and that the assay data are sufficiently reliable to support Mineral Resource estimation.

Surpac (Version 6.8), a software package used for geological modelling and mine planning, was used to construct the Mineral Resource estimation.

The Mineral Resource estimate included Mineral Resources for both SJG Open-Pit Mine and SJG Underground Mine.

12.2 Estimation procedures

The Mineral Resource evaluation methodology involved the following procedures:

- Database compilation and verification;
- Data preparation (compositing and capping) for geostatistical analysis and variography;
- Construction of the block model and grade interpolation;

- Mineral Resource classification and validation; and
- Preparation of the Mineral Resource statement.

12.3 Database

SRK converted the database provided by SINOGOLD into CSV format and conducted validation and removal of repeated samples. The database used for the Mineral Resource estimation consists of 326 geological engineering works including 145 drill holes (128 surface drill holes and 17 underground drill holes), 75 trenches, and 106 underground engineering (include tunnels prior to 2012 and in 2018). Appendix B provides detailed information for all geological engineering works.

As shown in Table 12-1, the database contains 36,748 gold samples in total, including 27,805 from drill holes, 5,377 from trenches, and 3,566 from underground engineering. The maximum gold grade is 263.09 g/t. The average gold grade is 0.37 g/t prior to grade capping.

Table 12-1: Characteristic Value Summary of Original Sample

All Data	Au g/t Uncapped	Au g/t Capped	Length	Drill Hole Data	Au g/t Uncapped	Au g/t Capped	Length
Sample numbers	36,748	36,748	36,748	Sample numbers	27,805	27,805	27,805
Minimum	0.00	0.00	0.02	Minimum	0.00	0.00	0.06
Maximum	263.09	11.00	8.00	Maximum	263.09	11.00	8.00
Mean	0.37	0.28	1.03	Mean	0.25	0.20	1.02
Median	0.03	0.03	1.00	Median	0.03	0.03	1.00
SD[1]	3.42	0.96	0.17	SD[1]	2.57	0.76	0.16
Variance	11.68	0.92	0.03	Variance	6.62	0.57	0.02
CoV[2]	9.17	3.46	0.16	CoV[2]	10.14	3.74	0.15
Skewness	44.76	8.13	5.21	Skewness	66.84	10.23	7.25
Kurtosis	2,710.73	75.88	130.34	Kurtosis	6,009.70	122.71	213.16
Trench Data	**Au g/t Uncapped**	**Au g/t Capped**	**Length**	**Underground Data**	**Au g/t Uncapped**	**Au g/t Capped**	**Length**
Sample numbers	5,377	5,377	5,377	Sample numbers	3,566	3,566	3,566
Minimum	0.00	0.00	0.30	Minimum	0.00	0.00	0.02
Maximum	46.21	11.00	1.80	Maximum	237.80	11.00	4.40
Mean	0.26	0.24	1.01	Mean	1.46	0.91	1.13
Median	0.04	0.04	1.00	Median	0.05	0.05	1.00
SD[1]	1.15	0.71	0.07	SD[1]	8.09	1.95	0.28
Variance	1.33	0.51	0.01	Variance	65.43	3.78	0.08
CoV[2]	4.37	2.92	0.07	CoV[2]	5.53	2.15	0.25
Skewness	22.61	9.77	2.65	Skewness	17.56	3.73	0.63
Kurtosis	709.31	118.17	45.22	Kurtosis	399.90	14.43	7.56

Notes:

1. Standard deviation
2. Coefficient of variation

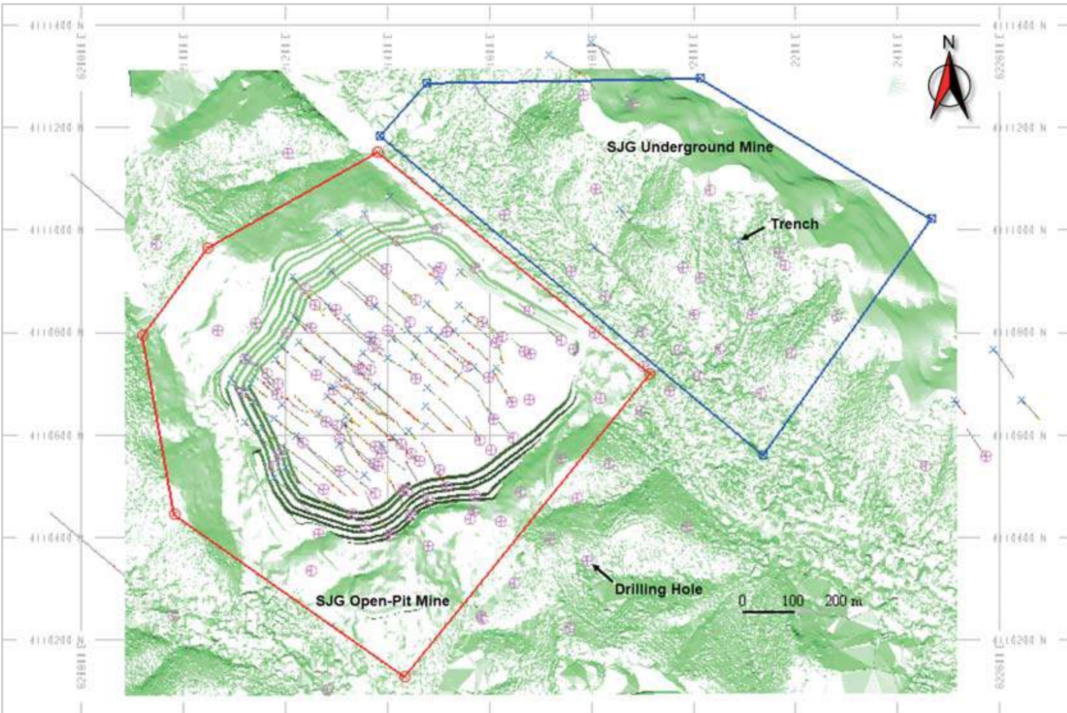


Figure 12-1: Topographic 3D Map (Azimuth: 0°, Dip: –90°)

The drill holes' distribution is shown in Figure 12-1, overlaid on the topographic 3D model converted from the file provided by SINOGOLD. The topographic map uses the Xi'an 1980 geodetic system on a scale of 1:1,000 and contour intervals of 1 m.

In November 2014, Yantai Zhongjia conducted a topographical survey. The survey data was used for the topographical model. In addition, monthly survey for the open pit has been updated to 31 December 2021.

12.4 Compositing

SRK composited the sample prior to grade interpolation; as the statistics of the original samples indicated that 75% of samples were 1 m long (shown in Figure 12-2), SRK chose 1 m as the length for compositing.

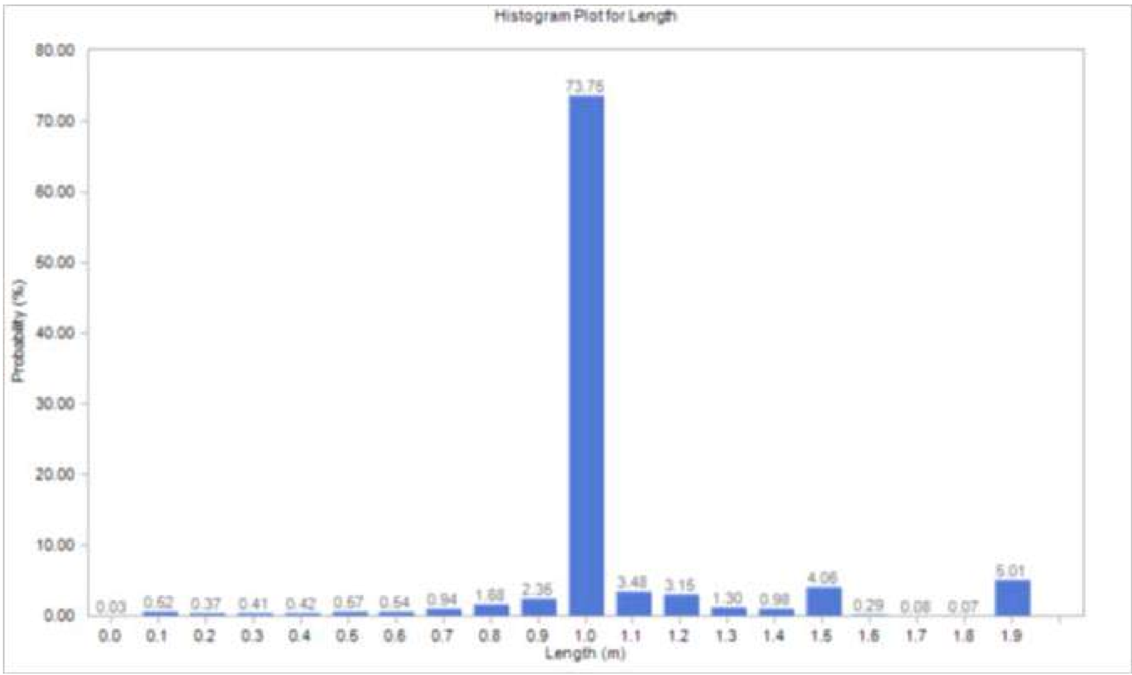


Figure 12-2: Original Sample Length Probability Distribution Histogram

12.5 Outlier value assessment

Previously, a cap (top cut/grade capping) value at 40 g/t Au had been used for grade capping in SJG Project according to the analysis on board sample data. The grade control data in recent years suggested that for the average grade in the SJG Open-Pit Mine was far below 40 g/t Au. SRK has used 99.7% of the grade range of all samples; the lower limit of outliers = (the average value for all raw samples) + 3 × (the standard deviation for all raw samples). Thus, a cap value at 11 g/t Au has been applied for replace all the higher values of 1 m composites.

SRK is of the opinion that the analysis and processing methods are reasonable and acceptable, which capped and replaced 148 samples with gold grade values above 11 g/t Au (Table 12-2).

Results of the statistical analysis of 1 m composites are shown in Table 12-3.

Table 12-2: Grade Capping Details

Sample Number	From (m)	To (m)	Length (m)	Original Grade (g/t Au)	Capped Grade (g/t Au)
1-CM0-3B	239.14	239.99	0.85	11.120	11
1-CM0-3B	314.61	315.61	1.00	49.070	11
1-CM0-3B	372.15	373.15	1.00	18.150	11
1-CM6S-3B	10.43	11.43	1.00	33.370	11
1-CM6S-3B	160.83	161.83	1.00	33.370	11
1-CM7S-3B	54.96	55.96	1.00	19.140	11
1-CM9-3B	78.90	79.06	0.16	18.290	11
1-CM9-3B	199.87	200.87	1.00	37.370	11
1-YM1N-3B	239.21	240.21	1.00	17.990	11
1-YM1N-3B	262.20	263.20	1.00	17.990	11
1-YM1N-3B	443.81	444.81	1.00	23.530	11
1-YM2N	194.30	195.41	1.11	21.424	11
1-YM2N-3B	9.81	10.81	1.00	73.620	11
1-YM3N-3B	80.03	81.03	1.00	11.650	11
2-CM0-3B	226.14	227.14	1.00	18.620	11
2-CM0-3B	228.19	229.19	1.00	20.930	11
2-CM11-1-3B	4.45	5.45	1.00	11.200	11
2-CM3-3-3B	22.81	23.81	1.00	31.750	11
2-CM4-1-3B	3.62	4.62	1.00	47.840	11
2-CM4-1-3B	4.77	5.77	1.00	63.440	11
2-CM4-1-3B	12.12	13.12	1.00	17.740	11
2-CM5-2-3B	10.04	10.26	0.22	23.840	11
2-YM1-3B	15.79	16.49	0.70	16.820	11
2-YM1-3B	137.50	138.50	1.00	20.280	11
2-YM1-3B	175.34	176.34	1.00	12.250	11
2-YM1-3B	178.35	179.35	1.00	33.590	11
2-YM1-3B	179.35	180.01	0.66	140.190	11
2-YM1-3B	191.71	192.71	1.00	20.740	11
2-YM1-3B	196.04	197.04	1.00	11.540	11
2-YM1-3B	281.22	282.22	1.00	207.750	11
2-YM1-3B	325.63	326.63	1.00	56.620	11
2-YM1-3B	355.09	356.09	1.00	12.090	11
2-YM2-3B	311.23	312.23	1.00	20.770	11
2-YM3-3B	11.04	12.04	1.00	14.410	11
2-YM3-3B	83.51	84.51	1.00	61.090	11
2-YM3-3B	113.73	114.73	1.00	15.200	11

Sample Number	From (m)	To (m)	Length (m)	Original Grade (g/t Au)	Capped Grade (g/t Au)
3-CM0-3B	161.05	162.05	1.00	23.730	11
3-CM1N-3B	15.22	16.22	1.00	16.540	11
3-CM1S-3B	19.04	19.99	0.95	47.580	11
3-CM4S-3B	58.51	59.51	1.00	15.440	11
3-YM2N-3B	8.07	9.07	1.00	14.600	11
3-YM2N-3B	15.77	16.77	1.00	30.530	11
3-YM2N-3B	20.02	21.02	1.00	89.790	11
3-YM2N-3B	23.66	24.66	1.00	51.830	11
3-YM2N-3B	326.56	327.56	1.00	13.680	11
3-YM2N-3B	333.98	334.98	1.00	18.240	11
3-YM2NN-3B	7.93	8.93	1.00	32.190	11
3-YM2NN-3B	20.33	21.33	1.00	139.890	11
3-YM2NN-3B	23.92	24.92	1.00	18.600	11
3-YM2NN-3B	145.16	146.16	1.00	15.490	11
3-YM2NN-3B	321.71	322.71	1.00	25.690	11
3-YM2NN-3B	377.39	378.39	1.00	24.280	11
3-YM2S-3B	29.72	30.72	1.00	35.620	11
3-YM2S-3B	97.95	98.95	1.00	21.820	11
3-YM2SN-3B	33.72	34.72	1.00	49.300	11
3-YM2SN-3B	207.05	208.05	1.00	29.320	11
4-CM0-3B	124.58	125.37	0.79	14.800	11
4-CM1-3B	17.82	18.69	0.87	47.580	11
4-CM3S-3B	15.31	16.26	0.95	16.270	11
4-YM2N-3B	10.92	11.92	1.00	117.680	11
4-YM2N-3B	147.08	148.08	1.00	16.680	11
4-YM2NN-3B	10.77	11.77	1.00	78.030	11
4-YM2NN-3B	147.02	148.02	1.00	16.370	11
4-YM2NN-3B	165.06	166.06	1.00	41.650	11
4-YM2S-3B	16.19	17.19	1.00	11.930	11
624-ZK52	30.00	30.35	0.35	37.320	11
624-ZK90	137.33	138.53	1.20	14.750	11
CK16-1	24.00	25.00	1.00	17.000	11
CK16-1	107.00	108.00	1.00	15.900	11
CK16-1	128.00	129.00	1.00	16.900	11
CK16-1	129.00	130.00	1.00	14.000	11
CK24-1	81.20	82.20	1.00	35.800	11
CK28-1	104.00	105.00	1.00	23.600	11
CK4-2	20.00	21.00	1.00	18.100	11
KDZK11	72.44	73.44	1.00	24.020	11

Sample Number	From (m)	To (m)	Length (m)	Original Grade (g/t Au)	Capped Grade (g/t Au)
KDZK3	11.60	12.60	1.00	15.440	11
L3A	161.00	162.50	1.50	237.800	11
L4A	139.50	141.00	1.50	98.050	11
L4A	144.00	145.50	1.50	15.460	11
SJ05-03	108.00	109.00	1.00	55.340	11
SJ05-04	136.00	137.00	1.00	12.040	11
SJ05-05	67.00	67.50	0.50	47.380	11
SJ05-08	152.00	153.00	1.00	53.120	11
SJ05-11	470.40	470.60	0.20	263.090	11
SJ05-12	49.00	50.00	1.00	41.480	11
SJ05-12	51.00	52.00	1.00	15.110	11
SJ05-14	408.00	409.00	1.00	13.040	11
SJ05-14	416.00	417.00	1.00	26.850	11
SJ05-16	148.00	149.00	1.00	16.350	11
SJ05-21	270.00	271.00	1.00	30.160	11
SJ05-21	273.00	274.00	1.00	26.720	11
SJ05-24	3.00	4.00	1.00	66.230	11
SJ05-25	281.00	282.00	1.00	17.720	11
SJ06-27	241.20	242.20	1.00	11.100	11
SJ06-27	426.20	427.20	1.00	28.700	11
SJ06-27	428.20	429.20	1.00	29.300	11
SJ06-28	233.20	234.20	1.00	11.698	11
SJ06-29	401.20	401.60	0.40	18.170	11
SJ06-30	160.70	161.80	1.10	14.720	11
SJ06-30	202.60	203.60	1.00	13.710	11
SJ06-30	301.60	302.40	0.80	18.300	11
SJ06-30	310.40	311.40	1.00	16.090	11
SJ06-31	119.40	120.40	1.00	13.016	11
SJ06-32	271.00	272.00	1.00	21.002	11
SJ06-32	275.00	276.00	1.00	11.667	11
SJ06-32	295.00	296.00	1.00	30.237	11
SJ06-35	352.00	353.00	1.00	41.509	11
SZK0-2	38.60	39.52	0.92	19.100	11
SZK16-5	122.75	123.75	1.00	15.660	11
SZK24-2	29.00	30.00	1.00	19.730	11
SZK64-1	47.80	48.80	1.00	41.190	11
SZK72-1	74.07	75.07	1.00	17.500	11
SZK72-4	57.76	58.76	1.00	22.730	11
SZK72-4	113.96	114.96	1.00	27.570	11

Sample Number	From (m)	To (m)	Length (m)	Original Grade (g/t Au)	Capped Grade (g/t Au)
SZK8-2	87.99	89.01	1.02	12.300	11
SZK8-2	89.01	90.01	1.00	14.300	11
SZK8-2	127.43	128.43	1.00	18.400	11
SZK8-3	93.13	94.13	1.00	12.700	11
SZK96-2	164.20	165.20	1.00	18.300	11
TC4-1	16.00	17.00	1.00	11.300	11
TC48-3	87.60	88.60	1.00	12.200	11
TC48-3	88.60	89.60	1.00	46.210	11
UL206-C	16.00	17.29	1.29	12.700	11
UL206-C	50.47	51.86	1.39	15.800	11
UL206-E	13.94	14.62	0.68	14.800	11
ZK1	22.00	23.10	1.10	41.660	11
ZK1	107.20	108.20	1.00	65.560	11
ZK1	262.40	263.50	1.10	21.120	11
ZK13	144.72	145.72	1.00	24.700	11
ZK13	205.09	206.09	1.00	14.860	11
ZK13	209.40	210.40	1.00	221.990	11
ZK151	17.64	18.14	0.50	15.030	11
ZK16	382.40	383.40	1.00	27.970	11
ZK17	326.28	327.28	1.00	12.050	11
ZK17	341.31	342.31	1.00	14.310	11
ZK19	224.52	225.52	1.00	42.370	11
ZK19	226.53	227.53	1.00	46.430	11
ZK19	227.53	228.53	1.00	13.290	11
ZK19	232.56	233.56	1.00	13.450	11
ZK19	233.56	234.56	1.00	16.240	11
ZK19	234.56	235.86	1.30	11.800	11
ZK19	240.19	240.99	0.80	70.440	11
ZK19	242.79	243.79	1.00	15.580	11
ZK2	232.10	233.60	1.50	35.990	11
ZK52	24.71	25.69	0.98	31.200	11
ZK52	192.63	193.03	0.40	64.600	11
ZK6	233.90	235.50	1.60	11.500	11
ZK9	191.30	192.30	1.00	14.110	11

Table 12-3: Statistical Analysis Result of Composites

Item	before Capping (g/t Au)	after Capping (g/t Au)	Length
Sample counts	36,491	36,491	36,491
Minimum	0.01	0.01	0.10
Maximum	237.80	11.00	1.00
Mean	0.42	0.32	0.99
First quartile	0.03	0.03	1.00
Median	0.07	0.07	1.00
Third quartile	0.18	0.18	1.00
SD[1]	3.23	0.97	0.15
Variance	10.43	0.93	0.02
CoV[2]	7.78	3.19	0.16
Skewness	34.46	7.53	–4.01
Kurtosis	1,731.14	66.61	16.05
Length weighted mean	0.47	0.28	/
Length weighted SD[1]	2.91	0.88	/
Length weighted variance	8.47	0.78	/
Length weighted CoV[2]	7.97	3.21	/

Notes:

1. Standard deviation

2. Coefficient of variation

12.6 Statistical analysis and variography

12.6.1 *Statistical analysis of composites*

After grade capping, samples with grades less than 0.1 g/t Au account for approximate 61% of total samples, those with grades less than 0.3 g/t Au account for 84%, and those with grades less than 1.1 g/t Au account for 95%.

Based on the analysis of drill hole data, and from the point of view of spatial distribution of the sample grades, the high and low grade boundaries are not obvious; hence, SRK did not set any such boundary for the Mineral Resource estimation.

12.6.2 *Variograms*

During the process of variogram modelling, a lag distance of 2 m was assigned along the downhole, and 10 m in all other directions.

Variograms were modelled with nuggets and double spherical structures. Nugget and sill values adopted the modelled results along the downhole. The simulated variogram parameters are shown in Figure 12-3 and Table 12-4, and details are provided in Appendix C.

In general, gold has good correlation along the direction of azimuth 90° and dip angle 0°. The modelled range along the downhole is 45 m. Horizontal ranges along east-west direction and south-north axes are 120 m and 80 m respectively. Therefore, the major axis of search ellipsoid is in direction of azimuth 90° and dip angle 0°. The ellipsoid has a size of 120 m × 80 m × 50 m (X × Y × Z).

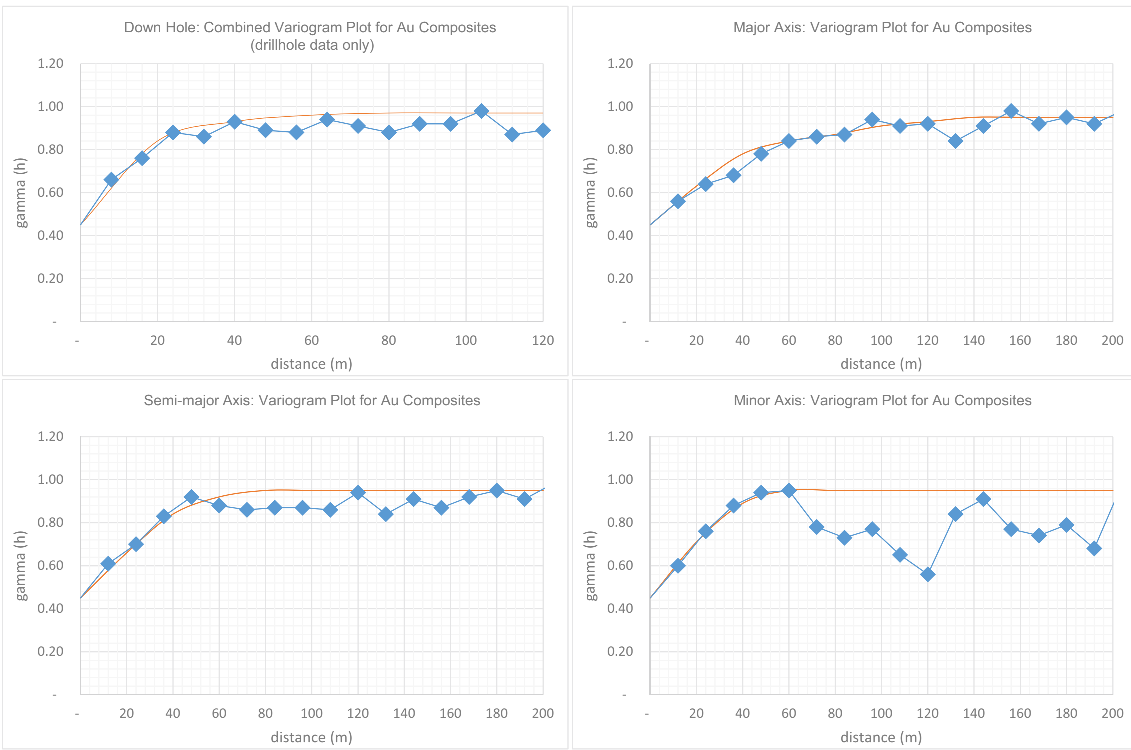


Figure 12-3: Variography Used for Grade Interpolation

Table 12-4: Variogram Parameters

Direction	Nugget	Sill	Variation Range
Along the downhole	0.445	0.555	45
90, 0			120
0, 0			80
0, –90			50

Table 12-5: Block Model Limits for the SJG Open-Pit Mine and SJG Underground Mine

Axis	Minimum	Maximum	Block Size (m)	Minimum Block Size (m)
X (Easting)	620,900	622,360	10	5
Y (Northing)	4,111,200	4,111,300	10	5
Z (Elevation)	–420	156	6	3

Table 12-6: Main Criteria and Attributes of Block Model

Item	Description
TOPO	The volume percentage of a block under surface (as of December 2021)
KAUUN	Au uncapped grade, ordinary kriging interpolation
KAUCA	Au capped grade, ordinary kriging interpolation
BD	Bulk density
DIST	Distance from block unit to nearest sample
ADIST	Average distance from block unit to sample
DH#	Drill hole counts
SAM#	Sample counts
ZONE	Lithology encoding, 1 for conglomerate
CAT	Mineral Resource category encoding, 2 for Indicated, 3 for Inferred

12.7 Block model

Table 12-5 shows the parameters used for the block model, which used fixed sized blocks for modelling. The main criteria and attributes of the block model are shown in Table 12-6.

12.8 Grade interpolation

SRK converted the solid model (see Figure 12-4) and imported it into Surpac for use in creating solid constraints for the grade interpolation.

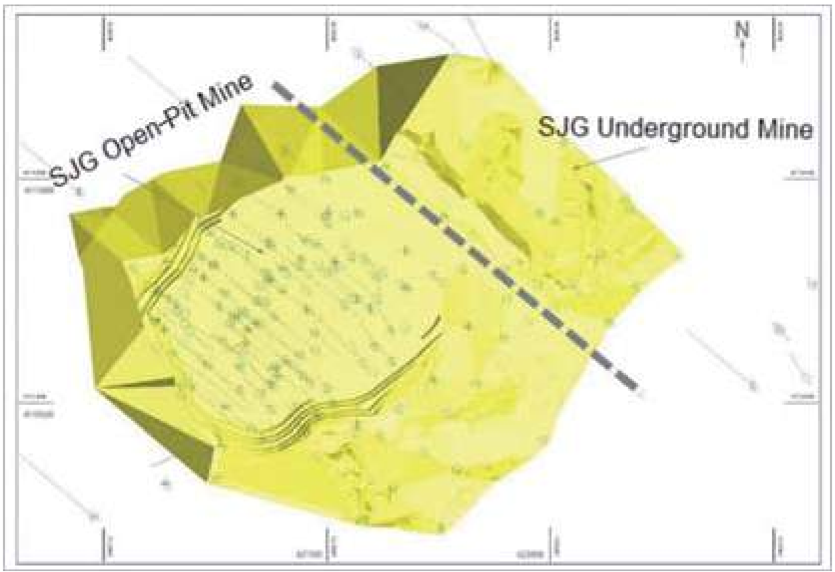


Figure 12-4: Solid Model of Mineralised Conglomerate

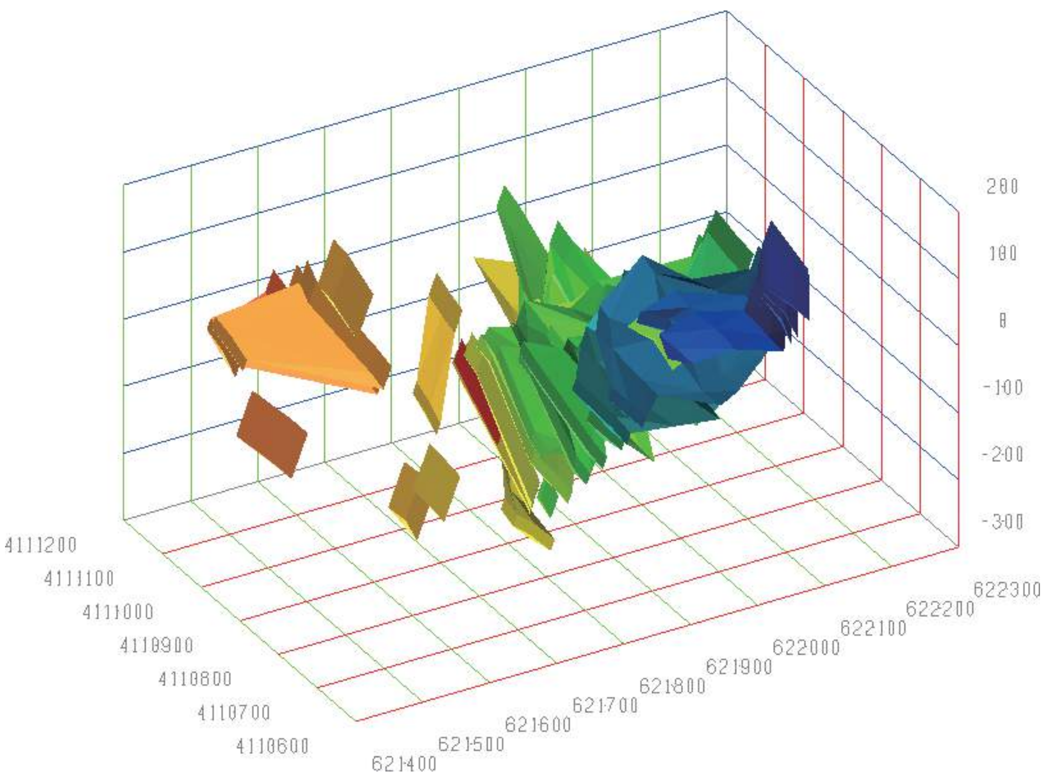


Figure 12-5: SJG Underground Mine Solid Wireframe

The grade interpolation used ordinary kriging based on the statistical and variogram analysis of the composited samples. Quartered circles were used for grade estimation.

Grade interpolation was conducted in two passes. The ellipsoid used for the first search pass was 120 m × 80 m × 50 m, had a major axis azimuth of 90° and a dip angle of 0°, and a minor axis dip angle of 0°. Three to 40 composite samples were used to estimate the block grades, with a maximum of two samples for any individual borehole, trench, or channel. A quartered circle was applied with a maximum of two composite samples within one quartered circle used for grade interpolation.

The ellipsoid used for the second search pass was 60 m × 40 m × 25 m, had a major axis azimuth of 90° and a dip angle of 0°, and a minor axis dip angle of 0°. Two to 40 composite samples were used to estimate the block grades, with a maximum of three samples for any individual borehole, trench, or channel, and a maximum of two composite samples within one quartered circle.

For the Mineral Resources of SJG Underground Mine, SRK has constructed a solid wireframe at a threshold of 0.7 g/t Au, as shown in Figure 12-5.

12.9 Model validation

Based on the 1 m composites' length, SRK adopted Ordinary Kriging (the "**O.K.**"), inverse distance squared (the "**IDW**"), and inverse distance power of 3 (the "**ID3**") to estimate the grade, where the average grade of block model and composites ("**CMP**") are compared and shown in Table 12-7.

As shown in Table 12-7, the relative difference between the grade interpolation results of the average block model and average composites is approximately within 20%, which indicates that the O.K. method is feasible.

Table 12-7: Average Gold Grade Comparison between Blocks and Composites

CMP (g/t)	Estimation Method (g/t)			Relative Difference (%)		
	O.K.	IDW	ID3	O.K./CMP	IDW/CMP	ID3/CMP
0.37	0.45	0.45	0.44	1.2	1.2	1.2

12.10 Mineral Resource classification

Mineral Resources at the SJG Project are classified as Indicated Mineral Resources and Inferred Mineral Resources as shown in Figure 12-6. Each Mineral Resource block is classified individually.

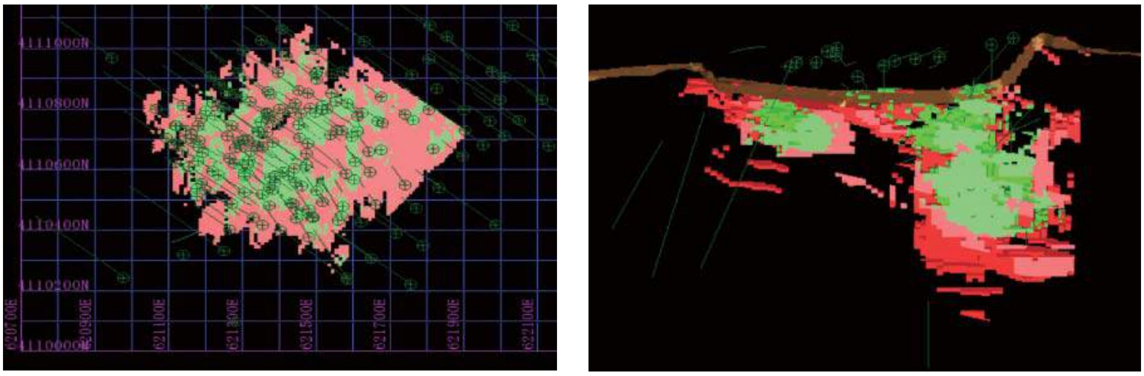


Figure 12-6: Mineral Resource Classification

Notes:

1. Green — Indicated; Red — Inferred

2. Blocks shown are above 0.3 g/t Au

3. SJG Open-Pit Mine only, while the SJG Underground Mine classification were performed using solid constraint of vein models

The blocks estimated with composites no less than three drill holes and with average informing distance no more than 60 m were classified as Indicated Mineral Resources. After identifying all Indicated Mineral Resources, all remaining blocks with gold grade value were classified as Inferred Mineral Resources.

The classification of SJG Underground Mine was performed according to solid vein model constraints.

12.11 Mineral Resource statement

The previous cut-off grade for reporting of Mineral Resources for the SJG Open-Pit Mine was 0.3 g/t Au. The SJG Open-Pit Mine has been operated for several years with a relatively low cut-off grade that has proved suitable. Based on the analysis on grade control and production data, SRK applied the cut-off grade at 0.3 g/t Au for reporting the Mineral Resources within SJG Open-Pit Mine. For the Mineral Resources at the SJG Underground mine, a cut-off grade at 0.7 g/t Au was applied. The assumptions for the cut-offs are as:

For SJG Open-Pit Mine

- Gold Price: 400 RMB/g;

- Mining Dilution: 5%;
- Processing Recovery: 95%;
- Operating Cost: 110 RMB/t ore;

And for SJG Underground Mine

- Gold Price: 400 RMB/g;
- Mining Dilution: 12.5%;
- Processing Recovery: 95%;
- Operating Cost: 220 RMB/t ore.

The Mineral Resource estimates as of 31 December 2021, within the current mining licence for SJG Open-Pit Mine and the SJG Underground Mine are provided in Table 12-8 and Table 12-9.

Table 12-8: Mineral Resources within SJG Open-Pit Mine, as of 31 December 2021[1, 2]

Category	Cut-off	Quantity	Gold Grade	Gold Content	
	g/t Au	Mt	g/t	t	koz
Indicated	0.3	35.3	1.10	38.9	1,250
Inferred	0.3	37.0	0.95	35.1	1,129

Notes:

1. All figures are rounded to reflect the relative accuracy of the estimate.

2. The information in this QPR with regard to Mineral Resource estimates is based on information compiled by Dr Anshun Xu and Mr Pengfei Xiao, employees of SRK Consulting China Ltd. Dr Xu, FAusIMM, and Mr Xiao, MAusIMM, have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Qualified Persons as defined in the NI 43-101. Dr Xu and Mr Xiao consent to the reporting of this information in the form and context in which it appears.

Table 12-9:Mineral Resources within SJG Underground Mine, as of 31 December 2021[1, 2]

Category	Cut-off	Quantity	Gold Grade	Gold Content	
	g/t Au	kt	g/t	t	koz
Indicated	0.7	1,717	1.39	2.4	77
Inferred	0.7	3,050	1.24	3.8	122

Notes:

1. All figures are rounded to reflect the relative accuracy of the estimate.

2. The information in this QPR with regard to Mineral Resource estimates is based on information compiled by Dr Anshun Xu and Mr Pengfei Xiao, employees of SRK Consulting China Ltd. Dr Xu, FAusIMM, and Mr Xiao, MAusIMM, have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Qualified Persons as defined in the NI 43-101. Dr Xu and Mr Xiao consent to the reporting of this information in the form and context in which it appears.

12.12 Grade sensitivity analysis

The Mineral Resource as stated for the SJG Project is sensitive to the cut-off grade selected, which is detailed in Table 12-10 and Table 12-11.

Table 12-10: Tonnage and Grades under Different Cut-offs — SJG Open-Pit Mine

Cut-off (g/t Au)	Category	Quantity (kt)	Gold Grade (g/t)	Gold Content (kg)
0.1	Indicated	54,326	0.78	42,385
	Inferred	89,391	0.50	44,266
0.2	Indicated	42,790	0.95	40,714
	Inferred	54,188	0.73	39,330
0.3	Indicated	35,347	1.10	38,875
	Inferred	37,009	0.95	35,118
0.4	Indicated	29,660	1.24	36,903
	Inferred	27,481	1.16	31,837
0.5	Indicated	25,374	1.38	34,985
	Inferred	21,344	1.36	29,094
0.6	Indicated	21,925	1.51	33,091
	Inferred	17,505	1.54	26,991
0.7	Indicated	19,270	1.63	31,369
	Inferred	14,690	1.71	25,162
0.8	Indicated	17,009	1.74	29,677
	Inferred	12,572	1.88	23,583
0.9	Indicated	15,207	1.85	28,152
	Inferred	11,064	2.02	22,310
1.0	Indicated	13,526	1.96	26,556
	Inferred	9,872	2.15	21,185

Note: This table is only intended to demonstrate the impact of grade sensitivity on Mineral Resource tonnage and does not represent a Mineral Resource estimate.

Table 12-11: Tonnage and Grades under Different Cut-offs — SJG Underground Mine[1, 2]

Cut-off (g/t Au)	Category	Quantity (kt)	Gold Grade (g/t)	Gold Content (kg)
0.1	Indicated	6,691	0.57	3,783
	Inferred	30,269	0.34	10,146
0.2	Indicated	4,545	0.76	3,475
	Inferred	14,961	0.53	8,003
0.3	Indicated	3,340	0.95	3,180
	Inferred	9,333	0.71	6,641
0.4	Indicated	2,858	1.05	3,012
	Inferred	6,624	0.86	5,703
0.5	Indicated	2,472	1.15	2,839
	Inferred	5,252	0.97	5,091
0.6	Indicated	2,014	1.28	2,586
	Inferred	4,041	1.10	4,431
0.7	Indicated	1,717	1.39	2,393
	Inferred	3,050	1.24	3,788
0.8	Indicated	1,453	1.51	2,197
	Inferred	2,282	1.41	3,208
0.9	Indicated	1,341	1.57	2,102
	Inferred	1,718	1.59	2,729
1.0	Indicated	1,268	1.60	2,032
	Inferred	1,434	1.72	2,461

Notes:

1 This table is only intended to demonstrate the impact of grade sensitivity on Mineral Resource tonnage and does not represent a Mineral Resource estimate.

2 The SJG Underground Mine tonnage and grade presented in table above was estimated under the constraint of broader breccia model and the wireframe constructed at a threshold of 0.7 g/t Au was not applied.

12.13 Historical Mineral Resource estimation

The historical Mineral Resource estimates for the SJG Project are listed in Table 12-12 and discussed below:

- In 2006, Wardrop completed a Mineral Resource estimate complying with NI 43-101 standards using Ordinary Kriging at a 0.5 g/t Au cut-off grade. The Mineral Resource consisted of 6.1 Mt of Indicated Mineral Resources at an average grade of 0.96 g/t Au and 12.1 Mt of Inferred Mineral Resources at an average grade of 0.84 g/t Au.

- In 2007, Wardrop completed an update of the Mineral Resource estimate again using Ordinary Kriging at a 0.5 g/t Au cut-off grade. The Mineral Resource consisted of 8.8 Mt of Indicated Mineral Resources at an average grade of 1.5 g/t Au and 18.2 Mt of Inferred Mineral Resources at an average grade of 1.3 g/t Au.

- In April 2010, Wardrop completed another update of the Mineral Resource estimation again using Ordinary Kriging at a 0.4 g/t Au cut-off grade and set a topping grade value at 40 g/t Au. The Mineral Resource consisted of 24.9 Mt of Indicated Mineral Resources at an average grade of 1.25 g/t Au and 28.1 Mt of Inferred Mineral Resources at an average grade of 1.88 g/t Au.

- In October 2010, Wardrop completed a third update of the Mineral Resource estimation, again using Ordinary Kriging at a 0.3 g/t Au cut-off grade and a lower limit for outlier value at 40 g/t Au. The Mineral Resource consisted of 33.7 Mt of Indicated Mineral Resources at an average grade of 1.15 g/t Au and 38.8 Mt of Inferred Mineral Resources at an average grade of 1.47 g/t Au.

- In January 2013, SRK completed an update of the Mineral Resource estimation using Ordinary Kriging. The outlier is also 40 g/t, which is same as that of Wardrop. As of 31 January 2013, the SJG Project contains 26.6 Mt of Indicated Mineral Resources at an average gold grade of 1.40 g/t, and 23.4 Mt of Inferred Mineral Resources at an average gold grade of 1.45 g/t Au within the optimised open pit, at a cut-off grade of 0.3 g/t Au. In addition to the open pit, there are about 5.6 Mt Inferred Mineral Resources occurred outside of the optimised open pit with an average gold grade of 2.56 g/t Au at a cut-off grade of 0.8 g/t Au.

Table 12-12: Mineral Resource Estimate History

Date/Year	Cut-off Grade (g/t Au)	Category	Quantity (kt)	Gold Grade (g/t)
2006	0.5	Indicated	6,100	0.96
		Inferred	12,100	0.84
2007	0.5	Indicated	8,800	1.5
		Inferred	18,200	1.3
April 2010	0.4	Indicated	24,900	1.25
		Inferred	28,100	1.88
October 2010	0.3	Indicated	33,700	1.15
		Inferred	38,800	1.47
31 January 2013 (SJG Open-Pit Mine)	0.3	Indicated	26,600	1.40
		Inferred	23,400	1.45
31 January 2013 (SJG Underground Mine)	0.8	Indicated	—	—
		Inferred	5,600	2.56

13 MINERAL RESERVE ESTIMATION

13.1 Estimation procedures

The Mineral Reserve estimate involved the following procedures:

- Desktop review of the available study report and the client data;
- Calculation of cut-off grade;
- Processing of year end map and underground voids model;
- Preparation of mineral reserve model;
- Mineable analysis including final open pit validation and underground stopes modelling;
- Mineral Reserve classification;
- Preparation of the Mineral Reserve statement;
- Sensitivity analysis of Mineral Reserve; and
- Preparation of life of mine plan.

MineSight software, which is courtesy of SINOGOLD, was used to estimate the Mineral Reserve.

13.2 Feasibility study report

SRK was provided a document issued by Shandong Research Institute of Geological Sciences dated 19 November 2019, in which the Institute has examined and approved the application and agreed to increase the production capacity to 900 ktpa for the open-pit mining. The modifying factors associated with mining and processing will be assumed by SRK based on the available information to date.

As an operating mine, SRK notes that the mine frequently retained external technical service on the open-pit optimisation and design as well as grade controls. The database from the external service also provides the basis of SRK's reviews.

With respect to the SJG Underground Mine, the detailed feasibility study report (the "**FSR**") reviewed by SRK is listed below. SRK understands that the FSR has been applied to guide the mine development since 2016. After review of the mineral resource model, SRK believes that the production capacity of 90 ktpa ore is technically feasible.

- *Detailed Feasibility Study Report on SJG Underground Mine for Yantai Zhongjia*, which is prepared by Yantai Dehe Metallurgy Design Institute Ltd. and dated in May 2016.

13.3 Cut-off grade

Assumptions to calculate the cut-off grade are listed in Table 13-1. The cut-off grades were rounded up to 0.3 g/t Au and 0.7 g/t Au run-of-mine (the "**RoM**") for SJG Open-Pit Mine and SJG Underground Mine, respectively.

The cut-off grade shown in Table 13-1 was calculated by SRK based on industry standard technical and economic assumptions. These assumptions were true at the time of calculation, but may change over time, so different cut-off grades can be produced. Scatter plots of sensitivity analysis on price and costs for these two mines are shown in Figure 13-1 and Figure 13-2. The gold prices analysed are the minimum and maximum prices shown in Table 17-2. The refining costs analysed are values shown in Table 17-5. The other variables analysed are in line with common practice. With respect to the SJG Open-Pit Mine, the cut-off grade is most sensitive to the gold price and processing costs. With respect to the SJG Underground Mine, the cut-off grade is most sensitive to the gold price and mining costs.

Table 13-1: Assumptions to Calculate Cut-off Grade

Item	Unit	Value	Comments
Processing recovery rate	%	$y = -97.008x^2$ +138.99x +46.31	See Figure 15-7. y — processing recovery rate. x — feed grade
Concentrate grade	g/t	19.00	Derived from the average concentrate grade in histroy.
Mining cost	RMB/t RoM	110	See Table 19-19.
Processing cost	RMB/t RoM	45	See Table 19-7.
Administration cost	RMB/t RoM	8.4	See Table 19-7.
Refining cost	RMB/t dry concentrate	50	See Table 17-5.
Mineral resource tax	% sales revenue	4.2	See "20.1 Assumptions".
Price constant	RMB/g	–0.5	Based on the available sales contract
Payable gold	%	92.00	See Table 17-5
Gold price	RMB/g	310	See "17.2 Gold price".
Marginal cut-off grade	g/t RoM	0.27	SJG Open-Pit Mine
Economic cut-off grade	g/t RoM	0.64	SJG Underground Mine

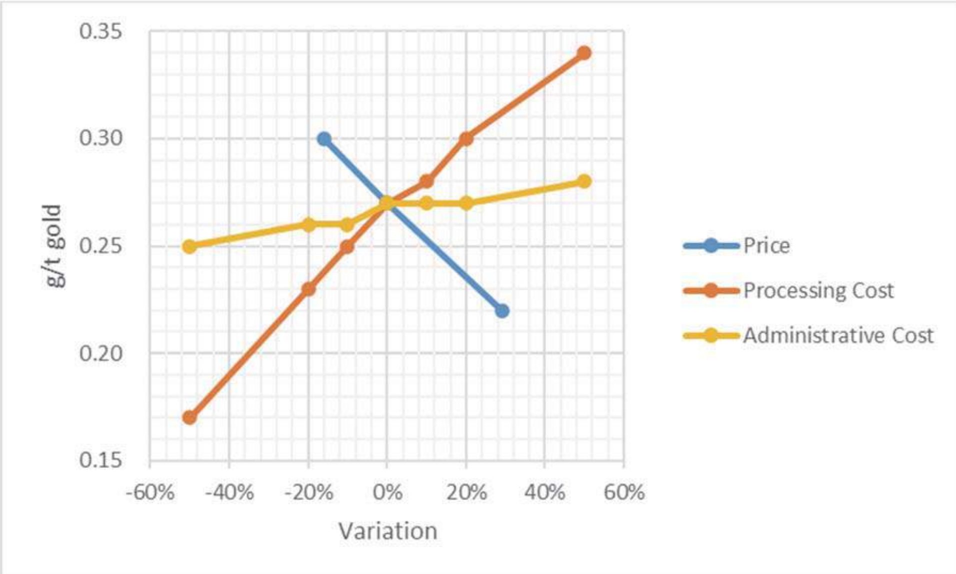


Figure 13-1: Sensitivity Analysis of Cut-off Grade for SJG Open-Pit Mine

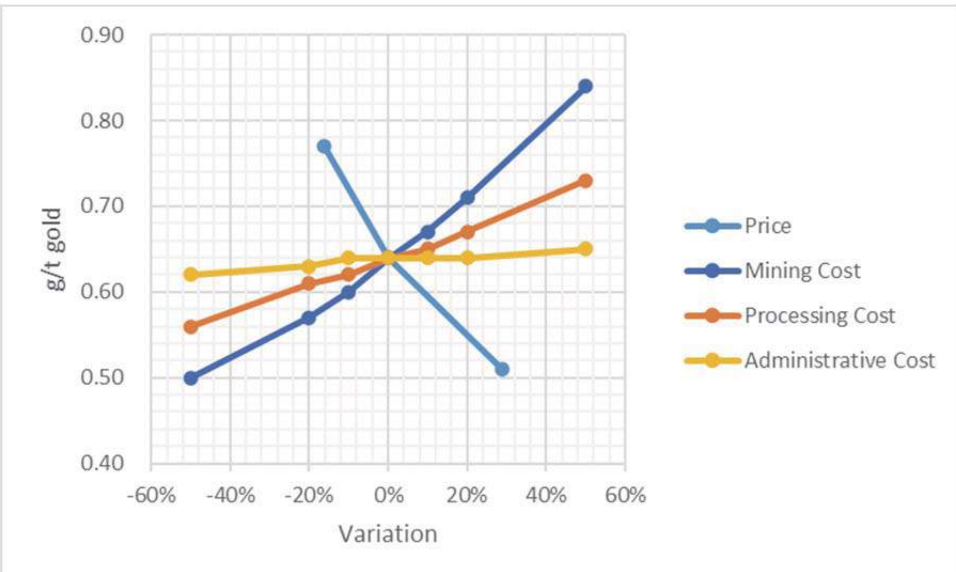


Figure 13-2: Sensitivity Analysis of Cut-off Grade for SJG Underground Mine

13.4 SJG Open-Pit Mine

13.4.1 *Year-end open pit outline*

A year-end open pit as of 31 December 2021 was provided to SRK by Yantai Zhongjia. It was used as the top geometry limit of the Mineral Reserve estimate to report remnant, but not used during open pit optimisation.

13.4.2 *Mineral Reserve model*

The Mineral Resource estimate was finalised by SRK using Surpac software. The block model was exported to a comma delimited file with a constant block size of 5×5×3 m (X×Y×Z). The data was imported to MineSight software to carry out open pit optimisation.

Key fields added to the mineral resource model are TOPO, AUOKD, SGW and MAT. Descriptions of these additional fields are shown in Table 13-2 and Table 13-3. This new model was named mineral reserve model on which the Mineral Reserves were estimated.

Table 13-2: Description of Key Fields in Mineral Reserve Model for SJG Open-Pit Mine

Field	Description
TOPO	Volume percentage below the topography for a block.
AUOK	Gold grade interpolated using ordinary kriging method. It was directly imported from the data file.
CAT	Category of Mineral Resources. 2 for Indicated, 3 for Inferred.
AUOKD	The diluted gold grades. It equals to AUOK*0.95.
MAT	Materials code. See Table 13-3.
SGW	Specific gravity for waste rock. It is 2.62 tonne per cubic metre ("**t/m^3**").

Table 13-3: MAT Coding for SJG Open-Pit Mine

MAT	CAT	AUOKD	Description
1	2	>= 0.3	Economically Indicated. The cut-off grade of 0.3 is adopted during daily mining operation.
2	2	<0.3	Indicated wastes
3	3	>= 0.3	Economically Inferred. The cut-off grade of 0.3 is adopted during daily mining operation.
4	3	<0.3	Inferred wastes
5	/	/	Waste rocks

13.4.3 *Mining dilution and recovery*

The commonly used rates of 5% were assumed by SRK to estimate Mineral Reserves for mining dilution and loss.

SRK recommends that Yantai Zhongjia introduce a final reconciliation process to support the estimation of mining dilution and ore loss to reconcile the mineral resource model and mineral reserve estimate.

13.4.4 *Pit optimisation and final open pit design*

Open pit optimisation and final open pit design had been finished by Yantai Zhongjia before the Mineral Resource was estimated by SRK. The steps of Mineral Resource estimation by the Yantai Zhongjia were reviewed by SRK and some inconsistencies and potential flaws have been observed in the process. SRK undertook an independent optimisation to validate the suitability of the Yantai Zhongjia final open pit for use in Mineral Reserve estimation.

The open pit optimisation was strictly limited within mining licence area. A series of nested open pit shells were generated using floating-cone scenario to simulate pushbacks enlarged at about 1,500 kt ore interval. Although the floating cone doesn't guarantee an optimal result, it is flexible and can produce technically feasible mining sequences. The base cone radius is set to 10 m to simulate a minimum open pit base width of 20 m. The overall slope angle is set to 45 degrees, which is a commonly used angle when lacking geotechnical information. Other key parameters including costs, price, processing recovery rate were set to ensure that pre-defined ore blocks would be sent to processing plant. The following two passes of open pit optimisation were carried out by SRK:

- First pass: the blocks with MAT code (Table 13-3) 1 were treated as ore, while all the other blocks were treated as waste.

- Second pass: the blocks with MAT code (Table 13-3) 1 or 3 were treated as ore, while all the other blocks were treated as waste. The start open pit for the second pass is the maximum open pit generated in the first pass optimisation.

In total 29 open pit shells were generated, the economics of these are shown in Table 13-4 and Figure 13-3. Assumptions to estimate the open pit economic values are shown below:

- The net value rather than the net present value (the "**NPV**") was calculated for each open pit. The NPV is closely related to the production schedule, while the net value is independent of production schedule. SRK prefers net value to NPV to select optimal open pit shell, as it can be reasonably expected that the economically acceptable NPV would be realised for the open pit with maximum net value.

- The capital costs were set to zero, as maximising the net value is independent of the capital investment.

- The costs and processing indices to calculate open pit's economic value are shown in Table 13-1. The long-term gold prices shown in Table 17-3 were converted to RMB260, 310 and 400 per tonnage of RoM for conservative, base and optimistic cases, respectively, to study whether the optimal open pit selection will be materially affected by gold price.

- The blocks with MAT code (Table 13-3) 1 were treated as ore, while all the other blocks were treated as waste.

The lines in Figure 13-3 show that the cumulative open pit values increase to peak point at Pit 23 for all three cases of gold price, which provides an indication that the optimal open pit selection will unlikely be materially affected by the gold price and the Pit 23 is the competent open pit that should be selected. The inventories within Pit 23 are shown in Table 13-5.

Geometry comparison between Pit 23 and final open pit is shown in Figure 13-4 and Figure 13-5. Globally, the final open pit designed by Yantai Zhongjia moves more material at south-eastern wall and is developed to greater depth, while in other location it moves less material.

The final open pit was deemed by SRK to be conservative, but technically feasible and suitable for use to report Mineral Reserves for SJG Open-Pit Mine. Open pit inventories within the final open pit are presented in Table 13-6. Summary of the final open pit geometry properties are shown in Table 13-7.

Table 13-4: Summary of Pit Economics for SJG Open-Pit Mine

Pit	Ore Tonnage (kt)	Waste Tonnage (kt)	Strip Ratio (t/t)	Gold Content (kg)	Gold Grade (g/t)	Pit Economic Value (million RMB) 260 RMB/t	310 RMB/t	400 RMB/t
1	1,166	6,023	5.16	625	0.54	–40	–13	35
2	1,279	6,567	5.13	943	0.74	15	56	130
3	1,342	6,425	4.79	1,398	1.04	110	171	281
4	1,373	3,728	2.71	1,472	1.07	164	228	344
5	1,363	4,544	3.33	1,508	1.11	160	226	344
6	1,375	3,679	2.68	1,638	1.19	199	271	400
7	1,380	5,050	3.66	1,714	1.24	195	270	405
8	1,380	4,056	2.94	1,735	1.26	214	290	427
9	1,377	3,256	2.36	1,689	1.23	217	290	423
10	1,382	2,935	2.12	1,701	1.23	224	298	432
11	1,394	4,633	3.32	1,766	1.27	211	288	427
12	1,428	7,482	5.24	1,841	1.29	182	262	407
13	1,417	3,700	2.61	1,764	1.24	223	300	439
14	1,423	3,463	2.43	1,731	1.22	219	295	431
15	1,408	3,299	2.34	1,926	1.37	264	348	500
16	1,422	4,524	3.18	1,755	1.23	209	285	423
17	1,433	2,711	1.89	1,863	1.30	258	340	486
18	1,400	6,758	4.83	1,617	1.16	147	218	345
19	1,383	5,330	3.85	1,343	0.97	111	170	276
20	1,361	4,091	3.01	1,152	0.85	91	141	232
21	1,364	3,068	2.25	1,183	0.87	113	164	257
22	1,295	2,054	1.59	1,474	1.14	195	259	375
23	808	1,780	2.20	860	1.06	101	139	206
24	11	9,237	848.19	7	0.61	–138	–138	–137
25	30	3,284	109.13	25	0.82	–46	–45	–43
26	11	3,311	304.01	5	0.50	–49	–49	–49
27	27	5,000	183.00	17	0.62	–73	–72	–71
28	101	4,295	42.36	105	1.04	–49	–44	–36
29	22	2,339	106.45	16	0.73	–33	–32	–31
Total	**31,154**	**126,621**	**4.06**	**34,872**	**1.12**	**3,395**	**4,919**	**7,662**

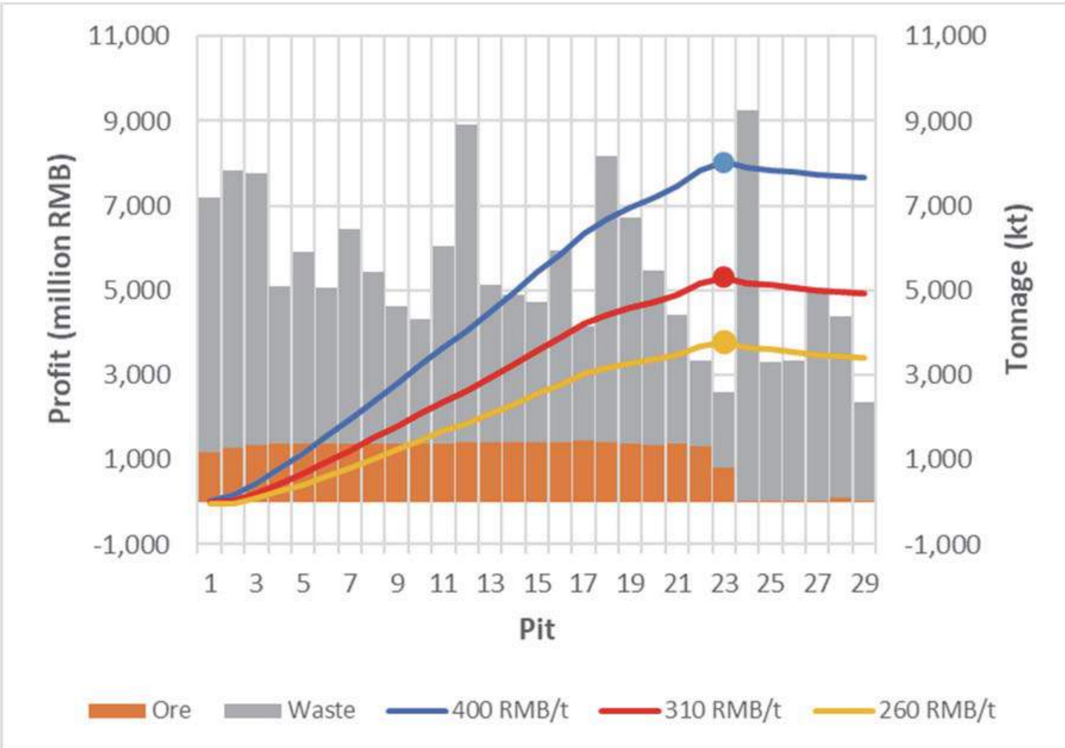


Figure 13-3: Pit Economics Analysis for SJG Open-Pit Mine

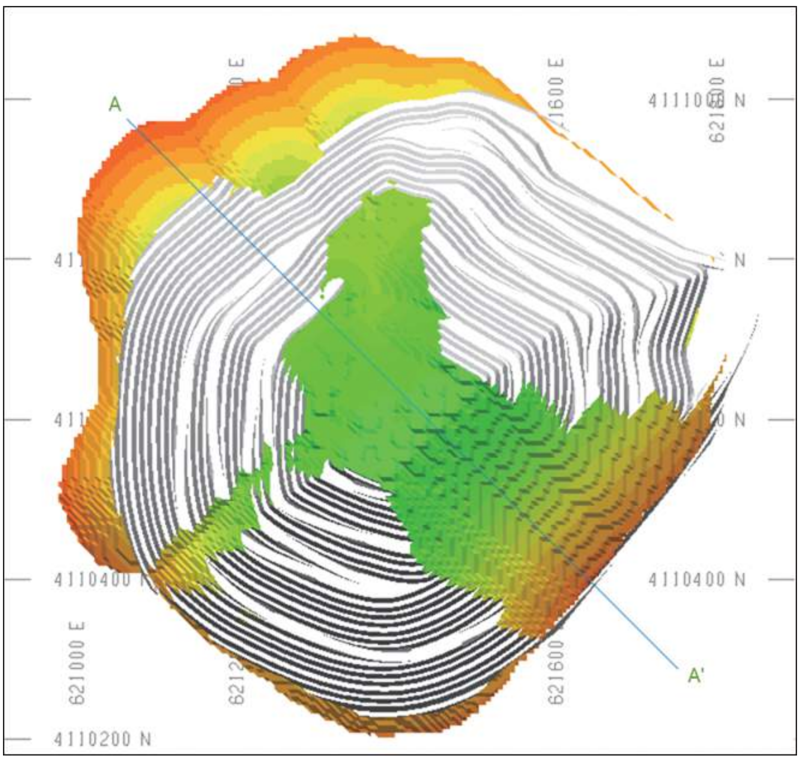


Figure 13-4: Top View of Pit 23 and Final Pit for SJG Open-Pit Mine

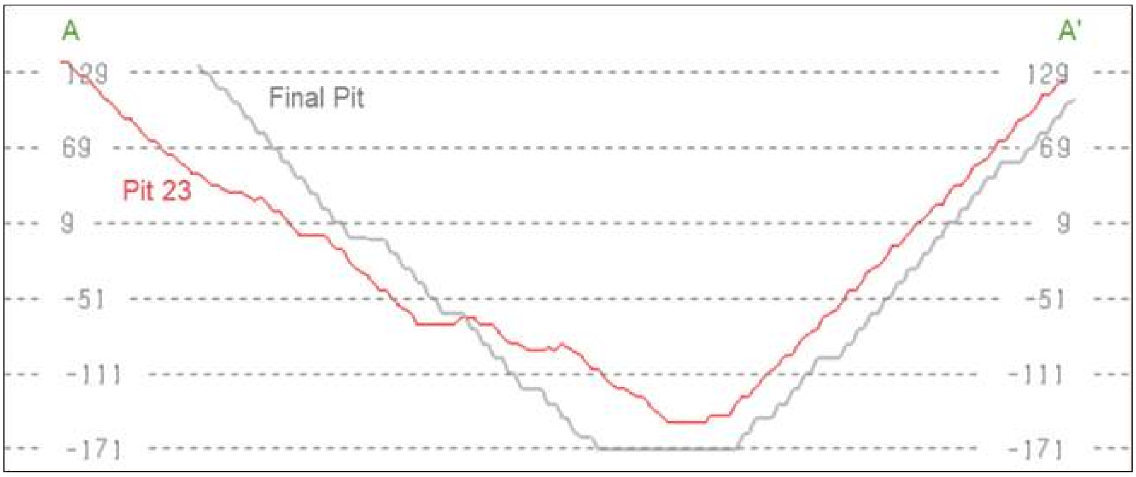


Figure 13-5: Profile of Pit 23 and Final Pit for SJG Open-Pit Mine

Table 13-5: Pit Inventories within Pit 23

MAT	Quantity (kt)	Gold Content (kg)	Gold Grade (g/t)	Remarks
1	30,952	34,697	1.12	Economically Indicated
2	16,034	2,950	0.18	Sub-economically Indicated
3	10,681	10,504	0.98	Economically Inferred
4	16,269.7	2,714.22	0.17	Sub-economically Inferred
5	56,171	—	—	Wastes
Total	**130,107**	**50,865**	**0.39**	

Note: Year-end map on 31 December 2021 was not used to cut the block model, as open pit optimization is independent of the year-end map.

Table 13-6: Pit Inventories within Final Pit

MAT	Quantity (kt)	Gold Content (kg)	Gold Grade (g/t)	Remarks
1	23,752	27,583	1.16	Economically Indicated
2	9,862	1,810	0.18	Sub-economically Indicated
3	7,094	7,308	1.03	Economically Inferred
4	9,630	1,603	0.17	Sub-economically Inferred
5	40,114	—	—	Wastes
Total	**90,452**	**38,303**	**0.42**	

Table 13-7: Final Pit Geometry Properties

Item	Unit	Value	Remarks
Easting size	m	811	
Northing size	m	787	
Pit depth	m	308	
Bench height	m	12	
Berm width	m	4 or 6	
Bench face angle	degrees	65	
Inter-ramp slope angle	degrees	46.0/51.4	6/4 m wide berm
Pit base elevation	m ASL	–171	
Pit ramp width	m	12/9	dual/single lane
Pit ramp gradient	%	10	
Flat transition length	m	60	

13.4.5 *Mineral Reserve classification*

Materials with MAT code 1 in Table 13-6 within the final open pit, which is Indicated Mineral Resources, were classified as the Probable Mineral Reserves. All the other materials were classified as waste.

13.4.6 *Mineral Reserve statement*

The Mineral Reserve statement is shown in Table 13-8.

Table 13-8: Mineral Reserve Statement for SJG Open-Pit Mine, as of 31 December 2021[1, 2, 3, 4]

Category	Cut-off	Ore Quantity	Gold Grade	Gold Content	
	g/t Au	Mt	g/t	t	koz
Probable	0.3	23.8	1.16	27.6	887

Notes:

1. All figures are rounded to reflect the relative accuracy of the estimate.

2. Both the mining dilution and loss are set to 5%.

3. The Mineral Reserves are included in the Mineral Resources. They shouldn't be added to the Mineral Resources.

4. The information in this QPR which relates to Mineral Reserve conversion is based on information compiled by Mr Yonggang Wu, MAusIMM, and Dr Anshun Xu, FAusIMM, employees of SRK Consulting China Ltd. Both Dr Xu and Mr Wu have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Qualified Persons as defined in the NI 43-101. Dr Xu supervised the work of Mr Wu. Dr Xu and Mr Wu consent to the reporting of this information in the form and context in which it appears.

13.4.7 *Mineral Reserve sensitivity*

The CMF forecasts varied between 260 and 400 RMB/g for the long-term gold price (Table 17-4). This varied gold price can lead to a cut-off grade varied from 0.22 g/t Au to 0.30 g/t Au. The impact of the change in cut-off grade on the open pit inventory is shown in Table 13-9. Compared with the Mineral Reserves, the relative differences of tonnage are about –5% and 7%, respectively.

Table 13-9: Possible Ore Tonnage within Final Open Pit of SJG Open-Pit Mine

Gold Price (RMB/g)	Cut-off (g/t Au)	Ore Quantity (Mt)	Gold Grade (g/t)	Gold Content (t)
260	0.30	23.7	1.16	27.6
310	0.27	24.9	1.12	27.9
400	0.22	26.7	1.06	28.3

13.4.8 *Production schedule*

SJG Open-Pit Mine is scheduled to operate 8 hours per shift, 3 shifts per day, 330 days per year. The production capacity is planned to be 3.3 Mtpa ore. Production plans have been finalised by Yantai Zhongjia using two pushbacks within the final open pit to control the mining sequence. A summary of the pushback statistics is shown in Table 13-10 and a plan view of the pushbacks is presented in Figure 13-6.

Table 13-10: Summary of Pushback Statistics

Pushback	Ore Tonnage (kt)	Gold Content (kg)	Gold Grade (g/t)	Waste Tonnage (kt)	Strip Ratio (t/t)
1	9,704	12,912	1.33	9,470	0.98
2	9,505	9,911	1.04	34,039	3.58
3	4,543	4,760	1.05	23,191	5.10
Total	**23,752**	**27,583**	**1.16**	**66,700**	**2.81**

After the review of the pushback designed by Yantai Zhongjia, SRK considers that they are technically feasible to manage the strip ratio over the LoM. These pushbacks were adopted by SRK to generate the LoM schedule for the SJG Project.

SRK was told, by Yantai Zhongjia, that the increase in processing throughputs beyond those of currently achieved by Yantai Zhongjia will be conducted by independent third-parties in future. SRK considers this to be an acceptable plan but notes that limited detail has been developed and provided by Yantai Zhongjia.

Optimised schedules prepared to maximise the economic value over the LoM schedule is presented in Table 13-11.

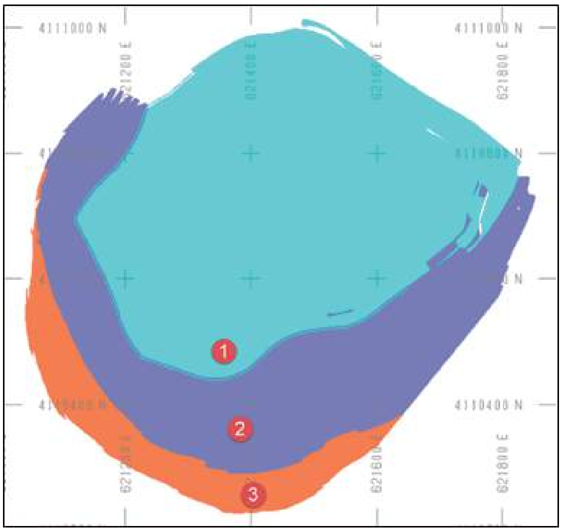


Figure 13-6: Plan View of Pushbacks

Table 13-11: Life of Mine Schedule for SJG Open-Pit Mine (SRK)

Item	Unit	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Mining						
Ore tonnage	Mt	23.75	1.50	1.90	2.30	2.50	2.50	3.30	3.30	3.30	3.15
Waste tonnage	Mt	66.70	6.60	6.20	5.80	5.60	5.60	10.65	10.65	10.64	4.96
Ore + Waste tonnage	Mt	90.45	8.10	8.10	8.10	8.10	8.10	13.95	13.95	13.94	8.11
Yantai Zhongjia	Mt	23.75	1.50	1.90	2.30	2.50	2.50	3.30	3.30	3.30	3.15
Independent third-party	Mt	66.70	6.60	6.20	5.80	5.60	5.60	10.65	10.65	10.64	4.96
Strip ratio	t/t	2.81	4.40	3.26	2.52	2.24	2.24	3.23	3.23	3.23	1.57
Gold grade	g/t	1.16	1.14	1.19	1.22	1.33	1.37	1.14	1.18	0.95	1.04
Gold content	t	27.58	1.70	2.27	2.80	3.32	3.43	3.76	3.88	3.15	3.27
					Processing						
RoM tonnage	Mt	23.75	1.50	1.90	2.30	2.50	2.50	3.30	3.30	3.30	3.15
Yantai Zhongjia	Mt	19.42	1.50	1.90	2.29	2.29	2.29	2.29	2.29	2.29	2.29
Independent third-party	Mt	4.34	—	—	0.01	0.21	0.21	1.01	1.01	1.01	0.87
RoM gold grade	g/t	1.16	1.14	1.19	1.22	1.33	1.37	1.14	1.18	0.95	1.04
RoM gold content	t	27.58	1.70	2.27	2.80	3.32	3.43	3.76	3.88	3.15	3.27
Recovery rate	%	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00
Concentrate gold grade	g/t	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Mass recovery rate	%	5.81	5.68	5.97	6.08	6.64	6.86	5.70	5.89	4.77	5.18
Concentrate tonnage	kt	1,379	85	114	140	166	172	188	194	157	163
Gold content in concentrate	t	26.20	1.62	2.16	2.66	3.15	3.26	3.58	3.69	2.99	3.10
Tails tonnage	Mt	22.37	1.41	1.79	2.16	2.33	2.33	3.11	3.11	3.14	2.99

13.5 SJG Underground Mine

13.5.1 *Mineral Reserve model*

The mineral resource model prepared by SRK using Surpac software was exported to a comma delimited file with a constant block size of 5×5×3 m (X×Y×Z) to MineSight software to carry out mine design to estimate Mineral Reserves.

The Mineral Resource estimate is a global estimate. The nearest neighbour method was applied to local grade estimate to estimate Mineral Reserves. Theoretically, the nearest neighbour method can estimate the global mean well but with a smaller standard deviation compared to other interpolation methods like inverse distance weighted and Kriging. Actually, the iteration process of Mineral Reserve estimate indicates that just small portions of Mineral Resources (Figure 13-7) can be converted to Mineral Reserves for SJG Underground Mine, so SRK doesn't think the local estimate will materially affect the Mineral Reserves conversion.

13.5.2 *Mining dilution and recovery*

The rates of mining loss and dilution in the FSR are proposed to be 8% and 11%, respectively. These two rates are commonly benchmarks used in China and hence were adopted by SRK to estimate Mineral Reserves for SJG Underground Mine.

13.5.3 *Mineral Reserve estimation*

The steps in the process to estimate the Mineral Reserve are shown below:

- A total of 18 mineralised zones (Domains) were interpreted by SRK to estimate the Mineral Resources for SJG Underground Mine. Among these Domains 6, 7, 11, 16 and 19 reported to include the Indicated Mineral Resources. All stopes within Domain 19 have gold grade less than the cut-off grade, as such the domain was excluded from reporting of Mineral Reserves. Finally just four domains were selected by SRK to report potential Mineral Reserves.

- The development system described in section "14.3.2 Mine development" was applied to limit the mining boundary in vertical direction, which is 49 m ASL down to –160 m ASL.

- The domains/Zones were sliced to create levels, then stopes were designed along strike direction based on the existing cross cuts. The stopes are between 50 and 60 m long with a vertically interval of 40 m to 50 m.

- The contained Mineral Resource tonnage was multiplied by a mining recovery rate of 92% and divided by the value of 1 minus the dilution rate of 11% to calculate the Run-of-mine tonnage. The gold grade of Indicated Mineral Resources were multiplied by the value of 1 minus mining dilution rate of 11% to calculate RoM gold grade. The list of stope inventories are shown between Table 13-12 and Table 13-15. Both Inferred Resources and wastes were treated as 0 grade.

- Stopes within the Inferred Mineral Resources were excluded from reporting of Mineral Reserves.
- All stopes with a RoM gold grade no less than cut-off grade of 0.7 g/t were deemed to be both technically feasible and economically viable and reported as Mineral Reserves.

Table 13-12: Stope Mineable Inventory in Domain 6

		Indicated		Inferred		Waste		Total[1]	
Level	Stope	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)
9	1 (void)	30.34	3.49	<0.01	2.73	3.75	—	34.09	3.11
	2 (void)	48.74	3.47	—	—	6.02	—	54.76	3.09
	3	7.03	0.86	—	—	0.87	—	7.90	0.76
	4	8.30	0.64	6.30	0.91	1.80	—	16.40	0.32
–40	1	16.11	2.77	0.66	1.09	2.07	—	18.84	2.37
	2	10.33	2.21	—	—	1.28	—	11.61	1.97
	3	11.66	0.48	0.10	1.36	1.45	—	13.21	0.43
	4	23.13	1.14	17.29	1.36	5.00	—	45.41	0.58
–80	1	0.21	1.12	0.85	1.12	0.13	—	1.19	0.20
	2	0.99	0.48	1.71	0.47	0.33	—	3.03	0.16
	3	0.90	0.30	3.00	0.66	0.48	—	4.39	0.06
	4	—	—	6.33	1.47	0.78	—	7.11	—
Total		**157.74**	**2.45**	**36.24**	**1.19**	**23.97**	**—**	**217.95**	**1.97**

Note:

1. Both Inferred and Waste was treated with 0 g/t Au grade to estimate Mineral Reserves due to its insufficient geological confidence level.

Table 13-13: Stope Mineable Inventory in Domain 7

		Indicated		Inferred		Waste		Total[1]	
Level	**Stope**	**Tonnage (kt)**	**Grade (g/t Au)**	**Tonnage (kt)**	**Grade (g/t Au)**	**Tonnage (kt)**	**Grade (g/t Au)**	**Tonnage (kt)**	**Grade (g/t Au)**
9	1	12.20	1.32	10.77	1.39	2.84	—	25.80	0.62
	2 (void)	19.97	2.04	9.46	1.84	3.64	—	33.07	1.23
	3	5.41	1.98	9.62	0.89	1.86	—	16.89	0.63
	4	—	—	14.95	1.14	1.85	—	16.80	—
–40	1 (void)	58.94	2.87	—	—	7.28	—	66.22	2.56
	2	34.31	2.67	0.06	1.20	4.25	—	38.61	2.37
	3	0.43	1.20	14.75	1.21	1.88	—	17.06	0.03
	4	—	—	71.11	1.29	8.09	—	73.51	—
–80	1	22.07	2.37	13.69	1.70	4.42	—	40.18	1.30
	2	21.77	2.04	4.93	1.38	3.30	—	30.00	1.48
	3	—	—	6.10	1.10	0.75	—	6.86	—
	4	—	—	10.00	1.35	1.24	—	11.24	—
–120	1	—	—	0.72	1.67	0.09	—	0.81	—
	2	—	—	8.47	1.26	1.05	—	9.52	—
	3	—	—	0.62	1.09	0.08	—	0.69	—
	4	—	—	0.04	1.35	0.00	—	0.04	—
Total		**175.09**	**2.43**	**169.60**	**1.32**	**42.60**	**—**	**387.29**	**1.68**

Note:

1. Both Inferred and Waste was treated with 0 g/t Au grade to estimate Mineral Reserves due to its insufficient geological confidence level.

Table 13-14: Stope Mineable Inventory in Domain 11

		Indicated		Inferred		Waste		Total[1]	
Level	Stope	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)
9	1	8.70	0.87	0.98	1.18	1.20	—	10.87	0.70
	2	18.51	1.77	21.68	2.53	4.97	—	45.15	0.73
	3	—	—	1.69	3.70	0.21	—	1.89	—
	4	—	—	0.55	1.84	0.07	—	0.62	—
–40	1	8.45	0.90	—	—	1.04	—	9.50	0.80
	2	64.80	2.36	—	—	8.01	—	72.81	2.10
	3	28.13	2.68	2.24	3.82	3.75	—	34.13	2.21
	4	11.89	1.40	9.31	1.43	2.62	—	23.83	0.70
80	1	1.92	1.02	1.84	1.00	0.47	—	4.23	0.46
	2	20.07	1.64	0.78	1.31	2.58	—	23.43	1.40
	3	24.94	1.67	—	—	3.08	—	28.02	1.48
	4	14.36	1.31	6.26	1.28	2.55	—	23.17	0.81
–120	2	6.08	1.60	4.38	1.60	1.29	—	11.75	0.83
	3	6.48	1.58	7.16	1.57	1.69	—	15.33	0.67
	4	0.08	1.28	3.29	1.28	0.42	—	3.78	0.03
Total		**214.41**	**1.90**	**60.16**	**1.97**	**33.94**	**—**	**308.51**	**1.71**

Note:

1. Both Inferred and Waste was treated with 0 g/t Au grade to estimate Mineral Reserves due to its insufficient geological confidence level.

Table 13-15: Stope Mineable Inventory in Domain 16

		Indicated		Inferred		Waste		Total[1]	
Level	Stope	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)
9	1	0.54	7.73	3.29	12.38	0.47	—	4.31	0.97
	2	5.42	1.46	0.91	1.72	0.78	—	7.11	1.11
	3	14.74	1.44	—	—	1.82	—	16.56	1.28
	4	6.20	0.23	4.34	0.23	1.30	—	11.84	0.12
–40	1	21.04	1.53	—	—	2.60	—	23.64	1.36
	2	23.30	1.56	—	—	2.88	—	26.18	1.39
	3	31.46	1.34	—	—	3.89	—	35.35	1.19
	4	12.13	0.84	4.17	0.41	2.01	—	18.32	0.56
–80	1	34.91	1.15	—	—	4.31	—	39.22	1.03
	2	15.43	1.37	—	—	1.91	—	17.34	1.22
	3	25.16	1.36	—	—	3.11	—	28.27	1.21
	4	9.83	1.16	2.86	1.04	1.57	—	14.26	0.80
–120	1	10.24	1.03	2.73	1.02	1.60	—	14.57	0.72
	2	12.17	1.03	0.10	1.01	1.52	—	13.79	0.90
	3	11.87	1.04	0.14	1.04	1.48	—	13.50	0.91
	4	2.13	1.04	2.71	1.04	0.60	—	5.43	0.41
–160	1	—	—	0.09	1.03	0.01	—	0.10	—
	2	5.96	1.06	1.07	1.06	0.87	—	7.89	0.80
	3	3.46	1.06	2.16	1.08	0.69	—	6.31	0.58
	4	—	—	0.47	1.05	0.06	—	0.53	—
Total		**246.00**	**1.26**	**25.04**	**2.31**	**33.50**	**—**	**304.53**	**1.21**

Note:

1. Both Inferred and Waste was treated with 0 g/t Au grade to estimate Mineral Reserves due to its insufficient geological confidence level.

A summary of mineable inventories (stopes above the cut-off grade), after applying Dilution and Ore Loss for each Domain are shown in Table 13-16. The location of the mineable stopes within the domain is presented in Figure 13-7.

The Mineral Reserve was estimated from the inventories when classifying the Inferred Mineral Resources as waste and applying a 0 g/t Au grade. With further Mineral Resource definition drilling some of the Inferred Mineral Resources may contribute additional ounces to the production profile.

Table 13-16: Summary of Mineable Inventory

	Indicated		Inferred		Waste		Total[1]	
Domain	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)	Tonnage (kt)	Grade (g/t Au)
6	33.5	2.20	0.7	1.09	4.2	—	38.4	1.92
7	78.1	2.41	18.7	1.62	12.0	—	108.8	1.73
11	185.3	2.01	35.3	2.25	27.3	—	248.0	1.50
16	222.1	1.32	11.1	4.46	28.8	—	262.0	1.12
Total	**519.0**	**1.78**	**65.8**	**2.43**	**72.3**	**—**	**657.1**	**1.41**

Note:

1. Both Inferred and Waste was treated with 0 g/t Au grade due to its insufficient geological confidence level.

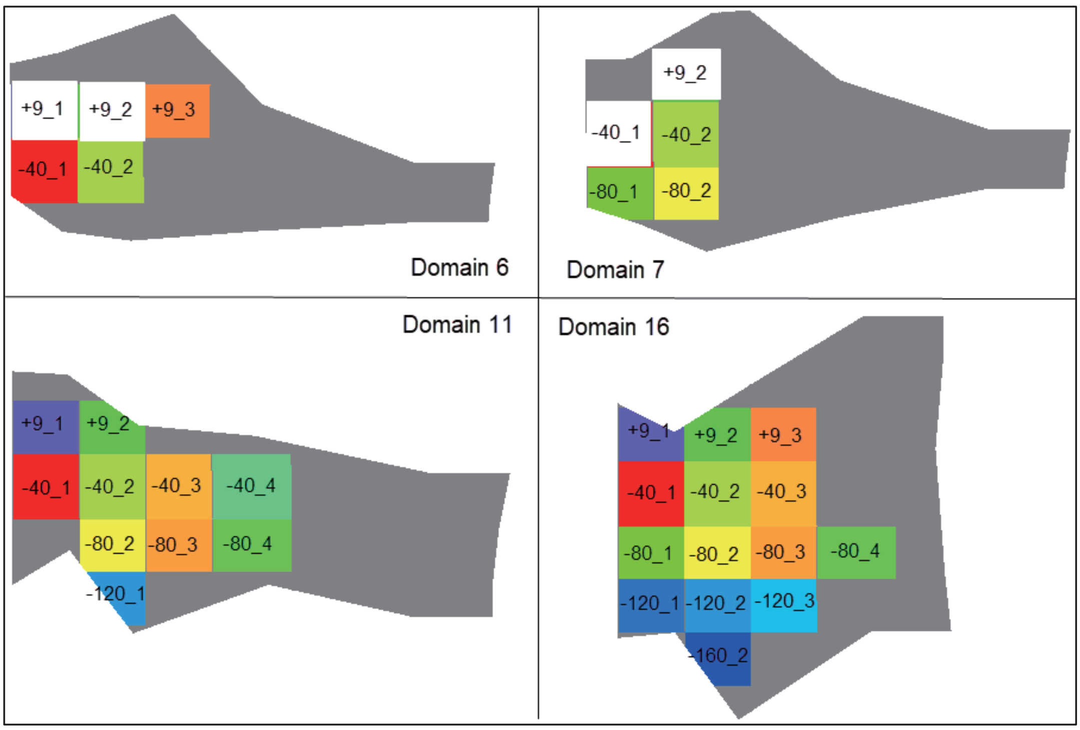


Figure 13-7: Mineable Stopes Location in Each Domain (Azimuth: 310°, Dip: 0°)

13.5.4 *Mineral Reserve classification*

The Mineable Inventory in Table 13-16 include mineable portions of Indicated Mineral Resources, Inferred Mineral Resources and external wastes.

The Inferred Mineral Resource were considered as waste, given a 0 g/t Au grade and all material was converted to Probable Mineral Reserves.

13.5.5 *Mineral Reserve statement*

Mineral Reserve statement is shown in Table 13-17.

Table 13-17: Mineral Reserve Statement for SJG Underground Mine, as of 31 December 2021[1, 2, 3, 4]

Domain	Category	Cut-off	Ore Quantity	Gold Grade	Gold Content	
		g/t Au	kt	g/t	kg	koz
6	Probable	0.7	38	1.92	73	2.4
7	Probable	0.7	109	1.73	188	6.1
11	Probable	0.7	248	1.50	372	12.0
16	Probable	0.7	262	1.12	292	9.4
Total	**Probable**	**0.7**	**657**	**1.41**	**926**	**29.8**

Notes:

1. All figures are rounded to reflect the relative accuracy of the estimate.

2. The mining dilution rate is 11%. The mining recovery rate is 92%.

3. The Mineral Reserves are included in the Mineral Resources. They shouldn't be added to the Mineral Resources.

4. The information in this QPR which relates to Mineral Reserve conversion is based on information compiled by Mr Yonggang Wu, MAusIMM, and Dr Anshun Xu, FAusIMM, employees of SRK Consulting China Ltd. Both Dr Xu and Mr Wu have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Qualified Persons as defined in the NI 43-101. Dr Xu supervised the work of Mr Wu. Dr Xu and Mr Wu consent to the reporting of this information in the form and context in which it appears.

13.5.6 *Mineral Reserve sensitivity*

The CMF forecasts varied between 260 and 400 RMB/g for the long-term gold price (Table 17-4). This varied gold price can lead to a cut-off grade varied from 0.77 g/t Au to 0.51 g/t Au. The relevant possible ore tonnages are listed in Table 13-18. Compared with the Mineral Reserves, the relative differences of tonnage are about –17% and 23%, respectively.

Table 13-18: Possible Ore Tonnage within Exploited Stopes of SJG Underground Mine

Gold Price (RMB/g)	Cut-off (g/t Au)	Quantity (kt)	Gold Grade (g/t)	Gold Content (kg)
260	0.77	589	1.49	877
310	0.64	707	1.36	960
400	0.51	872	1.21	1,058

13.5.7 *Production schedule*

SJG Underground Mine will produce 8 hours per shift, 3 shifts per day, 330 days per year. The production capacity is to be 90 ktpa ore. The life of mine shall be 8 years, which include a 7-years full production period and a 1-year ramp-down period. The LoM schedule is shown in Figure 13-8 and Table 13-19.

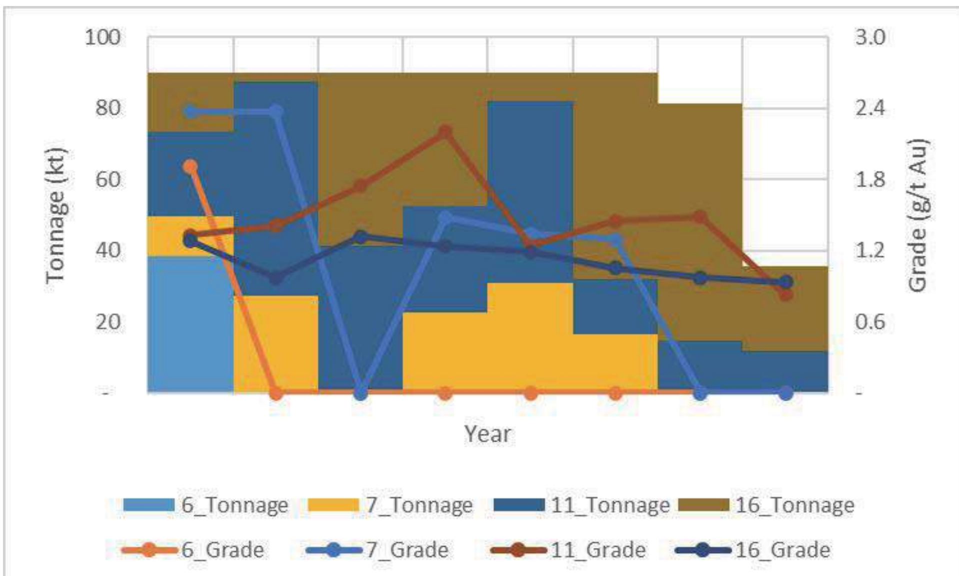


Figure 13-8: Stacked Column Plots of Life of Mine Schedule for SJG Underground

Table 13-19: LoM Schedule for SJG Underground Mine (SRK)

Item	Unit	Total	2022	2023	2024	2025	2026	2027	2028	2029
Ore tonnage	kt	657	90	90	90	90	90	90	81	36
Gold grade	g/t	1.41	1.70	1.69	1.52	1.62	1.27	1.17	1.06	0.90
Gold content	kg	926	153	152	136	146	115	105	87	32
Processing recovery rate	%	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00	95.00
Concentrate gold grade	g/t	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Concentrate tonnage	kt	46	7.7	7.6	6.8	7.3	5.7	5.2	4.3	1.6
Gold content in concentrate	kg	880	145	145	130	138	109	100	82	31
Tails tonnage	kt	611	82	82	83	83	84	85	77	34

13.6 Ascertain Mineral Reserves

SRK doesn't think it's necessary to carry out further detailed exploration campaigns to ascertain Mineral Reserves for the SJG Project by considering the following reasons:

- Both the SJG Open-Pit Mine and the SJG Underground Mine are producing mines as at the Effective Date.
- SRK, based on its experiences, think it's extremely difficult to upgrade the Mineral Resources with low geological confidence to the Measured category for a gold deposit due to its intrinsic geological properties.

Although the further detailed exploration campaign is not necessary for the SJG Project, the production exploration, grade control and the detailed production plans are required to minimise the risk caused by the Mineral Resource category during daily operation. SRK was told that these commonly procedures have been practiced regularly in the daily operation by Yantai Zhongjia itself, and the related fees have been included in the operating costs. When publicly reporting is required or materially changing of Mineral Reserves has happened, internal expert or externally independent expert will review or carry out the estimate of the Mineral Resources and Mineral Reserves.

13.7 Conclusions and recommendations

13.7.1 *SJG Open-Pit Mine*

SRK's review of the open pit optimisation results indicate that the final open pit design proposed by Yantai Zhongjia is conservative, but it is technically feasible and economically viable and suitable for Mineral Reserve estimate.

The LoM production capacity is scheduled to be 3.3 Mtpa ore over a 9 year period. The SJG Open-Pit Mine Probable Mineral Reserves is 23.8 Mt at 1.16 g/t Au. Without the open pit optimisation, the existing design of the SJG Open-Pit Mine can cater for the mining of approximately 2.4 Mt of Probable Mineral Reserves (representing approximately 10% of the Probable Mineral Reserves of approximately 23.8 Mt available at the SJG Open-Pit Mine). It is estimated that there are approximately 21.4 Mt of Probable Mineral Reserves (representing approximately 90% of the Probable Mineral Reserves of approximately 23.8 Mt available at the SJG Open-Pit Mine) that can be accessible at the unmined areas next to and below the current infrastructure, which has the potential to increase the mining production output and to cater for mining operations for the next years at Yantai Zhongjia's current mining capacity

SRK was provided with a production schedule for the next two years operation by Yantai Zhongjia, which is shown in Table 13-20. This short-term schedule is different with that shown in Table 13-11 in terms of gold grade. With reference to the historical production pattern of Yantai Zhongjia, Yantai Zhongjia estimate that low grade tonnage of 0.4 Mt to 0.6 Mt could be filtered back to the processing plant for processing for the year 2022 and 2023, respectively.

Table 13-20: Short-term Production Schedule for SJG Open-Pit Mine (Yantai Zhongjia)

Item	Unit	2022	2023
RoM tonnage	Mt	1.90	2.50
Gold grade	g/t	0.60	0.62

13.7.2 ***SJG Underground Mine***

SRK understands that the FSR has been applied to guide the mine development since year 2016.

Technically feasible stopes were designed based on the planned development system and mining methods. Stope economics of each stope were analysed to select economically viable stopes that were reported as the Mineral Reserves.

The LoM production capacity is scheduled to be 90 ktpa ore over an 8 year periods. The SJG Underground Mine Probable Mineral Reserves is 657 kt at 1.41 g/t Au.

SRK was provided with a production schedule for the next two years operation by Yantai Zhongjia, which is shown in Table 13-21. This short-term schedule is similar to that shown in Table 13-19.

Table 13-21: Short-term Production Schedule for SJG Underground Mine (Yantai Zhongjia)

Item	Unit	2022	2023
RoM tonnage	kt	90	90
Gold grade	g/t	1.70	1.70

14 MINING

14.1 Mining technical conditions

14.1.1 *Hydrogeology*

The average annual precipitation is about 654.4 mm, which is mostly during the months from June to September. The maximum daily precipitation is about 141.3 mm.

The SJG Project is in the charging area of sub-hydrogeological unit of Jiaolai Basin, which belongs to the hydrogeological unit of Ludong low-hilly intrusive rock, aggregated rock and metamorphic rock. The terrain is predominantly low hilly. The orebodies are in elevation ranges of +145 m ASL down to –402 m ASL. The erosion basis, which is in the south-east of mine area, is +60 m ASL.

The stratum in the area is predominantly the continental sedimentation of Quaternary, and conglomerate of the Linsishan Formation, Laiyang Group, and gneiss and granulite of Douya Formation, Jingshan Group of Cretaceous. The other strata include monzonitic granite in Linglong superunit of Neoproterozoic Era, and widely spread dykes of Mesozoic and Proterozoic. The local settings are friable fractures, which has been moderately developed due to several times of local tectonics. The primary fractures are north-east striking, which controls the spread of gold dykes, while the secondary fractures are north-west striking.

The underground layers are divided into porous aquifer of uncompacted Quaternary, fissure aquifer of weathered bed rock, fissure aquifer of geological fractures, aquitard and aquiclude, based on the groundwater type and permeability.

Aquitard and aquiclude are mainly consist of conglomerate, gneiss, monzonitic granite and other various dykes occurring below the weathered layer, which are widely spread in and around the SJG Project area with extremely low permeability and water yield property and located below the water level.

The main source of local groundwater is atmospheric precipitation. The porous aquifer of uncompacted Quaternary is charged with not only the atmospheric precipitation, but also the fissure water of bed rock and the surface runoff. The fissure aquifer of bed rock is charged with not only the atmospheric precipitation, but also the fissure water of the upper uncompacted Quaternary.

Most of the orebody is located below the local base of erosion and below the groundwater level, so ground water cannot be drained out of the mine by gravity. The main aquifer has low permeability, with local areas having moderate permeability. Groundwater recharges slowly and the volume of mine water inrush is small.

Generally, hydrogeological conditions are relatively straight forward.

Long-term drainage and dewatering of groundwater would change the groundwater quality and quantity. Potentially this would cause the water level to fall, which could bring about negative effect to the processing water and domestic water of residents.

14.1.2 *Engineering geology and geotechnical engineering*

Conglomerates and dykes are widely spread in the whole SJG Project area. Details are as follows:

- Conglomerate mainly consists of pyritization and sericite with a very small number of thin layers of sandstone occurred in them. The colours are grey-white, grey-green and purple-red. The primary component of conglomerate is mylonitization monzonitic granite. The matrix is primarily composed of felsic sandstone. The rock integrity is fair to good. The rock is semi-hard to hard with a Protodyakonov coefficient ranging from 6 to 10. The rock quality is fair to good.

- Dykes include diorite (porphyrite), lamprophyre and dolerite (porphyrite), all of which are formed in fractures in a pre-existing mesozoic conglomerate with a thickness of dozens of centimetres to several meters and a striking length of several meters to hundred meters. Fissures are not developed. The rock integrity is fair to good. The rock hardness is fair. The rock quality is fair to good. Some dykes developed along the fractures with a thickness of several centimetres to dozens of centimetres. These dykes are usually cut by later fractures and developed in small size. There is no need to support them.

Monzonitic granites primarily occur in the north of the SJG Project area. The weathering that occurs to surface rock is caused by well-developed fissures at depth the fissures are decreased slowly. Affected by the terrain, lithology and groundwater, the depth of strong weathering varied widely, which is usually ranging from 1 to 15 meters. The rock integrity is fair to good.

SRK understands that the currently available engineering geology study cannot provide information about how weathered the rocks are (eroded rocks), and how many structural weaknesses occur within the rocks, such as a faults, shears, joints or foliations. If possible, the risks related to open pit wall stability should be studied to provide a sound guide for overall slope angle.

The slope monitoring and management will continue for the entire life of mine. SRK suggests that slope stability monitoring should be enhanced, and a rock mechanics study should be carried out as soon as possible to finalise these parameters to confirm open pit wall deformation and slope stability.

Globally, the engineering geological conditions are straightforward due to straightforward geomorphology, unitary lithology, simple structure and stable of wall rocks and rock mass.

14.2 SJG Open-Pit Mine

14.2.1 *Mine operations history and current status*

SJG Open-Pit Mine was initially exploited as an underground mine in 2006. After several years of exploration and mining operation, it was converted to a hybrid of open pit mining and underground mining in 2011. Underground mining ceased in 2013, after which open pit mining continued. As of 31 December 2021, the mining operations were conducted in the open pit with the open pit's upper opening area of about 0.34 km^2, and the open pit is producing at three benches of +21 m ASL, +33 m ASL and

+45 m ASL, which can cater for the existing operations for about 1.3 years or until a depth of +21 m ASL is reached, as estimated by Yantai Zhongjia based on the expanded mining rate. Figure 14-1 is the producing open pit.

The production records of last three years are shown in Table 14-1. It should be noted that the production in year 2021 was significantly interrupted by the People's Government of Shandong Province (the "**Provincial Government**") due to safety production inspection. It can be seen that the actual ore production capacity is about 1.0–1.5 Mtpa in the years from 2019 to 2021.

Figure 14-1: Open Pit in Producing

Table 14-1: SJG Open-Pit Mine Production Records

Category	**Unit**	**2019**	**2020**	**2021[1, 2]**
Ore tonnage	t	1,337,233	1,499,207	959,973
Waste tonnage	t	691,066	205,186	75,425
Ore + waste tonnage	t	2,028,299	1,704,393	1,035,398
Strip ratio	t/t	0.52	0.14	0.08
Ore milled	t	1,202,761	1,500,208	1,013,133

Notes:

1. Mining was conducted in months January, February, and from August to December.

2. Processing was conducted in months January, February, April, May, and from August to December.

14.2.2 *Mine development*

Conventional road-truck method will continue be applied to the mine development. The key parameters applied on site are shown in Table 14-2.

Roads around the open pit can be dug freely, with supplementation of rock breaking. Conventional drill-blast-load-haul cycle, as described in "14.2.3 Mining methods", is applied to construct in open pit ramps and cut slots to access benches below the active bench and to prepare a void space for the following large-scale production and storing of water inflows temporarily.

Table 14-2: Key Parameters of Mine Development

Item	Unit	Value	Comments
Road/open pit ramp width	m	12/9	Dual/single
Road/open pit ramp maximum gradient	%	10	
Cut slot length	m	60–80	
Cut slot width	m	20	
Truck	t	40	

14.2.3 *Mining methods*

The mining sequence will be controlled by two pushbacks. Conventional drill-blast-load-haul mining cycle is being and will be applied to move rocks within the open pit. Key parameters of the mining method are shown in Table 14-3 and the mining cycle is presented in Figure 14-2.

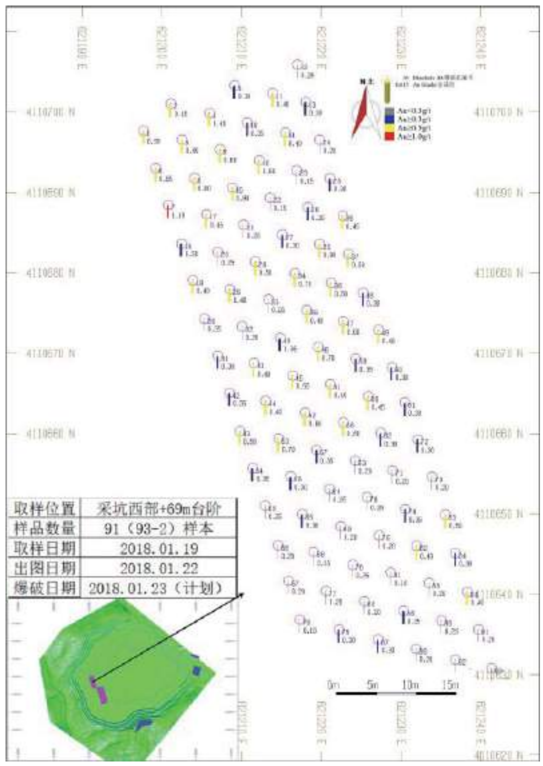
Grade control has been and will be carried out based on the samples from blasthole. The cut-off grade applied to separate ore from wastes varied from 0.2 to 0.3 g/t Au. The mining dilution and recovery rates are 5%.

Table 14-3: Key Parameters of Mining Method

Item	Unit	Value
Bench height	m	12
Active bench face angle	degrees	70
Grid pattern of blastholes	m	3.5×3.8–4.0×4.0
Blasthole diameter	mm	110
Blasthole length	m	13
Over-drill length of blasthole	m	1
Explosive	/	Emulsion and ammonium nitrate/fuel oil (the "**ANFO**")
Explosive consumption	kg/t ore	about 0.25
Drill rig	/	See Table 14-4
Excavator	m^3	See Table 14-4.
Truck	t	See Table 14-4.

Drilling

Loading and hauling



Blast-hole pattern

Figure 14-2: Mining Cycle in SJG Open-Pit Mine

14.2.4 *Slope monitoring*

Regular (monthly) open pit slope inspections are undertaken as no special monitoring devices are installed to monitor the open pit stability.

14.2.5 *Waste dump*

The waste has been and will continued to be disposed by buyers. It's the buyers responsibility to transport wastes out mine area. There is no need to consider permanent waste dumping.

14.2.6 *Mine equipment*

The mine equipment on site is shown in Table 14-4.

Table 14-4: Mine Equipment List for SJG Open-Pit Mine

Equipment	Manufacturer	Mode	Size	Quantity	Comments
Drill rig	Jinke Zuankong	JK590C	/	2	110 mm diameter
Drill rig	Jinke Zuankong	550H	/	2	115 mm diameter
Excavator	Doosan	DX300LC-7	1.27 m^3	3	Two of them can be used split rock.
Excavator	Doosan	DX300LC-9C	1.4 m^3	1	
Excavator	Doosan	DX380LC-9C	1.71–1.9 m^3	5	
Truck	/	/	40 t	> 70	
Loader	Lovol	FL955F	5 t	1	
Watercart	/	JYJ5161GSSE	8.7 m^3	1	
Watercart	/	153	12 m^3	1	
Bulldozer	/	/	/	1	

14.2.7 *Mine services*

Mine drainage and dewatering

Surface run-off above +81 m ASL drains by gravity to interceptor ditches around the open pit opening.

Surface run-off and groundwater below +81 m ASL drains by gravity to old underground voids like level haulage ways, shafts etc. along the fissures, joints, and foliations. The water is then gathered and pumped out to surface along the old shaft, which has a bottom elevation of –120 m ASL. The water pumped out will be used within open pit for water spray purpose and sold to a processing plant near to the SJG Underground Mine.

Drainage of groundwater below –120 m ASL is not considered at present, as it will happen towards the end of open pit life. SRK understand that Yantai Zhongjia didn't have a plan for this at the Effective Date, but there is sufficient time to make a plan for the future.

There are two water tankers (See Table 14-4) to spray water for dust suppression.

Electric power supply

All equipment is diesel driven, with minimal electric power required for lighting.

Compressive air

Compressed air for the drill rigs is provided by mobile compressors.

Explosives supply and management

Currently, SJG Project has two explosive magazines. SJG Open-Pit Mine and SJG Underground Mine each has one own magazine and cannot be shared with each other. A 40 t explosive magazine has been constructed on the SJG Open-Pit Mine site to store explosives. The magazine of SJG Open-Pit Mine is in normal use but the SJG Underground Mine is still under construction and applying for a non-operating blasting certificate. According to the production plan, the required blasting materials are applied for by Yantai Zhongjia, then delivered to the explosive magazine by the producer. Onsite blasting can only be performed under the supervision of polices.

Fuel

There are two fuel tanks on site, which belong to Yantai Zhongjia. The fuel was supplied from the gasoline stations located in the town of Wanggezhuang.

Maintenance facilities

Maintenance facilities and workshop are located near to the perimeter of open pit.

Yantai Zhongjia oversees the maintenance of trucks, drill rigs and ancillary equipment, while the excavator maintenance will be undertaken on-site by the manufacturer.

Communications

Two-way radios are applied in open pit to provide simple producing communication. No special dispatch communication is required.

14.3 SJG Underground Mine

14.3.1 *Mine operations history and current status*

Development of SJG Underground Mine was initiated in September 2016, and production commenced in 2019. Photos taken during site visit are shown in Figure 14-3.

Access ramp's portal

Industrial site of auxiliary shaft

Upcast portal

Figure 14-3: Portals for SJG Underground Mine

Production stoping commenced in 2019, with some ore produced in 2018 during the pre-production period. Current underground production is coming from the upper three levels in the mine while development of the ramp and the lower three levels continues. The production records in the last three years are shown in Table 14-5. It should be noted that the production in year 2021 is significantly interrupted by the Provincial Government due to safety production inspection.

Table 14-5: SJG Underground Mine Production Records

Category	Unit	2019[1]	2020	2021[2]
Ore mined and milled	t	100,803	89,921	10,692

Notes:

1. It includes trial production from January to August 2019 and commercial production from September to December 2019.

2. Both mining and processing were conducted in months January and December.

SJG Underground Mine produces 8 hours per shift, 3 shifts per day, 330 days per year. Hauling of ore along the access ramp will operate just one shift per day and is designed for an ore production capacity of 90 ktpa.

14.3.2 *Mine development*

The development system consists of a trackless access ramp, six level haulage ways, an auxiliary shaft, a surface ventilation upcast shaft and an underground ventilation upcast shaft. Properties of these tunnels are shown in Table 14-6.

Off-road dump truck, each with a nominated capacity of 20 t, are used to move both ore and waste to surface along the level haulage way and the access ramp.

The mine development system shown in Figure 14-4 has been completed at the Effective Date.

Table 14-6: Development Tunnel Dimensions

Tunnels	Net Cross Section	Location/level	Length (m)
Access ramp[1]	4.5×4.0 (width×height)	4111092, 40622241, +80 (N, E, Z)	2,265
Auxiliary shaft	4.0 (diameter)	4111168, 40621939, +120 (N, E, Z)	305
Surface ventilation upcast shaft	3.5 (diameter)	4110712, 40622173, +98 (N, E, Z)	49
Underground ventilation upcast shaft	2.5 (diameter)	4110681, 40621996, +49 (N, E, Z)	209
Level haulage way[2]	4.5×4.0 (width×height)	+49, +9, –40, –80, –120, –160 (Level)	/

Notes:

1. The access ramp has been advanced to –132.2 m ASL as at the Effective Date.

2. As of 31 December 2021, level haulage ways have been advanced 1,952 m at Level +49 m; 3,094 m at Level +9 m; 4,891 m at Level –40 m; 45 m at Level –80 m; and 1,092 m at Level –160 m. Level –120 m is not yet advanced.

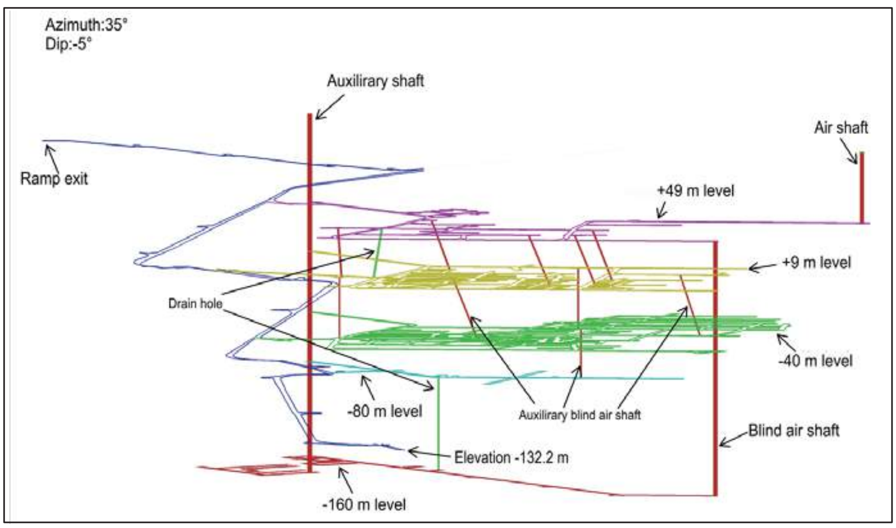


Figure 14-4: Longitudinal Profile of Development System

14.3.3 *Mining methods*

The mining methods include cut-and-fill mining and shrinkage stope mining.

Cut-and-fill mining

Stope development includes: a footwall haulage drive on the main level for ventilation, hauling of ore; two cross cuts at the main level for water drainage; a raise connection in the footwall, with access drive to each slice for filling material, workers, and storage of ore; an undercut of the stope area.

The stopes are between 50 and 60 m in length and include a 5 m thick sill pillar at the bottom of the cut and fill panel that is recoverable.

Recovery of ore starts from the bottom undercut, advancing upward at 1.8 m slice interval/cut. The blastholes are 1.8 m long with a dip angle of 0 degree or slightly dipping at 0.8–1.0 m spacing. Short bolt or round timber is used in a stope to provide temporary support as required.

Mobile fan will be used after blasting to remove the blasting fumes. The exhausted air will return to the upper level haulage way. Fresh air flows through the working face of drilling at a speed of no less than 1.5 meters per second ("**m/s**").

The ore is scraped to the ore pass in the footwall and discharged to trucks below the hopper.

The bottom slice is filled with cemented fill that has a cement-sand ratio of 1:4, while all the other slices are filled with fully cemented paste.

The production capacity of a stope is assumed to be 80 tpd, with each stope producing 1,000 t per 8.5 m of advance. The rates of mining loss and dilution are 8% and 11%, respectively.

Shrinkage mining

Stope development includes: a footwall haulage drive, about 6 m away from the orebody; crosscuts at 5–6 m interval, hauling of ore; an upcast in rib for ventilation and workers; an undercut of the stope area, 2 m high.

The stopes are 40 m in length and each panel includes a 6 m wide rib pillar and a 3 m thick crown pillar. The stopes produce 1000 t per 11.8 m of advance.

Drilling, blasting and ventilation are same as those applied to cut-and-filling method. Ore is loaded from ore pass using electric load-haul-dump (the "**LHD**") machine.

Pillars with high grade of gold will be recovered, while the pillars with low grade gold will be left permanently. A reinforced concrete sill, which is a 500 mm thick will be used to enable the crown pillars to be recovered. Half of the rib pillar can be recovered by drilling shallow blastholes from the upcast in the rib.

Once all the ore has been removed from a stope, the void would be filled with a mix of waste rock and paste. Raises for backfilling, which are connected to the crosscuts of a stope in the upper level, have a profile of 2×1.5 m at 10–15 m spacing.

The production capacity of a stope is assumed to be 80 tpd. The rates of mining loss and dilution are 8% and 12%, respectively.

14.3.4 ***Ground support***

The mine plan relies on backfill as a ground support medium. The voids underground will be filled using either cemented paste fill or cemented rock fill (the "**CRF**"). A surface paste plant (Figure 14-5) near to the compressed air station has been installed.

The paste plant includes a 300 m^3 upright bin, a 50 t cement tank, a Φ1,500 × 1,500 high concentration stirred-tank and a screw feeder etc.

The dry tails are transported to paste plant by truck. After mixing with cement in the stirred-tank, the paste flows to the underground stope by gravity along two sets of Φ133 × 12 manganese steel pipe in the auxiliary shaft, then distributed via a DN80 polyethylene pipe in level haulage way and finally a Φ89×10 polyethylene pipe in a stope.

The average filling volume is 81 cubic meters per day ("**m^3/d**"). The maximum filling volume per shift is 52.5 m^3/d. The filling density is 68% to 70%.

Figure 14-5: Paste Plant

14.3.5 *Mine equipment*

Underground mine equipment in place are shown in Table 14-7.

Table 14-7: Underground Mine Equipment in Place for SJG Underground Mine

Equipment	Mode	Quantity	Remarks
Drill rig	7655	10	
Drill rig	YSP-45	3	
Mobile fan	JK58-1No4.0	6	
Mobile fan	JK58-1No4.5	6	
Main fan	FKZ45-6-No18	1	160 kilowatts ("**kW**")
Main fan	FKZ40-6-No14	1	30 kW
Scraper	/	2	15 kW
LHD	LDCY-0.75	2	37 kW
Shotcrete machine	/	2	
Hoist	JKMD-1.85×4 (I)	1	Auxiliary shaft
Double-deck cage	#2 multi rope	1	Auxiliary shaft
Trucks	YC6L290-20	3	20 t
Water pumps	MD120-50*7	3	120 m^3/h
Air compressor	SAC132A	1	
Air compressor	SAC55A	1	
Drilling jumbo for driving	Yz-820	2	
Drilling jumbo for driving	Atlas 281	1	
Drilling jumbo for driving	Atlas K111	1	
Drilling jumbo for mining	Simba 1254	1	
Drill rig	SWDE165	1	
Drill rig	SWDB165	1	
Scaling jumbo	XMPYT-58/700	1	
Long-hole drill rig	YGZ-90	1	
Shallow-hole drill rig	YT28	3	
Front end loader	FL956F	2	
Front end loader	ZL30E-I	1	
Front end loader	ZL30E-II	1	
Truck	Dongfeng	8	
Concrete mixer	JZC450	1	
Shotcrete machine	SPJ08-07-22	1	
Light truck		2	
Pick-up truck		4	

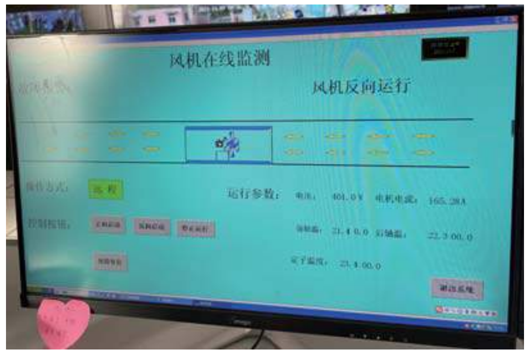
14.3.6 *Mine services*

Ventilation

The ventilation plan for stopes and headings is in diagonal pattern. Fresh air flows to a working face along the auxiliary shaft and the level haulage way. The exhaust air flows to surface along the upper level haulage way, underground upcast, and surface upcast shafts.

The calculated air requirement is 43 cubic meters per second ("**m^3/s**"). One FKZ45-6-No.18 fan (Figure 14-6) was installed at the portal of upcast to draw out exhaust air with a capacity of 64 m^3/s.

main fan



online monitor

Figure 14-6: Main Fan at the Portal of Upcast

Ventilation in the access ramp is independent of the ventilation plan for stopes and headings. A 2.5 m diameter exhaust raise is constructed at the connection linking the access ramp and the active levels. A mobile fan is installed at the top of this raise to stop and redirect the exhausted air to the upper non-active level with supplementation of air doors and other air redirecting facilities. The air requirement for the working area is 21 m^3/s. The mobile fan is FKZ40-6-No.14, which has a nominated airflow rate of 15.8–34.4 m^3/s.

Locally, the mobile fans, JK58-1N0.4, are used in drive headings, stope development workfaces to discharge exhaust air.

underground pump station at Level –160

online monitor

Figure 14-7: Pumping Station

Mine drainage and dewatering

The normal groundwater inflow is 1,950 m^3/d reaching a maximum of 3,900 m^3/d. In addition to the groundwater inflow, water from production and backfilling operations totals 60 m^3/d.

The pumping station (Figure 14-7) located at the bottom of service shaft at –160 m ASL is equipped with three sets of MD120-50×7 pump with each has a flow rate of 120 m^3/h and a water head of 350 m. There are two water sumps next to the pump station with a total volume of 700 m^3. Groundwater from each level flows to the water sumps by gravity and is pumped to the elevated tank on surface, by single stage pumping along two seamless steel pipes that have a size of Φ159×6 and are installed in the service shaft.

Compressed air

The compressed air station is located near to the service shaft shown in Figure 14-8.

Screw compressors of FHOGD-132F are installed to produce compressive air. The compressed air will be distributed to each level along the seamless steel pipes in service shaft, which consists of a main pipe of Φ108×6 and a branch pipe of Φ76×6.

Power supply

A 10 kilovolts ("**kV**") power distributor is located next to the compressive air station to provide electricity power for loadings at and below surface, which is shown in Figure 14-8. The surface electrical demands includes mainly the hoist, air compressors, domestics, office and lighting. The sub-surface loadings include primarily the water pumps, mine equipment and lighting.

A diesel generator with a voltage of 10 kV and a power of 1,000 kW is on site for standby power generation.

Water supply

The water requirement for mining operation include 100 m^3/d for underground mining operation, 300 m^3/d for the paste plant and 144 m^3 and 200 m^3 for above and below ground firefighting. An elevated tank (Figure 14-9) is located near to the auxiliary shaft with a volume of 300 m^3. Water storage impoundments will meet the requirement of mining operation and firefighting. Water is distributed by seamless steel pipe, Φ108 in diameter.

Domestic water requirement is 6 m^3/d for workshops onsite supplied via a 10 m^3 water tank next to the elevated tank.

building for compressed air and power distribution

single screw air compressor

power distribution

Figure 14-8: Compressed Air Station and Power Distribution Room

Figure 14-9: Elevated Water Tank

Explosive supply and management

Underground explosive bins have been built at +49 m ASL, shown in Figure 14-10. Blasting materials are sourced from the surface explosive magazine for the SJG Underground Mine.

Detonator bin

Explosive bin

Magazines bin

Figure 14-10: Underground explosive magazine

Maintenance facilities

The maintenance facility (Figure 14-11) is located near to the portal of access ramp. The area is about 165 m^2.

Figure 14-11: Maintenance Facility

Communications

Digital multimedia broadcasting consists of: video monitoring in the control centre; telephone and cameras at important/key locations i.e. workfaces, mechatronics chambers, water pump stations, etc.; horn loudspeakers; two-way radios, alarms and positioning sensor hold by workers; and hoist safety control system served for service shaft.

Two special communication cables distribute to sub-surface levels along the service shaft and upcasts to deliver signal.

14.4 SRK comments

14.4.1 *SJG Open-Pit Mine*

The open pit slope monitoring and management will continue for the life of the operation. SRK suggests that slope stability monitoring should be enhanced, and a rock mechanics study should be carried out as soon as possible to verify the slope design parameters, to minimise the potential for disruptions to production resulting from open pit wall deformation and slope instability.

14.4.2 *SJG Underground Mine*

SRK suggests Yantai Zhongjia should strengthen its daily safety training for workers and management of Mineral Resources to ensure the mining operation could be performed as planned.

Regular patrols are recommended to validate ground support effect and find potential surface subsidence risk as soon as possible.

15 MINERAL PROCESSING TEST AND RECOVERY

15.1 Introduction

Yantai Zhongjia organised and funded the construction of a processing plant in the SJG Project, Figure 15-1 and Figure 15-2. The processing plant is located about 4 km southeast to the mines. It was put into operation in May 2011 with a throughput of 6,000 tpd.

Figure 15-1: The Location of Mining and Processing Facilities

Figure 15-2: Aerial Photo of the Processing Plant

The processing plant has a history of gold concentrate production, using simple floatation process or amalgamation — floatation process to produce gold concentrate. Local smelters were commissioned, and the gold concentrate was processed into gold bullions.

SRK did not sight any mineralogical studies or processing study data or test work. However, the historical processing of ore from the current operation and historical production data demonstrates that the future ore can be efficiently processed and supports the basis for the Mineral Resource, Mineral Reserve estimation and economic evaluation of this deposit.

15.2 Technological mineralogy

15.2.1 *Mineral composition and occurrence status*

The mineral composition of the deposit is relatively simple. The metal minerals are mainly pyrite, with a small amount of chalcopyrite, sphalerite, galena, magnetite, and limonite. The gold minerals are generally native gold and electrum. The non-metallic minerals are mainly feldspar and quartz, with a small amount of potassium feldspar, muscovite, clay minerals and carbonate minerals. The main mineral characteristics are as follows:

Gold mineral

Microscopic observations of 30 grains of gold minerals show that the gold minerals are mainly in breccia form (with 13 grains, accounting for 44% of the total gold grains), followed by twig-like form (17%), round-grains (13%), fine-vein form (7%), long-horned granules (7%), flaky form (3%), wheat grain-shaped form (3%), and lenticular form (3%). The gold grains are mainly medium and fine particles, and the size is generally (0.020 to 0.100) mm × (0.020 to 0.100) mm, with the smallest one of 0.006 mm×0.010 mm and the largest one of 0.100 mm × 0.350 mm. The gold minerals mainly occur in the pyrite crystal gaps and the crystal gaps between pyrite and gangue minerals (with 12 grains, accounting for 40% of the total particles), followed by wrapped by pyrite and gangue minerals (27%), occurring in the pyrite fractures (23%) and between the pyrite and gangue minerals (10%).

Pyrite

The Pyrite is mainly pentagonal dodecahedron, followed by cubic, round-granule, amorphous and irregular form. The particle size ranges from 0.05 mm to 10 mm, which is generally 2 mm to 5 mm, and it is partially fragmented. The pyrite distributes in the cement in the form of granules, aggregates, clumps, veins and disseminated. It mainly distributes around the gravel, and a very small amount of pyrite veins cut through the gravel. The early-stage pyrite is fine-grained (<0.1 mm), which is not closely related to gold mineralisation, while the late pyrite particles are larger (0.1 mm to 8 mm) with better crystalline form and mainly are pentagonal dodecahedron, which is closely related to gold mineralisation.

Magnetite

The magnetite is the particulate aggregate. It is distributed along the gaps of the gangue minerals, sometimes co-existing with pyrite in the forms of emulsion intergrowth or latticed joined crystals.

Chalcopyrite

The Chalcopyrite is granular shape with a small content and shows metallic lustre. Its particle size is small, about 0.05 mm and mostly distributed in pyrite fractures, with a small amount contained in pyrite and gangue minerals.

Sphalerite

Sphalerite is present in xenomorphic — hypidiomorphic granular form, with a particle size of 0.02 mm to 0.08 mm. It is distributed in the pyrite crystal gaps or wrapped by pyrite and is partially symbiotic with chalcopyrite in irregular forms.

Galena

It is an idiomorphic — hypidiomorphic granular, with quite few contents, and distributes along the pyrite fracture.

Quartz

It is an irregular granular in the form of branched aggregate. One kind is the quartz in the protolith that has nothing to do with gold mineralisation, and the other kind is the quartz formed by late silicification, which is symbiotic with metal sulphide and is related to gold mineralisation.

Feldspar

The Feldspar is granulated, with a particle size of 0.1 mm to 0.3 mm, and the larger one is about 0.5 mm. It is partially etched into sericite.

Calcite

The Calcite is in fine-vein form. It is metasomatic feldspar or fissure filling metasomatism type.

Sericite

The Sericite is in fine-scaly form, which is mainly the product of hydrothermal metasomatic feldspar.

15.2.2 *Mineral chemical composition*

In the exploration history of the SJG Project, the constituted elements of these minerals have been analysed many times, and the results are quite different, indicating that the distribution of these elements in the deposit is uneven. However, in general, gold and silver in the ore are valuable elements for processing recovery, while the other elements are of low contents and have no recoverable value. The statistical results of analysis of several geological samples are shown in Table 15-1.

Table 15-1: Statistics of Geological Sample Analysis Results

	Assay Result						
Description	**Au (g/t)**	**Ag (g/t)**	**As (%)**	**Cu (%)**	**Pb (%)**	**Zn (%)**	**S (%)**
Minimum	0.50	0.50	0.000910	0.001	0.002	0.001	0.14
Maximum	221.99	16.00	0.013410	0.150	0.009	0.011	5.48
Average	2.67	1.70	0.005020	0.005	0.005	0.002	1.76

15.3 Mineral processing test

The sulphide material is the main carrier mineral of the gold and silver, and exhibits good floatability. The Jiaodong Peninsula is China's largest gold producing area. Most gold mines in this area use the floatation method to produce gold concentrates, which are sold to smelters to produce gold bullion by cyanide leaching. Before the ban on amalgamation method in the late 1990s, most processing plants used mercury plates to pre-recover coarse gold in the grinding circuit.

The initial ore processing test work of the SJG Project was not available. However, before Yantai Zhongjia took over the mine, several processing plants were processing the ore of the SJG Project with single floatation flowsheet or amalgamation-floatation flowsheet, both of which obtained good recovery.

15.3.1 *Historical test work*

In 2002, during the detailed survey period of the SJG Project, Yantai Mujin, the previous tenant of the SJG Project, conducted test work on 1,091 t of ore at the nearby Wanggezhuang Processing Plant. The ore feed rate was 5 tonne per hour ("**t/h**") for a total of 218 hours. The test procedure was:

- Two-stage crushing in open circuit. The size of the crushing product is less than 25 mm;
- One-stage grinding in closed circuit. The fineness of the grinding product shall achieve 65% less than 200 meshes; and
- One roughing + twice scavenging + one cleaning floatation.

The test results in Table 15-2 show that the gold ore in the SJG Project is brittle and easy to process, and it has good processing performance. However, the grade of the tested ore was high as 4.22 g/t, making the sample not representative.

Table 15-2: Test Work Results

Description	**Percentage (%)**	**Au Grade (g/t)**	**Au Recovery (%)**
Feed	100.00	4.22	100.00
Concentrate	3.39	118.99	95.60
Tailing	96.61	0.19	4.40

15.3.2 ***Laboratory test***

In January 2010, to verify the processing parameters of the Songjiagou ore and provide the technical basis for the construction of a new large-scale processing plant, the Metallurgical Laboratory of Yantai Jinyuan Mining Machinery Co. Ltd. (the "**Jinyuan Metallurgical Lab.**") undertook a metallurgical test work program.

Test sample

The test sample was collected from the ball mill feed conveyor of a 1,000 tpd running plant on 16 January 2010. The sample weighed 150 kg, grading 0.68 g/t Au, a particle size of –12 mm and a specific gravity of 2.62. Its bulk density was 1.73 t/m^3.

The sample is considered by SRK to be representative of future ore, since the ore is simple. There was no necessity to do more tests.

Response of grinding fineness of floatation

The result of grind size test work by open circuit floatation are presented in Figure 15-3. Sodium butyl xanthate (the "**SBX**") was used for collecting gold and gold bearing minerals, and #2 oil (mainly terpene oil) was used as the frother. The results show that the gold recovery increases as the grind size decreases. Due to the low grade of the feed, there will be a balance between the increasing recovery and the increased grinding cost. SRK considers this to be between 50% and 65% at –75 µm. The laboratory recommended 50% passing 75 µm (P_{50} = 75 µm) as the optimum grind size.

Response of gravity and amalgamation

Two processes of gravity concentration followed by floatation and mercury amalgamation were carried out at P_{65}=75 µm. The equipment used for gravity separation and amalgamation is not described in the metallurgical test report. SRK presumes it to be shaking table and amalgamating table. The results are shown in Table 15-3. The gravity recovery is 46% at a concentrate grade of 63 g/t Au, and 41% of gold is recovered into amalgam, implying the presence of nugget gold and gravity recoverable gold (the "**GRG**").

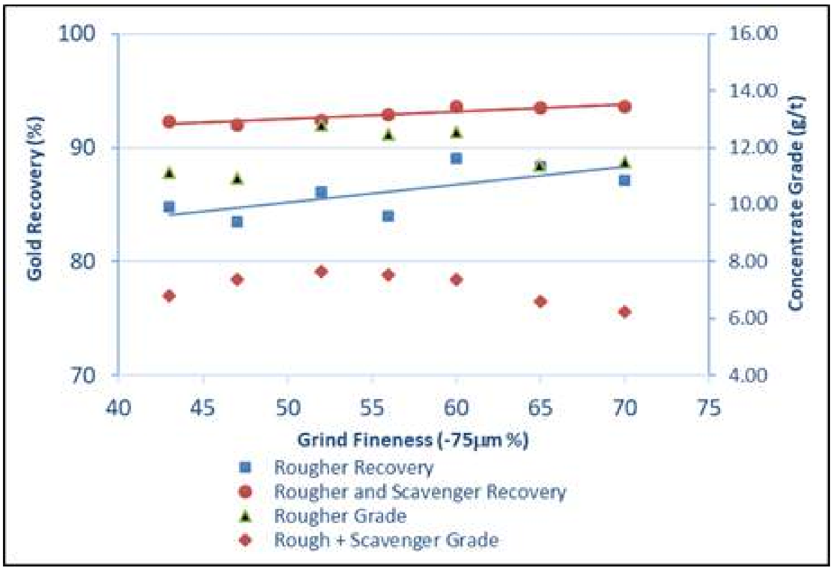


Figure 15-3: Response of Grinding Fineness to Gold Recovery of Floatation Process

Table 15-3: Test Results of Gravity and Amalgamation

Description	Gravity-Floatation			Amalgamation-Floatation		
	Percentage (%)	Grade (g/t Au)	Recovery (%)	Percentage (%)	Grade (g/t Au)	Recovery (%)
Gravity/amalgamation	0.47	62.92	46.57	/	/	41.47
Rougher floatation concentrate	6.37	3.81	40.37	6.25	4.11	37.78
Scavenger floatation concentrate	4.69	0.83	6.12	4.36	2.21	14.18
Tailing	88.11	0.05	6.94	89.39	0.05	6.57
Calculated feed	100.0	0.64	100.0	100.0	0.71	100.0

Closed circuit floatation

A closed circuit floatation test was conducted at 52% passing 75 μm using SBX and #2 oil as the collector and frother, respectively. The test results are presented in Table 15-4. The gold recovery reaches 92.87% while the concentrate grade is 22.53 g/t Au. The test work flowsheet, Figure 15-4, consists of one rougher, two scavengers and one cleaner.

Another floatation test was undertaken using copper sulphate (the "**$CuSO_4$**") as activator to improve gold recovery, but the results did not improve.

Test results show that the ore of SJG Project is easy to process and a simple floatation flowsheet can achieve high gold recovery. The floatation performance is good, but the nugget effect on floatation is not detected well. Gravity recovery may be applicable for pre-recovering of nugget gold. SRK recommends that a centrifugal separator such as Knelson Concentrator is considered.

Table 15-4: Floatation Test Results

Description	Percentage (%)	Grade (g/t Au)	Gold Recovery (%)
Concentrate	2.81	22.53	92.87
Tailings	97.19	0.05	7.13
Calculated feed	100.0	0.68	100.0

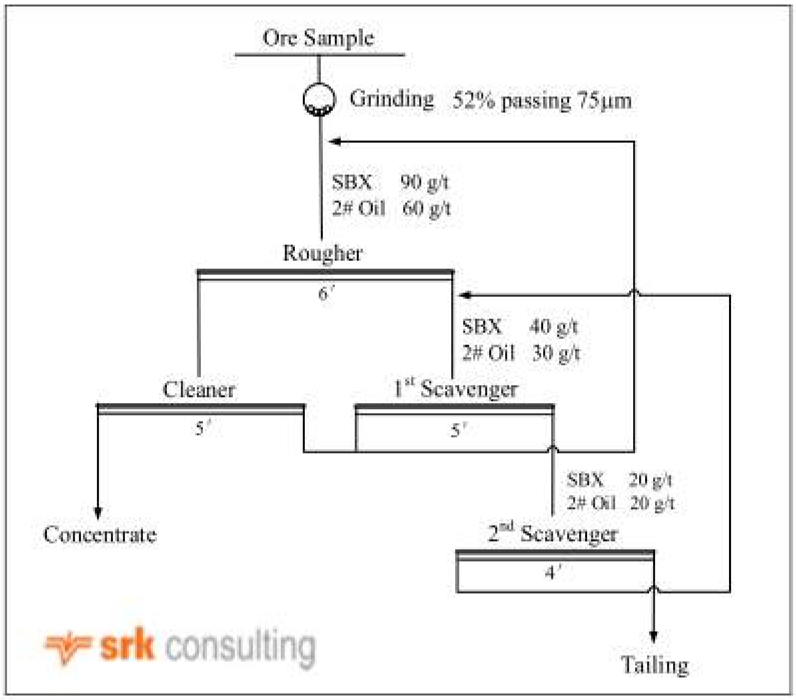


Figure 15-4: Closed Circuit Applied to Floatation Test

15.4 Processing flowsheet

The processing plant consists of one crushing series and two identical grinding-floatation series. A simplified processing flowsheet of the processing plant is shown in Figure 15-5.

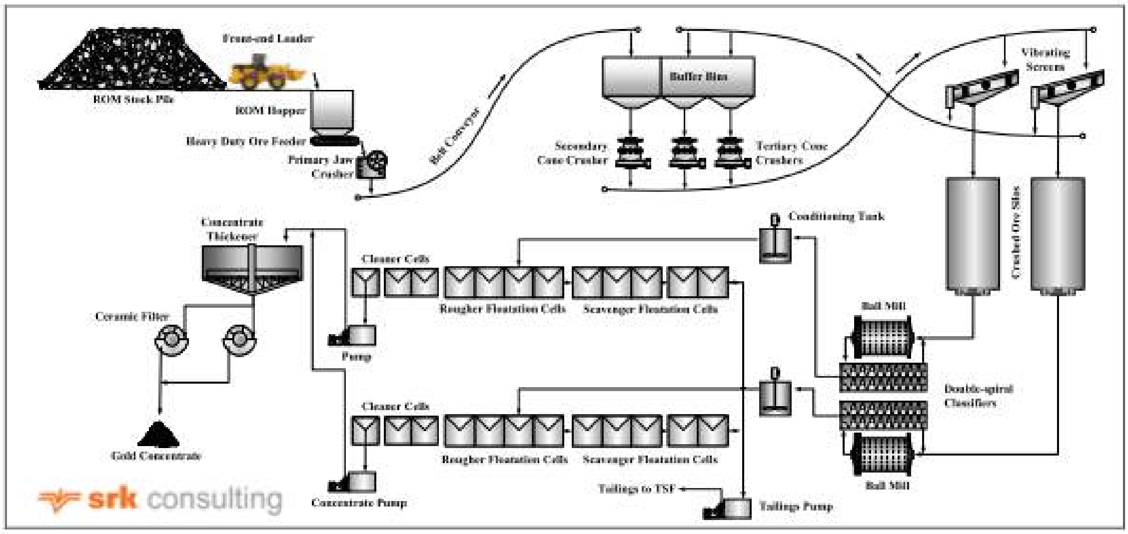


Figure 15-5: Simplified Processing Flowsheet

15.4.1 *Crushing*

The crushing circuit includes a RoM stockpile, a coarse crushing circuit, a medium and fine crushing circuit, and a screening circuit. The crushing process is a traditional "three-stage crushing with one closed circuit", and the ore which is not more than 1,000 mm is crushed to achieve 80% less than 12 mm (P_{80} = 12 mm).

The ore is transported to the RoM stockpile at the processing plant by truck and fed into the 450 m^3 RoM hopper by the front-end loader. A heavy-duty ore feeder installed at the bottom of the RoM hopper feeds ore to a jaw crusher for primary crushing. The crushed product is sent to the buffer bin by the #1 belt conveyor, from where it will be fed into a cone crusher by the moving belt feeder at the lower part of the buffer bin for secondary crushing. Ore discharged from the secondary crusher is transported by the #2 belt conveyor to the two vibrating screens at the screening workshop for screening. The oversize materials are transported to the buffer bins by the #3 belt conveyor for tertiary crushing. There are two tertiary cone crushers, which are fed respectively by two moving belt feeders, and the ore produced is also transported to the screening workshop through the #2 belt conveyor. The fineness of the undersize material is P_{80} = 12 mm, and it is sent to two 1,800 m^3 crushed ore silos by the #4 belt conveyor.

15.4.2 *Grinding*

The grinding circuit consists of two crushed ore silos, two grate ball mills and two double-spiral classifiers, which form two identical "one-stage closed-circuit" grinding series, grinding the crushed ore to 50% less than 200 meshes (P_{50} = 75 μm).

The crushed ore in the silo is fed onto the #5 belt conveyor by two electromagnetic vibrating feeders installed in the lower part of the silo and sent to the ball mill. The floatation potential of hydrogen (the "**pH**") adjuster lime is evenly added to the material stream on the #5 belt conveyor. The ball mill and the double-spiral classifier form a closed circuit, and the ore discharged from the ball mill is fed into the spiral classifier for classification. The return sand from the classifier is sent back to the mill for re-grinding. The overflow fineness is P_{50} = 75 μm, which flows into the floatation circuit by itself.

15.4.3 *Floatation*

The floatation circuit includes a pulp conditioning tank and a "one rougher + two scavenger + two cleaner" floatation process. The overflow from the spiral classifier flows into a conditioning tank. After mixing with the floatation reagents, it then enters the floatation circuit consisting of a row of floatation cells to produce gold concentrate and tailings. The tailings are pumped into the tailings storage facility (the "**TSF**") through the pipeline, and the concentrate is pumped into the dewatering circuit.

15.4.4 *Concentrate dewatering*

The floatation concentrate is pumped into a thickener, with its overflow used as return water and the underflow fed into the ceramic filter. The filter cake has a moisture content of less than 8% and is stored in the warehouse.

15.5 Processing equipment

The main mineral processing equipment is shown in Table 15-5. The ore storage facilities, pumps and other auxiliary equipment are not listed. As the ore is easy to separate and the processing flowsheet is simple, the total number of ore processing equipment is small with reasonable configuration and stable operation. Photos of some equipment are shown in Figure 15-6.

Table 15-5: Main Processing Equipment

No.	Equipment	Mode/Specification	Motor Power (kW)	Quantity
1	Heavy-duty ore feeder	GBZ2480	45	1
2	Jaw crusher	C140	200	1
3	Electric magnetic iron remover	RCDB1000		3
4	Cone crusher	HP500	400	1
5	Cone crusher	HP500XS	400	2
6	Vibrating screen	DYK3675-AT	37*2	2
7	#1 belt conveyer	TD75100100 L=97 m	75	1
8	#2 belt conveyer	TD75120100 L=100 m	160	1
9	3# belt conveyer	TD75100100 L=95 m	75	1
10	Ball mill	MQG3645	1250	2
11	Spiral classifier	2FG-3000	30	2
12	Agitating tank	BJ4.5×4.5 m	22	2
13	Floatation machine	JYF/BSK-24 m^3	55	3
14	Floatation machine	JYF/BS-24 m^3	37	13
15	Floatation machine	JYF/BSK-16 m^3	30	4
16	Roots blower	L84WD Q=176 m^3/min, P=49 kPa	215	3
17	Submerged pump	65Q-LPR	11	3
18	Reagent agitating tank	BJW2×2 m	3	2
19	Computer dosing machine	16PT		1
20	Thickener	NZS-18 m	5.5	1
21	Ceramic filter	TCG-21 m^2	5.5	2

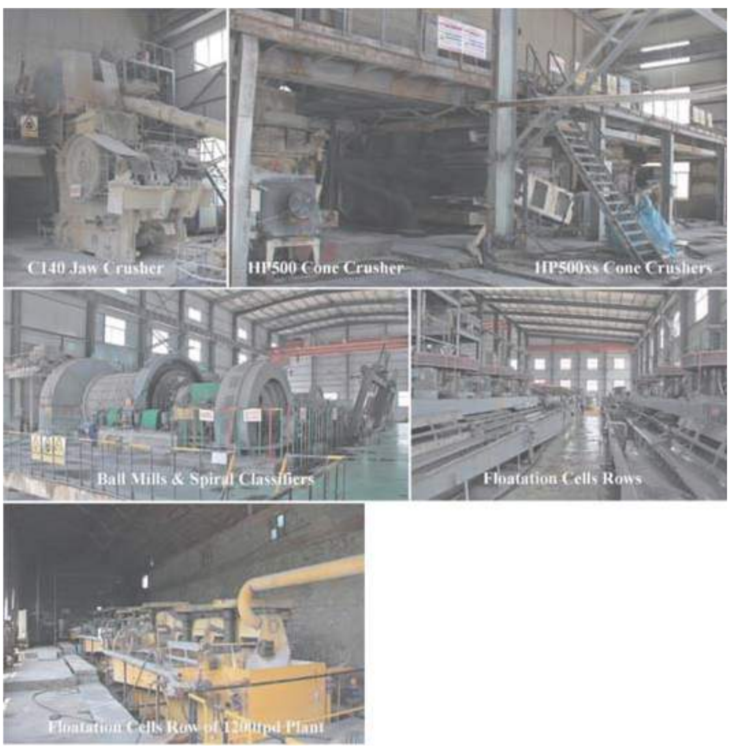


Figure 15-6: Photos of Processing Equipment

15.6 Production performance

The metallurgical performances for the processing plant is summarised in Table 15-6. It should be noted that the production in year 2021 was significantly interrupted by the Provincial Government due to a safety production inspection. The production data shows that the ore responded well to the conventional floatation process, and the gold recovery increases with the ore grade.

Table 15-6: Historical Processing Performances

Item	Unit	2019	2020	2021[1]
RoM tonnage	kt	1,304	1,590	1,024
RoM gold grade	g/t	0.68	0.70	0.62
Gold content in RoM	kg	883	1,109	640
Concentrate production	kt	47.29	46.83	28.66
RoM/concentrate	t/t	27.56	33.96	35.72
Concentrate grade	g/t	17.87	22.69	21.28
Gold content in concentrate	kg	845	1,062	610
Gold recovery rate	%	95.73	95.82	95.33

Note:

1. Processing was conducted in months January, February, April, May, and August to December.

The gold recovery and concentrate grade data of the monthly production data from January 2016 to December 2021 is plotted in Figure 15-7. The gold recovery increases with the feed grade in a definite functional relationship. The concentrate grade is low, likely having nothing to do with the feed grade.

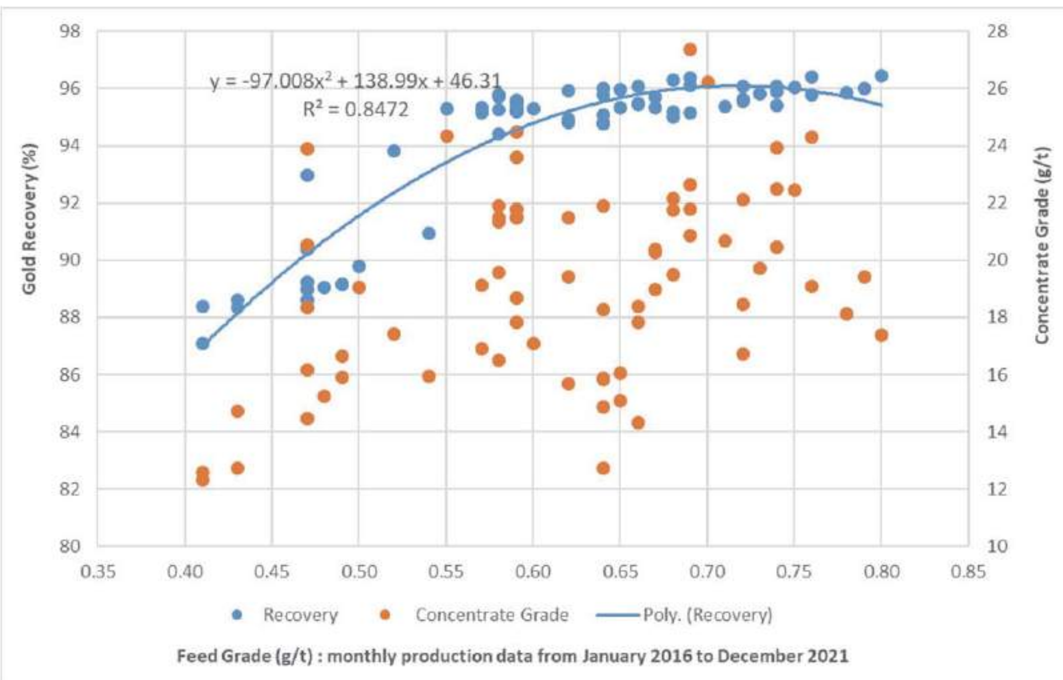


Figure 15-7: Gold Recovery vs. Feed Grade and Concentrate Grade vs. Feed Grade

SRK noted that due to the good sales market for this low-grade concentrate, the processing plant used a relatively coarse grind to obtain high processing recovery and maintain low production costs, which resulted in the low concentrate grade.

After long-term production and operation, Yantai Zhongjia believes that the best concentrate grade is between 15 g/t and 25 g/t and does not consider increasing the grinding fineness (increasing the grinding cost) to improve the concentrate grade. Increasing the grinding fineness to improve the concentrate grade does not substantially increase the business economic benefit.

15.7 Services

15.7.1 *Material and reagent supply*

The daily energy, materials and reagent consumptions of mineral processing are as follows:

- Lining plate of crusher and ball mill: 0.2 kg/t;
- Lime: 1 kg/t;
- Xanthate: 100 g/t;
- #2 oil: 30 g/t;
- Water: 3 cubic meters per tonne ("**m^3/t**"), among which new water is 0.6 m^3/t; and
- Electricity: 24 kilowatts hour per tonne ("**kWh/t**").

Compared to most gold floatation plants, the above consumptions are very low. Because of inhibitors of limestone sulphide minerals, tests and experiences have shown that it can achieve the same recovery rate without the addition of lime.

The SJG Project is located in an active gold mining area, where the equipment, spare parts, consumables and reagents are easy to purchase due to abundant supply.

15.7.2 *Laboratory*

The laboratory is adjacent to the processing plant. It has a complete set of equipment and instruments for sample preparation, fire assay and volumetric analysis, which can fully meet the daily production testing requirements of the processing plant.

15.7.3 *Maintenance*

All the processing workshops are equipped with maintenance vehicles or electric hoists. The equipment maintenance is mainly conducted on-site. Although the maintenance workshop is built, it is mainly used as warehouse, storing a small quantity of spare parts and consumable materials. Yantai

Zhongjia told SRK that due to the simple process of mineral processing and high equipment level, the maintenance workload is light. SRK observed that the workshop was clean, and the equipment was in good condition.

15.7.4 *Processing water*

The processing plant has two 1,230 m^3 concrete head tanks (15 m in diameter and 7 m in height): one is for storing new water from the Rushan River, which is mainly used for production supplementation, ground washing, dust suppression and fire protection. The second tank is for the storage of processing return water, with return water utilisation rates ranging from 80% to 85%.

A water pumping station is built on the bank of the Songjiagou River near Jincheng Village, which is 2 km southeast from the processing plant, and the river water is pumped to the new water head tank through pipelines. The clarified water from the TSF is diverted through the culvert to the valley between the TSF and the processing plant. A dam is built at the valley mouth next to the processing plant to form a reservoir, which stores a large number of tailings clarified water which is pumped to the return water head tank of processing plant. The unfiltered water from the TSF is directly pumped back to the return water head tank through the return water tank at dam toe. The concentrate unfiltered water and ground washing water of the processing plant are pumped back to the return water head tank after sedimentation and clarification in the processing plant settling tank. SRK believes that the processing plant water is well managed, and there is no shortage of water in the past and future.

15.8 Tailings storage facility

The TSF is located in a valley 2 km southeast of the processing plant. It was designed by Shandong Gold Group Yantai Design and Research Engineering Co., Ltd. (the "**Yantai Design Institute**") in July 2010. The TSF was designed as a valley type, and the foundation dam was 24.6 m high (elevation between +75.4 m and +100.0 m), which was a permeable dam. The tailings stockpiling dam above the foundation dam was constructed by upstream damming method. The final stockpiling dam height was 24 m (elevation between +100.0 m and +124.0 m), the total dam height was 48.6 m, the dam crest width was 6.0 m, and the dam crest length was 175.83 m. The slope of the dam toe surface was provided with rubble prism and cut off key-wall. The total storage capacity was 9.48 million m^3, with an effective storage capacity of 7.11 million m^3. The TSF was completed and put into use in October 2011.

In December 2014, the Yantai Design Institute carried out a capacity expansion design for the TSF. At that time, the elevation of tailings had reached +122 m. The original design TSF consisted of initial dam, final stockpiling dam, flood discharge system of TSF area, return water system, observation system and management system. The expansion design was conducted to rebuild or expand these facilities.

The expanded TSF elevation is 36 m higher than the original design dam crest elevation of +124 m, which is +160.0 m in total, and the total storage capacity is increased to 42.228 million m^3, with a newly added effective storage capacity of 22.93 million m^3. The total remaining capacity is 30.04 million m^3. At a tailings bulk specific gravity of 1.35 t/m^3, the tailings storage capacity increases 31 million tonnes. Figure 15-8 shows the current status of the TSF.

Figure 15-8: TSF Photo

15.8.1 ***Tailings dam***

The tailings dam above the foundation dam adopts upstream damming method, and a safety platform 2 m wide is reserved for each 2 m lift, and horizontal and vertical drainage channels were constructed.

In the expansion design, the new sub-dam is constructed after the 20 m wide safety platform is installed at elevation of +124 m. The expansion dam consists of 12 benches (sub-dams/lifts), for each lifting 3 m in height. The wall for each dam lift is piled with roller-compacted coarse tailings. The slope of the sub-dam surface is 1:3, and the width of the dam wall is 3 m. To improve the stability of the tailings dam, a 15 m wide safety platform is reserved at dam crest elevation of +136 m and +148 m, and the total slope of the dam wall is 1:4.83.

Due to the surface of storage facility rising after expansion, an auxiliary dam is built up in the east of the TSF. The auxiliary dam has masonry gravity dam as the foundation dam. The elevation of the dam toe is +132 m, the dam height is from 13 m to +145 m, and the width of dam crest is 3 m. The dam toe is equipped with seepage draining system. The final dam is built with earth-rock materials, the height of the dam is 15 m, and the final elevation is +160 m.

A retaining dam is built at the upstream of the tailings dam to intercept the upstream valley water. It is an impervious roller-compacted earth-rock dam. The dam was constructed with earth and stones at the TSF site during the period of TSF construction. The elevation of the dam crest is +143.4 m, the dam height is 23 m, and the width of dam crest is 6 m. The dam crest is used as the road for the nearby Huangyang Village. The expansion design is to heighten and widen the retaining dam. A 2 m wide horse track is set at the slope surface elevation of +130 m and +150 m respectively, and a 6 m wide horse track is set at elevation of +143 m to be used as the road to Huangyang Village.

15.8.2 ***Seepage draining system***

A prism facility is arranged at the initial dam toe of the main dam, and the elevation of the prism crest is +85 m with a crest width of 2 m. To drain and consolidate the tailings in front of the dam as soon as possible, lower the saturation line of the final dam, improve the strength of the dam and enhance the stability of the final dam, a MY200 circular plastic blind ditch is set in the final dam body for each 4 m higher from the elevation of +100 m, and infiltration water is diverted from the dam through DN80PE pipes.

The final dam adopts seepage drainage mattress and horizontal drainage pipe, and a row of seepage drainage layer is installed in the dam wall every 9 m from the elevation of +124 m. The drainage pipe is arranged along the longitudinal layout of the TSF area (perpendicular to the dam axis) with a horizontal spacing of 20 m and a single piece length of 70 m. The inner portal of the TSF is connected to the infiltration blind ditch, the outer outlet of the dam is connected to the horizontal drainage channel, and the water flows into the return water tank at the back of dam. The TSF dam body has complete seepage drainage facilities, and the dam slope drainage pipe is operating effectively. In a new flood discharge system built, the original return water tank at the dam toe which was used as a collection tank for clarification and seepage water, is currently only used as a return water tank for unfiltered water, and the water will be pumped to the return water head tank of processing plant through pump station.

To drain and consolidate the tailings in front of the auxiliary dam as soon as possible, and lower the saturation line of the final dam, a horizontal drainage system is set at the dam crest elevation of +145 m and +151 m respectively, and the drainage facilities are arranged in line with the stockpiling dam structure of the main dam. The slope protection and drainage facilities of the final stockpiling dam are consistent with the stockpiling dam structure of the main dam. The drainage water from auxiliary dam slope and infiltration water from the TSF flows to the collecting tank at the outside slope of initial dam. The collecting tank is 6 m (l) × 5 m (w) × 3 m (h), with masonry structure, has two pumps in the pump station to drain water out of the collecting tank to the TSF without affecting the surrounding environment.

15.8.3 ***Flood control and discharge system***

The flood discharge system in the original TSF area adopted the drainage shaft — drainage culvert — return water tank to discharge the clarified water in the TSF to the dam toe return water tank. The section size of the drainage culvert is $\varphi = 2.0$ m and the length is about 1,538 m. Five framed drainage shafts, 3.5 m diameter are built of which the No. 4 shaft and No. 5 shaft are used for later heightening

The height of the drainage shafts are: H1 = 15 m (+85 m – +100 m), H2 = 18 m (+99 m – +117 m), H3 = 12 m (+113 m – +125 m), H4 = 15 m (+120.71 m – +135.71 m), H5 = 15 m (+134 m – +149 m).

To meet the flood discharge requirements after the expansion of the TSF, a new flood discharge system is designed, that is, a set of flood discharge system is arranged at northern TSF area. Drainage facilities include drainage shafts — drainage culverts — tunnels — stilling pools, which discharge the clarified water from the TSF to the valley between the processing plant and the TSF. When the new flood discharge system is commissioned, the original flood discharge system of the TSF will be sealed.

The expansion design utilises the existing No. 4 and No. 5 drainage shafts in the TSF, and adds a No. 6 frame drainage shaft, 12 m in height (+147 m to +159 m). The original flood discharge culvert portals at the bottom of No. 3 and No. 4 drainage shafts are sealed, and a new culvert is built to connect No. 3 and No. 6 drainage shafts. The culvert section size is $\varphi = 2.0$ m, with reinforced concrete structure.

A drainage tunnel is drilled in the western of the TSF area. The tunnel has a straight arched straight wall with a section size of B × H = 2 m × 2.4 m, and the straight wall is 1.8 m high with a top arch angle of 124°. The length of the tunnel is 739.2 m, and the exit elevation is +103 m. It is connected to the original culvert of the TSF area through the new culvert. The tunnel exit is located inside the valley to the east of the processing plant, and the outlet is connected to an open channel, which leads the overflow water flows into the return water pond next to the processing plant. A return water pump station is located next to the pond to pump the clarified back water to the return water tank in the processing plant.

The distance from the drainage shaft to each auxiliary jetty head can meet the requirements of tailings clarification distance. The TSF is a third-class storage facility, and the drainage system can meet the flood discharge capacity for once in 500 years. Currently, the new flood discharge system has been activated and the original drainage culvert has been sealed.

The slope of the tailings dam is provided with vertical and horizontal drainage ditches. A vertical drainage ditch is set at 15 m intervals. The tailings dam wall is arranged with a horizontal drainage ditch for each two-bench sub-dam (vertical height of 6 m). The drainage ditch is a masonry structure, and the bottom of the ditch is 300 mm higher than the bottom of the dam abutment interceptor ditch and they are connected to discharge the rainwater from the slope of the dam and the seepage water from the drainage pipe to the interceptor ditch of the dam abutment. With the extension of the stockpiling dam, the dam abutment interceptor ditch is set up along natural terrain of the joint slope between the two dam abutments and two sides of the slope, and the ditch is connected to the interceptor ditch of the original dam abutment from the dam crest down. It is used to discharge water seepage and intercept the rainwater from the slopes to prevent rainwater from directly scouring the dam slope.

15.8.4 ***Tailings discharging system***

The tailings are pumped to the tailings main dam through the tailings pump station in the processing plant. The main tailings pipe is laid along the axis of the tailings dam. The slurry branch pipe is laid perpendicular to the main pipe with a horizontal interval of 20 m. The branch pipe is laid along the dam slope in the TSF. They alternately distribute and evenly discharge tailings along the axis of the dam to maintain the uniform rise of the dam body. After filling up, the main pipeline is elevated, and then the next-level sub-dam will be piled up.

15.8.5 *Tailings disposal*

The waste and tailing are handled and processed by the independent third party for raw construction and ceramics material and finally achieve the goal of zero discharge.

15.8.6 *Safety monitoring facilities and management*

In accordance with the design and safety management requirements, the TSF has established a sound safety management system with an online monitoring system, including a dam displacement monitoring system, and saturation line monitoring system and a safety warning facility.

The TSF is well constructed, managed and operated, and has acquired a safety production licence from the government safety supervision agency.

15.9 Conclusions and recommendations

The ore of the SJG Project is low-sulphide gold ore. The historical ore processing production practice and the processing test results show that the gold mineral and gold carrier minerals have good floatability, and a simple floatation flowsheet can achieve a recovery rate over 90%.

The mineralogy test work, the gravity tests and the amalgamation tests have confirmed the presence of coarse gold particles. There is no systematic study on the loss of coarse gold in floatation tailings. SRK recommends conducting on-site gravity separation tests to assess the ability to recover gold from the floatation production tailings at the processing plant.

The processing plant is well constructed, with reasonable equipment configuration, reasonable process, stable operation and good management. Historically, the actual ore processing capacity is about 1,600 ktpa, it shows a relationship between gold recovery rate ("y") and ore grade ("x"): $y = -97.008x^2 + 138.99x + 46.31$.

The total storage capacity of the TSF is 42.28 million m^3, and the TSF is well constructed and managed. For a production capacity of 1,600 ktpa, the remaining service life of mine is about 12 years as of December 2021.

A possible cost reduction is lime, the floatation reagent. SRK recommends not using lime to float but under natural pH conditions.

SRK recommends undertaking test work and using gravity separation equipment for recovery test on site to decide whether gravity separation would be appropriate.

16 PROJECT INFRASTRUCTURE

16.1 Roads

The open pit, underground mine, processing plant, and office building are easily accessed via existing paved roads. The concrete paved road shown in Figure 16-1 connects the mining area and the processing plant over a distance of about 4 km. The site layout is shown in Figure 16-2.

Figure 16-1: Concrete Paved Road Connecting Mining Area and Processing Plant

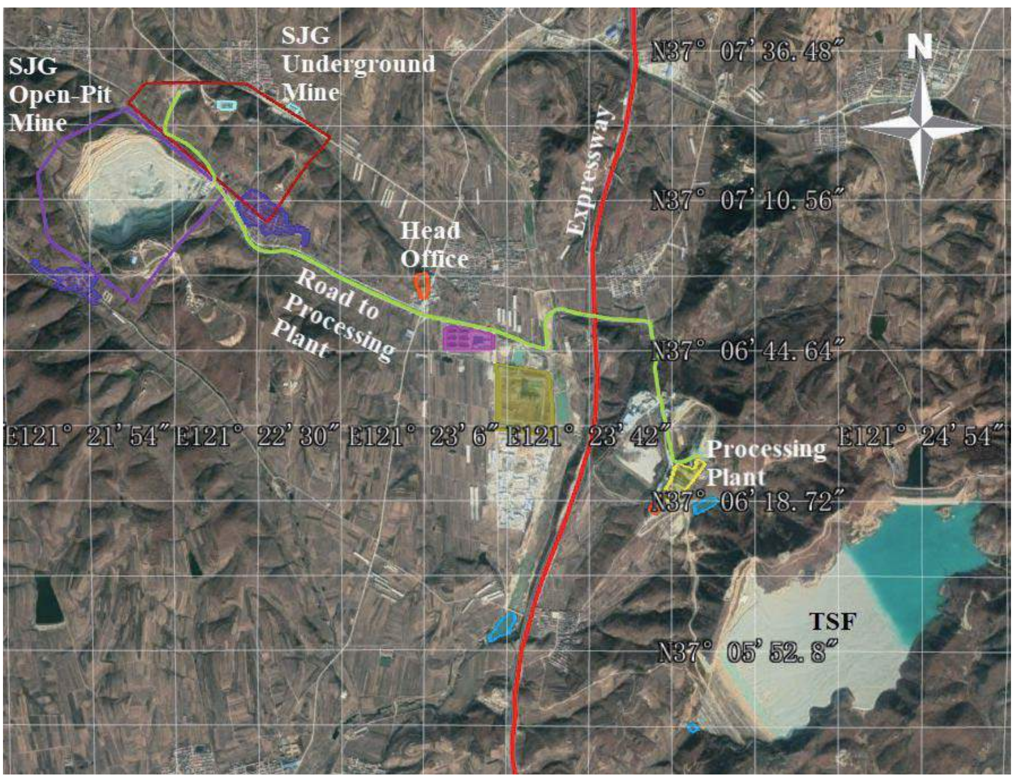


Figure 16-2: Simplified General Layout of SJG Project

16.2 Power supply

Electricity is primarily supplied by the 35 kV/10.5 kV Dahedong Substation (Figure 16-3) in Dahedong Village, Wanggezhuang Town, 5 km from the mine, and delivered over dedicated power lines. The voltage of the substation is flexible and can be switched to 10 kV, 6 kV, or 380 volts as required by the mines. The power supply is adequate to support the development of SJG Project. Secondary power supply is supplied by the local 10 kV electricity power line. There is an existing 120 kW diesel generator (Figure 16-4) on site to supply power in case of power shortage.

Figure 16-3: Dahedong Substation

room for diesel generator diesel generator

Figure 16-4: Stand-by Power Supply

16.3 Water supply

Water for the processing plant is extracted from the Rushan River, which flows by about 2 km east of the SJG Project area. A pump station (Figure 16-5) has been built on the bank of Songjiagou River, Jincheng Village, about 2 km west of the processing plant and supplies water for the processing plant's production demand. The Songjiagou River is a tributary of Rushan River.

Water for domestic use is sourced from a local ground well.

The water supply is adequate to support the mines and the processing plant. Additional information is detailed in section "15.7.4 Processing water".

pump station pump in pump station

Figure 16-5: Pump Station for Processing Production

16.4 Communication

The SJG Project area has a well-developed communication system with a wireless network, cable network, and fixed-line telephone network already in operation.

16.5 Community and office

Yantai Zhongjia values the relationship between the mine and the community, is actively involved in the infrastructure construction (i.e., roads, bridges, water and power plants), and organises local citizens to participate in industrial and standardised production.

An office building shown in Figure 16-6, which was constructed in 2012, has already been put into use.

Overall, the work environment and operational facilities are in good condition.

Figure 16-6: Off-site Office Building

17 MARKET STUDIES AND CONTRACTS

The gold market is globally mature. Smelters and refineries with good reputations exist all over the world and demand for gold remains high.

There is a large consumer market for gold and a large number of gold smelters in China, often sellers can negotiate good payment terms.

17.1 Sales record

Gold sales recorded in the last three years are shown in Table 17-1. It should be noted that the production in year 2021 is significantly interrupted by the Provincial Government due to safety production inspection.

Table 17-1: Gold Sales Record

Item	Unit	2019	2020	2021[1, 2]
SJG Open-Pit Mine	g	564,824	849,146	626,123
SJG Underground Mine	g	230,703	138,233	19,365
Total	g	**795,527**	**987,379**	**645,488**
SJG Open-Pit Mine	oz	18,160	27,301	20,130
SJG Underground Mine	oz	7,417	4,444	623
Total	oz	**25,577**	**31,745**	**20,753**

Notes:

1. Production in year 2021 was significantly interrupted by the Provincial Government due to safety production inspection.

2. Selling was conducted in months January, February, April to December.

17.2 Gold price

The World Bank monthly gold price data since January 2017, which are 99.5% fine, London afternoon fixing, average of daily rates, were used by SRK to draw the trend line shown in Figure 17-1. The exchange rate of converting United States Dollar (the "**USD**") to RMB since January 2017 is shown in Figure 17-2, based on the open data of Bank of China. Summary statistics of gold prices and exchange rates in the last three years are presented in Table 17-2. Based on publications of the United States Geological Survey ("**USGS**"), high level of gold price in the last two years are mainly caused by several factors:

- gold demand increased to safe-haven buying as a result of the global COVID-19 pandemic;

- demand from central banks and investors increased;
- the United States Federal Reserve Board cut interest rates; and
- trade negotiations halted between the United States and China.

Gold price forecasts of Consensus Market Forecasts (the "**CMF**") delivered in December 2021 are shown in Table 17-3. Gold Future — Quotes of Chicago Mercantile Exchange (the "**CME**") delivered in December 2021 are shown in Table 17-4. At the Effective Date, the price forecasts of CMF at middle level were used for economic analysis, while the long-term forecast of CMF at middle level was used for Mineral Reserve estimate. The gold price was converted to RMB/g by considering an exchange rate of 6.80 RMB/USD (yearly mean value in Table 17-2).

As a special commodity, the price of gold is greatly influenced by external factors. SRK suggests conducting periodically study on gold demand and supply as well as the price. As at the Effective Date, the Mineral Reserves tonnage is moderately sensitive to the gold price, as shown in "13.4.7 Mineral Reserve sensitivity" and "13.5.6 Mineral Reserve sensitivity".

Figure 17-1: Gold Price Trends Since January 2017

Figure 17-2: Exchange Rates of RMB/USD Since January 2017

Table 17-2: Summary Statistics of Exchange Rate and Gold Price

	Exchange Rate (RMB/USD)		Gold Price (USD/troy oz)		Gold Price (RMB/g)	
Item	**Monthly**	**Yearly**	**Monthly**	**Yearly**	**Monthly**	**Yearly**
Month numbers	36	36	36	36	36	36
Minimum	6.37	6.46	1,283.70	1,257.35	277.70	270.34
Maximum	7.10	7.03	1,968.63	1,850.03	438.99	397.34
Standard deviation	0.2463	0.1689	209.0852	225.4170	41.8104	46.7559
Mean	6.75	6.80	1,654.13	1,569.37	358.25	342.70
Degrees of freedom	35	35	35	35	35	35
Probability	95%	95%	95%	95%	95%	95%
Lower limit	6.67	6.74	1,583.38	1,493.10	344.11	326.88
Upper limit	6.83	6.86	1,724.87	1,645.64	372.40	358.52
Probability	99%	99%	99%	99%	99%	99%
Lower limit	6.64	6.72	1,559.21	1,467.03	339.27	321.47
Upper limit	6.86	6.88	1,749.05	1,671.70	377.23	363.92

Table 17-3: Gold Price Forecasts of CMF (USD/oz)

Price Level	**2022**	**2023**	**2024**	**2025**	**2026**	**post-2026**
High	2,036	1,758	1,739	1,756	1,779	1,811
Middle	1,619	1,521	1,488	1,455	1,417	1,408
Low	1,454	1,331	1,302	1,274	1,247	1,172

Table 17-4: Gold Price Forecasts of CME

Item	Unit	2022	2023
Price in USD	USD/oz	1,765	1,779
Exchange rate	USD/RMB	0.1517	0.1475
Price in RMB	RMB/oz	11,633	12,056
Price in RMB	RMB/kg	361,841	374,969

17.3 Contracts

Three refining contracts have been reviewed by SRK. Refining charge and payable gold are shown in Table 17-5. Generally, these contracts include the following stipulations:

- Inclusions of stone, sand, bags, or other debris are not allowed in the gold concentrate; any volume of impurities will be deducted from the total tonnage processed.
- Concentrate sent to the smelter should have an even grade distribution; otherwise, the refiner has the right to charge according to the minimum grade.
- At least 70% of the gold concentrate should pass –200 meshes in size; otherwise, refiner has the right to treat it as lump ore and charge RMB60/t for grinding.
- Refiner picks up the gold concentrate at the mine and bears the cost for delivery.
- Refiner charges varied with time between RMB50 and 150 per tonne of concentrate for processing.

The gold produced by the refiners is returned to Yantai Zhongjia and then sold to the market by Yantai Zhongjia itself. A purchase contract of raw gold, which was signed between a precious metal refining company and Yantai Zhongjia on 1 January 2021, has been reviewed by SRK.

Table 17-5: Key Information of Available Refining Contracts

Contract Number	**HBYL20-Y0203**	**GD-8.4-05-014-20211010-SW**	**zj20211008jjf**
Sign Date	1 April 2020	10 October 2021	18 October 2021
Refining Cost (RMB/t dry concentrate)	150	50	80
Concentrate Grade (g/t Au)	**Payable Gold (%)**	**Payable Gold (%)**	**Payable Gold (%)**
10–14.99	85.00	85.00	85.00
15–17.99	91.00	91.00	91.00
18–19.99	92.00	92.00	92.00
20–29.99	93.00	93.00	93.00
30–39.99	94.00	94.00	94.00
40–49.99	95.00	95.00	95.00
50–59.99	96.00	96.00	96.00
>=60	97.00	97.00	97.00

18 ENVIRONMENTAL, PERMIT, SOCIAL AND COMMUNITY IMPACT

18.1 Objective

The objective of this QPR is to identify and/or verify the existing and potential Environmental, Social, Health and Safety (the "**ESHS**") liabilities and risks, and assess any associated proposed remediation measures for the SJG Project.

18.2 ESHS review process, scope and standards

The process for the verification of the environmental compliance and conformance for the SJG Project comprised a review and inspection of the SJG Project's environmental management performance against:

- Chinese national environmental regulatory requirements; and
- Equator Principles (World Bank/International Finance Corporation (the "**IFC**") environmental and social standards and guidelines) and other internationally recognised environmental management practices.

18.3 Status of ESHS approvals and permits

The details of the Environmental Impact Assessment (the "**EIA**") reports and approvals for the SJG Project are presented in Table 18-1. The details of the Water and Soil Conservation Plan (the "**WSCP**") reports and approvals for the SJG Project are presented in Table 18-2.

Table 18-1: Details of EIA Reports and Approvals

Gold Mine	Prepared by	Production Date	Approved by	Approval Date
SJG Open-Pit Mine	Shandong Academy of Environmental Science	December 2014	Shandong Environmental Protection Bureau	26 January 2015
SJG Underground Mine	Shandong Academy of Environmental Science	April 2015	Shandong Environmental Protection Bureau	5 May 2015

Table 18-2: Details of WSCP Reports and Approvals

Gold Mine	Prepared by	Production Date	Approved by	Approval Date
SJG Open-Pit Mine	Zhaozhuang Hydrology Survey and Design Institute	February 2017	Shandong Water Resources Bureau	10 March 2017
SJG Underground Mine	Weihai Hydrology Bureau	October 2014	Shandong Water Resources Bureau	7 October 2014

18.4 Environmental conformance and compliance

SRK notes that the EIA reports and WSCP reports for the SJG Project has been compiled in accordance with relevant Chinese laws and regulations. SRK has reviewed these documents and conducted an environmental site visit against recognised international industry environmental management standards, guidelines, and practices. During the site visit, the SJG Project was generally being developed and/or operated in accordance with its approval conditions.

In the following sections, SRK provides comments in respect to the SJG Project's existing and proposed environmental management measures.

18.5 Key ESHS Aspects

Land disturbance

The WSCP reports for the SJG Project estimated that it will lead to land disturbance area of 78.36 hectares ("**ha**") for the SJG Open-Pit Mine and 4.78 ha for the SJG Underground Mine. The disturbed land estimates in the WSCP reports are generally consistent with SRK's observation at the time of this site visit. No current surveyed documents of the estimated areas of land disturbance for the SJG Project have been sighted as part of this review. SRK observed that some of the slopes in the open pit area are very steep, and Yantai Zhongjia states that some mitigation measures including slope cutbacks will be conducted in the near future to prevent the potential slope failures.

SRK recommends that the operational areas of land disturbed and progressively rehabilitated for the SJG Project be surveyed and recorded on an annual basis, as well as slope stability monitoring.

Flora and fauna

The development of mining may result in impacts to or loss of floral and faunal habitats by landslides, or stripping. Where these potential impacts to flora and fauna are determined to be significant, Yantai Zhongjia should propose effective measures to reduce and manage these potential impacts. SRK notes that the SJG Project area is originally characterised by gently undulating hills, and overall topography slopes downward from west to east. The highest elevation is about 140 m ASL and the lowest is 78 m ASL. The main vegetation comprises Japanese red pines, oaks, black locusts, apple trees, pear trees, lespedeza, etc. Animals including hedgehogs, lepus capensis, sparrows, magpies, snakes and frogs live within the mining area. According to the EIA reports for the SJG Project, the two mines are not located within natural reserves, and no endangered wild animals or plants have been found. Yantai Zhongjia's EIA reports contain proposed measures for controlling and monitoring soil erosion and minimising loss of flora and fauna habitat. These proposed measures include topsoil salvaging and reuse, limitations on the area disturbed by SJG Project, and revegetation of the industrial area. Yantai Zhongjia has planted trees and set up slope protection and adopted other measures to control and monitor soil erosion and minimise loss of flora and fauna habitat.

Waste rock and tailings management

SRK observed a temporary waste rock dump (the "**WRD**") next to the mining area and no records of the rates and volumes of waste rock backfilled/stored for the SJG Project have been sighted as part of this review. Yantai Zhongjia informed SRK that all of the waste rock from mining was reused for construction material for roadway, retaining walls, and swales or for sale to other off-site construction.

The capacity of the operational TSF is expanded from 7.1 million m^3 to 42.2 million m^3 in 2016. Yantai Zhongjia reported that the tailings from the processing plant are discharged into the operating TSF. SRK noted that a water retaining pond was constructed and the dam at the operating TSF was reinforced by rocks at the time of SRK's site visit. Yantai Zhongjia states that the TSF has installed a supernatant liquid returning system to the processing plant to save water resources, stormwater discharge pipe system, and online phreatic monitoring system for the dam safety. During the time of 2019 site visit, SRK also noted that the experiment of tailings reuse was in the progress.

SRK has not sighted a comprehensive geochemical/acid rock drainage (the "**ARD**") assessment for the waste rock and tailings. However, the EIA reports states that a toxic leaching test has been undertaken on the waste rock. The EIA report states that the waste rock is categorised as general industrial solid waste, and leaching liquid from this waste rock meets all relevant standards and the discharged leaching liquid will not impact the water environment.

Solid waste management

The solid-waste types for the SJG Project comprise scrap metal and municipal solid waste. At the time of the site visit, these solid waste was generally being managed in a controlled manner. For each waste type, there were designated collection and storage points around the SJG Project. SRK observed that scrap iron was being collected and stockpiled in a number of designated areas prior to being disposed. During the site visit, municipal solid-waste collection points were installed in designated areas, and all the municipal solid waste is collected in designated areas and disposed of offsite. Overall, these project sites had good housekeeping.

Water management

The potential impacts of SJG Project to surface water and groundwater are due to the direct discharge of untreated domestic wastewater or untreated mine water/processing water into the environment, or infiltration of leach from the waste rock dumps and tailings into the ground. Mine water from the mines is collected and treated by sedimentation tank, and it is reused for mining and dust depression. The water supplies for the ore processing are sourced from the Rushan River, which is a seasonal river located about 2 km from the east border of the SJG Project area. Yantai Zhongjia states that supernatant liquid from the TSF is pumped back to the processing plant for reuse, by which water can be saved significantly. Potable water for all staff is supplied from the local municipal water plant.

During the rainy season when excessive mine water comes out of the mines, the mine water is treated by sediment pond before discharged into the environment. There is an existing domestic wastewater treatment plant on site, and all treated domestic wastewater is reused for site irrigation.

SRK observed the water/flood collection system constructed for the TSF and mine site. However, SRK has not sighted any operational water monitoring report and or plans for the SJG Project at the time of the site visit.

Figure 18-1: On-site Water Sprinkling

Air emissions

The fugitive dust emission sources for the SJG Project are mainly from blasting, mining, loading, ore crushing and screening, waste rock storage and handling, and movement of vehicles and mobile equipment.

The EIA reports provide the following proposed site dust management measures:

- Collect dust in the crushing and processing workshop; and

- Water sprinkling of the mining area, waste rock loading area and roads.

Yantai Zhongjia stated that there are water trucks on the mining site, as shown in Figure 18-1. SRK noticed that dust collectors were installed in the processing plant.

Noise emissions

The main sources of noise emissions for the SJG Project are blasting, rock drills, loaders, processing equipment, mobile equipment, air compressors, and other noise-making equipment and machinery.

The EIA reports state that the noise emissions from normal production (not including blasting) are within the allowed limits. SRK observed that the processing equipment is installed in enclosed rooms and that warning signs for using sound insulating earmuff in the processing plant areas are clearly posted. Other measures to minimise the impact of noises on the environment include installing vibration and noise reduction devices, installing muffler on air compressors, setting up the speed limit for vehicles, conducting explosions in the daytime. No operational noise monitoring report or plans have been sighted as part of this review.

Hazardous materials management

SRK noted that some maintenance works was conducted in the yard of the processing plant and there are a number of lubricant drums stored in the workshop of the processing plant. SRK sighted that the waste oil was stored in a separate shed. Yantai Zhongjia stated that blasting is under the control of department of public safety. During the site visit, SRK observed the processing reagents are stored in the workshop of the processing plant without secondary containment.

Environmental protection and management plan

The EIA reports provided the structure and scope for an operational Environmental Protection and Management Plan (the "**EPMP**"), including the site's proposed environmental monitoring program and is in line with Chinese requirements. However, a fully functioning and documented operational EPMP has not yet been developed and implemented for the SJG Project. The environmental monitoring program proposed in the EIA reports specified the monitoring points, analysis items, and monitoring frequency and methods. The proposed monitoring items includes domestic wastewater, waste gas, groundwater, noise, and solid waste.

Site closure planning and rehabilitation

The recognised international industry practice for managing site closure is to develop and implement an operational site closure planning process and document this through an operational closure plan. While this site closure planning process is not specified within the Chinese national requirements for mine closure, the implementation of this process for a Chinese mining project will:

- Facilitate achieving compliance with these Chinese national legislative requirements; and
- Demonstrate conformance to recognised international industry management practices.

No comprehensive site closure plan was provided to SRK for review, but SRK was provided with a Land Reclamation Plan/approval and a Mine Site Geological Environment Protection and Rehabilitation Plan/approval for SJG Open-Pit Mine and SJG Underground Mine respectively. These sighted plans generally provide the following in respect to the proposed site closure and rehabilitation measures:

- Land Reclamation Objective — The land reclamation programme is aimed at rehabilitating land disturbed by mining operations, to control soil loss and conserve the ecological environment.
- Geological-Environment Rehabilitation — Measures will be taken to mitigate geological hazards, especially landslides during a raining season, including slope cutbacks during open pit mining or backfilling steep slope area with tailings after the completion of the open pit and underground mining.
- Top-Soil Stripping — Topsoil will be stripped from the mining and processing sites, waste rock dump areas, and infrastructure areas and then stockpiled for reuse in rehabilitation.

- Progressive Rehabilitation — Rehabilitation will be conducted progressively with mining activity. In addition, any farmland disturbed shall be returned to agricultural use at minimum crop productivity whenever possible.

- Industrial and TSF Areas — At the time of project completion, the associated land will be rehabilitated by covering with topsoil and seeds to allow for revegetation. The species to be used will be local perennials that are capable of growing in the local conditions of the mine sites.

- Rehabilitation Monitoring — Monitoring will be carried out throughout the SJG Project lifetime and for a number of years after closure.

- Environmental Bonds — According to the related Chinese regulations, a Land Reclamation bond and a Geological Environment Rehabilitation bond should be paid for each licenced mine site. Phased bond payment receipts at the current stage, for the two mines were sighted by SRK, and a full payment at each mine site will be made in the future accordingly.

SRK notes that the above proposed approach to site rehabilitation is generally in line with the relevant recognised Chinese industry practices, and Figure 18-2 was provided to SRK as an evidence for progressive rehabilitation. According to the Chinese legal requirements, a mine geological environment treatment and restoration fund account should be established by the mine. Yantai Zhongjia provided SRK with a document which shows RMB3,289,320 and RMB500,000 are deposited in this account for SJG Open-Pit Mine and SJG Underground Mine respectively.

Figure 18-2: Revegetation on the Open Pit Wall of Mining Area

Occupational health and safety

SRK has reviewed the Safety Assessment Reports as provided by the SJG Project and is of the opinion that the reports cover items that are generally in line with recognised Chinese industry practices and Chinese safety regulations.

Fundamental operational occupational health and safety (the "**OHS**") management systems and procedures have been developed for the SJG Project. The OHS management systems and procedures cover basic safety production management for drilling, transportation, ventilation, explosive storage, and fire and flood prevention. In addition, the safety assessment report for the open pit activity provides safety management measures including open pit mining, flood and fire prevention, explosion, and transportation. SRK notes that these proposed safety management measures could be the basis for operational OHS management systems and procedures. Figure 18-3 shows the typical on-site OHS boards to improve the people's awareness in regard to OHS.

Figure 18-3: On-site OHS Boards

SRK notes that in the last few years, some mining or processing related injuries occurred in the SJG Project site, the numbers of which were summarised in the Table 18-3. It is suggested that Yantai Zhongjia may need to put more efforts on the OHS management. However, overall the OHS management is in line with Chinese mining industrial practices.

Table 18-3: Historical OHS Records

Year	Near Miss	Minor	Serious	Fatality	Total
2019	—	5	—	—	5
2020	—	2	—	—	2
2021	—	2	—	—	2
Total	**—**	**9**	**—**	**—**	**9**

Social aspects

The general surrounding land use mainly comprises forest and agriculture land.

The main administrative body for the SJG Project is the Provincial Government, with some delegation of environmental regulation to Yantai City and Muping District. SRK has not sighted any historical or current non-compliance notices and/or other documented regulatory directives in relation to the development of the SJG Project's mines and processing operations. No cultural heritage sites were identified within the SJG Project area.

The EIA reports for the SJG Project provided several public participation surveys for project development. The survey results showed positive support for the SJG Project. Yantai Zhongjia maintains good relationships with the local communities. Job opportunities have been provided to the local residents including truck drivers, and workers in the mining area and processing plant. Those residents living within the SJG Project area or to be impacted by the mining activity have been relocated with proper compensation, as well as apartment units, as shown in Figure 18–4. However, noise and waste rock were raised by the local residents as the key environmental concerns for the SJG Project's development.

SRK has not sighted any documentation in relation to any actual or potential impacts of non-governmental organisations on the sustainability of the SJG Project.

Figure 18-4: Apartment Layout for the Relocated Residents

18.6 Evaluation of environmental and social Risks

The sources of inherent environmental risk are project activities that may result in potential environmental impacts. These project activities have been previously described within this QPR.

The environmental risks for the SJG Project are:

- Land disturbance and steep side slope;
- Poor water management; and
- Dust emission.

The above environmental risks are categorised as moderate/tolerable risks (i.e., requiring risk management measures). In addition, Yantai Zhongjia is of the view that the environment issues identified above will be under consideration and resolved in the foreseeable future.

Based on the review of the information provided and the site visit observations, it is SRK's opinion that the environmental risks for SJG Project are generally being managed in accordance with Chinese national requirements.

19 CAPITAL INVESTMENT AND OPERATING COSTS

19.1 Introduction

The deliverable of this section is to provide readers with independent opinions of SRK about the SJG Project's capital costs ("**Capex**") and operating costs ("**Opex**").

19.2 SJG Open-Pit Mine

19.2.1 *Sunk Capex*

The SJG Open-Pit Mine is a producing mine. Many costs have been expended as at the Effective Date and these expended costs were treated as sunk Capex. The original value and net value of sunk Capex are shown in Table 19-1, as of 31 December 2021.

The depreciation and amortization ("**DA**") calculation of sunk Capex is shown in Table 19-2. The residual values are about RMB14.2 million Yuan.

Table 19-1: Summary of Sunk Capex for SJG Open-Pit Mine ('000 RMB)

Item	Original Value	Net Value
Property, plant and equipment	331,238	204,593
Buildings	—	—
Plant and machinery	173,500	84,465
Office equipment and furniture	4,565	1,134
Motor vehicles	4,775	934
Mining infrastructures	144,305	114,005
Leasehold improvements	4,094	4,054
Intangible assets	133,257	111,313
Mining right	133,257	111,313
Right-of-use assets	219,533	127,747
Land lease	124,937	76,642
Buildings	94,596	51,105
Total	**684,028**	**443,653**

Table 19-2: DA Calculation of Sunk Capex for SJG Open-Pit Mine ('000 RMB)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030
Depreciation	241,489	21,932	23,832	25,592	26,287	26,149	29,858	29,847	29,582	28,411
Amortization	187,955	11,870	15,035	18,200	19,783	19,783	26,114	26,114	26,114	24,942
Total	**429,444**	**33,802**	**38,867**	**43,792**	**46,070**	**45,932**	**55,972**	**55,961**	**55,695**	**53,353**

19.2.2 *Initial Capex*

SRK was told by SINOGOLD there will be no additional capital expenditure to increase the production capacity to 3.3 Mtpa, as both the exceeding capacities for mining operations and processing operations will be the responsibilities of independent third-parties.

SRK agreed that there is no need to spend additional capital to expand the production capacity for the mining and processing operation.

19.2.3 *Sustaining Capex*

SRK was provided with a sustaining Capex plan, which is shown in Table 19-3.

19.2.4 *Working capital*

The working capital as at the Effective Date is about RMB41 million Yuan. The working capital forecasts were set to 25% of operating costs at each production year. Working capital forecasts are shown in Table 19-4.

Table 19-3: Investment Plan for SJG Open-Pit Mine ('000 RMB)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030
Closure and rehabilitation	11,342	—	—	1,620	1,620	1,620	1,620	1,620	1,620	1,620
Drilling of 26 holes	4,700	—	4,700	—	—	—	—	—	—	—
Development of new mining site	42,858	14,430	13,212	15,216	—	—	—	—	—	—
Water drainage system	500	250	250	—	—	—	—	—	—	—
Mining equipment	4,000	1,600	2,400	—	—	—	—	—	—	—
Auxiliary facilities	4,000	1,600	2,400	—	—	—	—	—	—	—
Sustaining costs	43,122	—	—	5,010	5,414	5,422	6,905	6,914	6,859	6,598
Total	**110,522**	**17,880**	**22,962**	**21,847**	**7,034**	**7,043**	**8,525**	**8,534**	**8,479**	**8,218**

Table 19-4: Estimate of Working Capital for SJG Open-Pit Mine ('000 RMB)

Item	2022	2023	2024	2025	2026	2027	2028	2029	2030
Start value	41,439	30,165	35,350	41,752	45,117	45,186	57,541	57,617	57,157
End value	30,165	35,350	41,752	45,117	45,186	57,541	57,617	57,157	54,983
Increments	(11,274)	5,185	6,402	3,365	69	12,356	76	(460)	(2,174)

Table 19-5: Summary of Opex for SJG Open-Pit Mine

Item	2019	2020	2021
		Annual Cost (RMB/a)	
Workforce employment	18,210,019	19,159,553	15,045,308
Consumables	35,378,537	38,506,788	22,397,547
Fuel, electricity, water and other services	40,638,483	41,889,107	40,352,318
On and off-site administration	2,356,854	5,870,122	6,307,587
Environmental protection and monitoring	438	37,273	208
Transportation of workforce	834,754	616,502	457,880
Product marketing and transport	—	—	—
Non-income taxes, royalties and other governmental charges	10,489,408	15,247,115	11,324,818
Contingency allowances	2,826,300	7,457,354	5,045,829
Total	**110,734,794**	**128,783,814**	**100,931,495**
		Unit Cost (RMB/t RoM)	
Workforce employment	15.14	12.77	14.85
Consumables	29.41	25.67	22.11
Fuel, electricity, water and other services	33.79	27.92	39.83
On and off-site administration	1.96	3.91	6.23
Environmental protection and monitoring	0.00	0.02	0.00
Transportation of workforce	0.69	0.41	0.45
Product marketing and transport	—	—	—
Non-income taxes, royalties and other governmental charges	8.72	10.16	11.18
Contingency allowances	2.35	4.97	4.98
Total	**92.07**	**85.84**	**99.62**
		Unit Cost (RMB/g gold sold)	
Workforce employment	32.24	22.56	24.03
Consumables	62.64	45.35	35.77
Fuel, electricity, water and other services	71.95	49.33	64.45
On and off-site administration	4.17	6.91	10.07
Environmental protection and monitoring	0.00	0.04	0.00
Transportation of workforce	1.48	0.73	0.73
Product marketing and transport	—	—	—
Non-income taxes, royalties and other governmental charges	18.57	17.96	18.09
Contingency allowances	5.00	8.78	8.06
Total	**196.05**	**151.66**	**161.20**

19.2.5 *Opex records*

A summary of cash costs, which excludes the depreciation, amortisation and financial costs from the total costs, is shown in Table 19-5. It should be noted that:

- the costs are combination of mining, processing and administration; and
- production in year 2021 was significantly interrupted by the Provincial Government due to safety production inspection.

19.2.6 *Opex forecasting*

Contractor mining was terminated in January 2021, as required by the Provincial Government for safety reasons, which makes the breakdown of operating costs materially changed, especially for those related to workforce employment, consumables and fuel, electricity, water and other services. At the Effective Date, mining cost forecasts of SRK were derived after clarification with the management of Yantai Zhongjia for the practical operation without the involvement of contractors. The results are shown in Table 19-6.

Table 19-6: Mining Cost Forecasts for SJG Open-Pit Mine

Item	Unit	Mining
Mining rate	tpa	3,300,000
Workforce employment	RMB/a	8,100,000
Consumables	RMB/a	36,473,684
Fuel, electricity, water and other services	RMB/a	2,027,368
On and off-site administration	RMB/a	—
Environmental protection and monitoring	RMB/a	—
Transportation of workforce	RMB/a	—
Product marketing and transport	RMB/a	—
Non-income taxes, royalties and other governmental charges	RMB/a	—
Contingence allowance	RMB/a	3,000,000
Grand total	**RMB/a**	**49,601,053**
Fixed costs	RMB/a	11,460,000
Variable costs	RMB/a	38,141,053
Average total	**RMB/t mined**	**15.03**
Fixed costs	RMB/t mined	3.47
Variable costs	RMB/t mined	11.56

Forecasts of processing and administration costs are shown in Table 19-7.

Table 19-7: Processing and Administration Costs' Forecasts for SJG Project

Item	Unit	Processing	Administration
Throughput	tpa RoM	1,980,000	1,980,000
Workforce employment	RMB/a	14,474,000	9,883,000
Consumables	RMB/a	31,540,000	—
Fuel, electricity, water and other services	RMB/a	40,842,000	139,000
On and off-site administration	RMB/a	209,000	1,421,000
Environmental protection and monitoring	RMB/a	15,000	—
Transportation of workforce	RMB/a	13,000	748,000
Product marketing and transport	RMB/a	—	—
Non-income taxes, royalties and other governmental charges	RMB/a	83,000	3,024,000
Contingence allowance	RMB/a	1,349,000	1,350,000
Grand total	**RMB/a**	**88,525,000**	**16,565,000**
Fixed costs	RMB/a	18,150,000	14,816,000
Variable costs	RMB/a	70,375,000	1,749,000
Average total	**RMB/t RoM**	**44.71**	**8.37**
Fixed costs	RMB/t RoM	9.17	7.48
Variable costs	RMB/t RoM	35.54	0.88

The third-party charges for processing operation were set to 1.1 times of the processing costs. See Table 19-8.

Table 19-8: Third-party Charges for SJG Open-Pit Mine

Item	Unit	Fixed	Variable	Total
Processing	RMB/t RoM	—	49.18	49.18

LoM operating cost and surcharge forecasts are shown in Table 19-9 and Table 19-10 for annual and unit estimate, respectively. The forecasts can also be presented alternatively from Table 19-11 to Table 19-13.

Table 19-9: LoM Opex Forecasts for SJG Open-Pit Mine ('000 RMB)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030
Mining	377,663	28,797	33,420	38,043	40,355	40,355	49,601	49,601	49,601	47,890
Processing	1,104,829	71,464	85,818	105,490	115,326	115,326	154,671	154,671	154,671	147,392
Administration	148,025	16,141	16,486	16,486	16,486	16,486	16,486	16,486	16,486	16,486
Refining	68,959	4,258	5,676	6,990	8,302	8,577	9,409	9,711	7,871	8,165
Mineral resource tax	319,415	22,098	27,671	33,339	38,714	38,953	42,457	43,822	35,516	36,845
Total	**2,018,891**	**142,759**	**169,071**	**200,348**	**219,183**	**219,697**	**272,623**	**274,290**	**264,144**	**256,777**

Table 19-10: LoM Opex Forecasts for SJG Open-Pit Mine (RMB/t RoM)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030
Mining	15.90	19.20	17.59	16.54	16.14	16.14	15.03	15.03	15.03	15.19
Processing	46.52	47.64	45.17	45.87	46.13	46.13	46.87	46.87	46.87	46.76
Administration	6.23	10.76	8.68	7.17	6.59	6.59	5.00	5.00	5.00	5.23
Refining	2.90	2.84	2.99	3.04	3.32	3.43	2.85	2.94	2.39	2.59
Mineral resource tax	13.45	14.73	14.56	14.50	15.49	15.58	12.87	13.28	10.76	11.69
Total	**85.00**	**95.17**	**88.98**	**87.11**	**87.67**	**87.88**	**82.61**	**83.12**	**80.04**	**81.46**

Table 19-11: LoM Opex Forecasts for SJG Open-Pit Mine ('000 RMB)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030
Workforce employment	292,113	32,457	32,457	32,457	32,457	32,457	32,457	32,457	32,457	32,457
Consumables	878,023	40,473	51,598	75,691	87,738	87,738	135,925	135,925	135,925	127,010
Fuel, electricity, water and other services	429,543	36,962	46,215	47,732	49,144	49,420	50,656	50,958	49,118	49,337
On and off-site administration	14,670	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630
Environmental protection and monitoring	135.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Transportation of workforce	6,849	761	761	761	761	761	761	761	761	761
Product marketing and transport	—	—	—	—	—	—	—	—	—	—
Non-income taxes, royalties and other governmental charges	346,268	24,761	30,695	36,362	41,738	41,977	45,480	46,845	38,540	39,868
Contingency allowances	51,291	5,699	5,699	5,699	5,699	5,699	5,699	5,699	5,699	5,699
Total	**2,018,891**	**142,759**	**169,071**	**200,348**	**219,183**	**219,697**	**272,623**	**274,290**	**264,144**	**256,777**

Table 19-12: LoM Opex Forecasts for SJG Open-Pit Mine (RMB/t RoM)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030
Workforce employment	12.30	21.64	17.08	14.11	12.98	12.98	9.84	9.84	9.84	10.30
Consumables	36.97	26.98	27.16	32.91	35.10	35.10	41.19	41.19	41.19	40.30
Fuel, electricity, water and other services	18.08	24.64	24.32	20.75	19.66	19.77	15.35	15.44	14.88	15.65
On and off-site administration	0.62	1.09	0.86	0.71	0.65	0.65	0.49	0.49	0.49	0.52
Environmental protection and monitoring	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00
Transportation of workforce	0.29	0.51	0.40	0.33	0.30	0.30	0.23	0.23	0.23	0.24
Product marketing and transport	—	—	—	—	—	—	—	—	—	—
Non-income taxes, royalties and other governmental charges	14.58	16.51	16.16	15.81	16.70	16.79	13.78	14.20	11.68	12.65
Contingency allowances	2.16	3.80	3.00	2.48	2.28	2.28	1.73	1.73	1.73	1.81
Total	**85.00**	**95.17**	**88.98**	**87.11**	**87.67**	**87.88**	**82.61**	**83.12**	**80.04**	**81.46**

Table 19-13: LoM Opex Forecasts for SJG Open-Pit Mine (RMB/g gold sold)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030
Workforce employment	12.12	21.80	16.36	13.28	11.18	10.82	9.87	9.56	11.80	11.37
Consumables	36.42	27.19	26.00	30.97	30.23	29.26	41.32	40.04	49.40	44.49
Fuel, electricity, water and other services	17.82	24.83	23.29	19.53	16.93	16.48	15.40	15.01	17.85	17.28
On and off-site administration	0.61	1.09	0.82	0.67	0.56	0.54	0.50	0.48	0.59	0.57
Environmental protection and monitoring	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.01	0.01
Transportation of workforce	0.28	0.51	0.38	0.31	0.26	0.25	0.23	0.22	0.28	0.27
Product marketing and transport	—	—	—	—	—	—	—	—	—	—
Non-income taxes, royalties and other governmental charges	14.36	16.63	15.47	14.88	14.38	14.00	13.83	13.80	14.01	13.97
Contingency allowances	2.13	3.83	2.87	2.33	1.96	1.90	1.73	1.68	2.07	2.00
Total	**83.74**	**95.89**	**85.20**	**81.98**	**75.51**	**73.26**	**82.88**	**80.79**	**96.00**	**89.96**

19.3 SJG Underground Mine

19.3.1 *Sunk Capex*

The SJG Underground Mine is a producing mine. Much of the associated Capex has been expended as at the Effective Date. These expended costs were treated as sunk Capex. The original value and net value of sunk Capex are shown in Table 19-14, as at the Effective Date.

The DA calculation of sunk Capex is shown in Table 19-15. The residual values are about RMB1.4 million Yuan.

Table 19-14: Summary of Sunk Capex for SJG Underground Mine ('000 RMB)

Item	Original Value	Net Value
Property, plant and equipment	118,499	77,490
Buildings	3,228	2,414
Plant and machinery	14,182	13,243
Office equipment and furniture	—	—
Motor vehicles	—	—
Mining infrastructures	101,090	61,834
Leasehold improvements	—	—
Intangible assets	21,142	21,009
Mining right	21,142	21,009
Right-of-use assets	976	879
Land lease	976	879
Buildings	—	—
Total	**140,618**	**99,378**

Table 19-15: DA Calculation of Sunk Capex for SJG Underground Mine ('000 RMB)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029
Depreciation	76,097	11,323	11,323	11,323	11,323	10,401	8,774	7,960	3,669
Amortization	21,888	2,998	2,998	2,998	2,998	2,998	2,998	2,710	1,191
Total	**97,985**	**14,321**	**14,321**	**14,321**	**14,321**	**13,399**	**11,772**	**10,670**	**4,860**

19.3.2 ***Initial Capex***

Initial Capex is not considered applicable for the SJG Underground Mine as it has been in operation since 2019 and that there is no further renovation plan to expand current production capacity.

19.3.3 ***Sustaining Capex***

The following sustaining Capex should be considered:

- The sustaining Capex, starting from the year 2024, is set to 3% of yearly operating costs.
- Closure and rehabilitation costs, starting from the year 2024, were calculated based on the *Land Reclamation Plan for Songjiagou North Mine*, which was prepared by Shandong Haitian Geographic Information Engineering Ltd. and dated in June 2014. The total costs of closure and rehabilitation is estimated to be about RMB1.5 million Yuan. The time value of these costs has been included.

The investment plan was assumed by SRK and shown in Table 19-16.

Table 19-16: Investment Plan for SJG Underground Mine ('000 RMB)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029
Sustaining costs	2,382	—	—	446	447	444	443	422	180
Closure and rehabilitation	1,505	—	—	251	251	251	251	251	251
Total	**3,886**	**—**	**—**	**697**	**697**	**695**	**694**	**673**	**431**

19.3.4 ***Working capital***

The working capital as at the Effective Date is about RMB0.46 million Yuan. The working capital forecasts were set to 25% of operating costs at each production year. Working capital forecasts are shown in Table 19-17.

Table 19-17: Estimate of Working Capital for SJG Underground Mine ('000 RMB)

Item	2022	2023	2024	2025	2026	2027	2028	2029
Start value	462	3,726	3,725	3,715	3,721	3,702	3,696	3,516
End value	3,726	3,725	3,715	3,721	3,702	3,696	3,516	1,499
Increments	3,264	(0)	(10)	6	(19)	(6)	(180)	(2,017)

19.3.5 ***Opex records***

The Opex for the SJG Underground Mine in the last three years are shown in Table 19-18. It should be noted that:

- the costs are combination of mining, processing and administration; and
- production in year 2021 was significantly interrupted by the Provincial Government due to safety production inspection, which makes unit costs in year 2021 are obviously greater than those in previous years.

Table 19-18: Mining Cost Records for SJG Underground Mine

Item	2019	2020	2021
		Annual Cost (RMB/a)	
Workforce employment	1,284,973	930,356	117,857
Consumables	11,776,449	10,366,577	931,462
Fuel, electricity, water and other services	3,560,580	2,468,036	2,685,067
On and off-site administration	183,869	351,850	66,567
Environmental protection and monitoring	37	2,234	2
Transportation of workforce	69,960	36,953	4,832
Product marketing and transport	—	—	—
Non-income taxes, royalties and other governmental charges	204,135	145,257	25,851
Contingency allowances	891,473	307,153	989,282
Total	**17,971,475**	**14,608,416**	**4,820,921**
		Unit Cost (RMB/t RoM)	
Workforce employment	12.75	10.35	11.02
Consumables	116.83	115.29	87.12
Fuel, electricity, water and other services	35.32	27.45	251.13
On and off-site administration	1.82	3.91	6.23
Environmental protection and monitoring	0.00	0.02	0.00
Transportation of workforce	0.69	0.41	0.45
Product marketing and transport	—	—	—
Non-income taxes, royalties and other governmental charges	2.03	1.62	2.42
Contingency allowances	8.84	3.42	92.52
Total	**178.28**	**162.46**	**450.88**
		Unit Cost (RMB/g gold sold)	
Workforce employment	5.57	6.73	6.09
Consumables	51.05	74.99	48.10
Fuel, electricity, water and other services	15.43	17.85	138.66
On and off-site administration	0.80	2.55	3.44
Environmental protection and monitoring	0.00	0.02	0.00
Transportation of workforce	0.30	0.27	0.25
Product marketing and transport	—	—	—
Non-income taxes, royalties and other governmental charges	0.88	1.05	1.33
Contingency allowances	3.86	2.22	51.09
Total	**77.89**	**105.68**	**248.96**

19.3.6 *Opex forecasting*

Contractor mining was terminated in January 2021, as required by the Provincial Government for safety reasons, which makes the breakdown of operating costs materially changed, especially for those related to workforce employment, consumables and fuel, electricity, water and other services. At the Effective Date, mining cost forecasts are shown in Table 19-19.

Table 19-19: Mining Cost Forecasts for SJG Underground Mine

Item	**Unit**	**Yantai Zhongjia**
Mining rate	tpa	90,000
Workforce employment	RMB/a	5,784,000
Consumables	RMB/a	2,568,000
Fuel, electricity, water and other services	RMB/a	1,152,000
On and off-site administration	RMB/a	—
Environmental protection and monitoring	RMB/a	—
Transportation of workforce	RMB/a	—
Product marketing and transport	RMB/a	—
Non-income taxes, royalties and other governmental charges	RMB/a	—
Contingence Allowance	RMB/a	240,000
Grand total	**RMB/a**	**9,744,000**
Fixed costs	RMB/a	6,024,000
Variable costs	RMB/a	3,720,000
Average total	**RMB/t mined**	**108.27**
Fixed costs	RMB/t mined	66.93
Variable costs	RMB/t mined	41.33

The LoM Opex forecast is shown in Table 19-20 and Table 19-21 for annual and unit estimate, respectively. The forecast can be presented alternatively in tables from Table 19-22 to Table 19-24.

Table 19-20: LoM Operating Cost Forecasts for SJG Underground Mine ('000 RMB)

Item	**Total**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Mining	71,838	9,744	9,744	9,744	9,744	9,744	9,744	9,386	3,988
Processing	29,474	4,024	4,024	4,024	4,024	4,024	4,024	3,716	1,615
Administration	5,575	753	753	753	753	753	753	745	312
Refining	2,315	383	381	341	364	286	262	216	80
Mineral resource tax	10,994	1,986	1,858	1,626	1,699	1,301	1,184	977	362
Total	**120,196**	**16,889**	**16,760**	**16,488**	**16,584**	**16,108**	**15,968**	**15,042**	**6,357**

Table 19-21: LoM Opex Forecasts for SJG Underground Mine (RMB/t RoM)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029
Mining	109.33	108.27	108.27	108.27	108.27	108.27	108.27	115.38	111.54
Processing	44.85	44.71	44.71	44.71	44.71	44.71	44.71	45.68	45.16
Administration	8.48	8.37	8.37	8.37	8.37	8.37	8.37	9.16	8.73
Refining	3.52	4.25	4.24	3.79	4.05	3.18	2.92	2.66	2.25
Mineral resource tax	16.73	22.06	20.65	18.07	18.88	14.45	13.16	12.01	10.14
Total	**182.92**	**187.65**	**186.23**	**183.20**	**184.27**	**178.98**	**177.42**	**184.90**	**177.81**

Table 19-22: LoM Opex Forecasts for SJG Underground Mine ('000 RMB)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029
Workforce employment	51,109	6,891	6,891	6,891	6,891	6,891	6,891	6,891	2,871
Consumables	29,217	4,002	4,002	4,002	4,002	4,002	4,002	3,617	1,590
Fuel, electricity, water and other services	24,338	3,397	3,396	3,356	3,379	3,301	3,277	2,951	1,280
On and off-site administration	550	74	74	74	74	74	74	74	31
Environmental protection and monitoring	5.1	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.3
Transportation of workforce	257	35	35	35	35	35	35	35	14
Product marketing and transport	—	—	—	—	—	—	—	—	—
Non-income taxes, royalties and other governmental charges	12,031	2,127	2,000	1,768	1,840	1,442	1,326	1,110	420
Contingency allowances	2,690	363	363	363	363	363	363	363	151
Total	**120,196**	**16,889**	**16,760**	**16,488**	**16,584**	**16,108**	**15,968**	**15,042**	**6,357**

Table 19-23: LoM Opex Forecasts for SJG Underground Mine (RMB/t RoM)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029
Workforce employment	77.78	76.57	76.57	76.57	76.57	76.57	76.57	84.71	80.31
Consumables	44.46	44.46	44.46	44.46	44.46	44.46	44.46	44.46	44.46
Fuel, electricity, water and other services	37.04	37.75	37.73	37.29	37.55	36.68	36.41	36.28	35.80
On and off-site administration	0.84	0.82	0.82	0.82	0.82	0.82	0.82	0.91	0.86
Environmental protection and monitoring	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Transportation of workforce	0.39	0.38	0.38	0.38	0.38	0.38	0.38	0.43	0.40
Product marketing and transport	—	—	—	—	—	—	—	—	—
Non-income taxes, royalties and other governmental charges	18.31	23.63	22.22	19.64	20.44	16.02	14.73	13.65	11.74
Contingency allowances	4.09	4.03	4.03	4.03	4.03	4.03	4.03	4.46	4.23
Total	**182.92**	**187.65**	**186.23**	**183.20**	**184.27**	**178.98**	**177.42**	**184.90**	**177.81**

Table 19-24: LoM Opex Forecasts for SJG Underground Mine (RMB/g gold sold)

Item	Total	2022	2023	2024	2025	2026	2027	2028	2029
Workforce employment	63.16	51.52	51.71	57.80	54.11	68.82	75.10	91.05	102.26
Consumables	36.10	29.92	30.03	33.56	31.42	39.96	43.61	47.79	56.62
Fuel, electricity, water and other services	30.07	25.40	25.48	28.15	26.53	32.97	35.71	38.99	45.58
On and off-site administration	0.68	0.55	0.56	0.62	0.58	0.74	0.81	0.98	1.10
Environmental protection and monitoring	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Transportation of workforce	0.32	0.26	0.26	0.29	0.27	0.35	0.38	0.46	0.51
Product marketing and transport	—	—	—	—	—	—	—	—	—
Non-income taxes, royalties and other governmental charges	14.87	15.90	15.00	14.83	14.45	14.40	14.45	14.67	14.95
Contingency allowances	3.32	2.71	2.72	3.04	2.85	3.62	3.95	4.79	5.38
Total	**148.53**	**126.27**	**125.77**	**138.30**	**130.22**	**160.87**	**174.01**	**198.74**	**226.41**

20 ECONOMIC ANALYSIS

20.1 Assumptions

The assumptions used to carry out the economic analysis are listed below:

- The discounted cash flow method (the "**DCF**") is selected as the foundation of economic analysis. The discount rate was calculated using weighted average cost of capital (the "**WACC**") method. The value calculated is 8.83% in Table 20-1. As at the Effective Date, the discount rate of 9% is adopted.

- The base date is assumed to be 31 December 2021, and all the assumptions are subject to conditions obtained at the base date.

- The gold bullion price is described in section "17.2 Gold price".

- The LoM schedules are shown in Table 13-11 and Table 13-19 for SJG Open-Pit Mine and SJG Underground Mine, respectively.

- The costs that have been invested to develop the SJG Project to date were treated as the sunk costs and will not be considered during economic analysis. The investment plans of sustaining Capex are shown in Table 19-3 and Table 19-16 for SJG Open-Pit Mine and SJG Underground Mine, respectively.

- The LoM operating costs are shown in Table 19-9 and Table 19-20 for SJG Open-Pit Mine and SJG Underground Mine, respectively.

- The deferred taxes as of 31 December 2021 were used for adjustment of corporate income taxes (the "**CIT**") in the next five years.

- The taxes applied to financial analysis are shown in Table 20-2. The value-added tax (the "**VAT**") is not charged in China for gold commodities. The taxes for housing property, land tenure and water resource royalty were assumed to have been included in the operating costs and were not separated from the total. Mineral resource taxes are shown in Table 19-9 and Table 19-20 for SJG Open-Pit Mine and SJG Underground Mine, respectively.

- The financial interests were assumed to be 0.

- DA calculations of sunk Capex are shown in Table 19-2 and Table 19-15 for SJG Open-Pit Mine and SJG Underground Mine, respectively. DA calculation of initial Capex is not applicable due to further initial Capex is zero.

- All the ore mined is assumed to be feed to the processing plant and gold bullion sold in each producing year.

- The processing recovery rate is calculated by the formula $y = -97.008x^2 + 138.99x + 46.31$, which is historically based, where "x" is the mined grade.

Table 20-1: Discount Rate Estimate (WACC method)

Item	Unit	Value	Remarks
Risk free rate of return	%	3.97	5-year treasury bill rate since year 2021
Market risk premium	%	6.00	
Beta		1.5	
Cost of equity/CAPM	%	12.97	
Debt margin	%	10.00	
Cost of debt	%	13.97	
Rate of CIT	%	15.00	rate for an innovation company (see Appendix E)
Post-tax cost of debt	%	11.87	
Target debt equity ratio	%	30.0	
WACC in nominal terms	%	12.64	
Inflation rate	%	3.50	
WACC in real terms	%	8.83	

Table 20-2: Taxes and Surcharge Applied to Financial Analysis

Item	Value
Corporate income tax	15% for an innovation company (see Appendix E)
Mineral resources tax	4.2% of sales revenue
Housing property tax	Original value × 70% × 1.2%
Land tenure tax	RMB5.6 per square meters
Water resource royalty	RMB0.4 per tonne water

20.2 SJG Open-Pit Mine

The net cash flow (the "**NCF**") was calculated and shown in Table 20–3. NPVs at various discount rates, which are shown in Table 20–4, provide an indication that it is economically viable for SJG Open-Pit Mine to report Mineral Reserves.

Table 20-3: Cash Flow Calculation for SJG Open-Pit Mine (million RMB)

Cash Flow	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash inflow	7,688	537	659	794	922	927	1,011	1,043	846	949
Sales revenue	7,605	526	659	794	922	927	1,011	1,043	846	877
Fixed asset residuals	14	—	—	—	—	—	—	—	—	14
Working capital	69	11	—	—	—	—	—	—	0	57
Cash outflow	2,929	212	263	310	327	324	396	390	352	356
Operating cost	1,699	121	141	167	180	181	230	230	229	220
Working capital	27	—	5	6	3	0	12	0	—	—
Mineral resource tax	319	22	28	33	39	39	42	44	36	37
CIT	772	52	66	81	97	97	102	107	79	91
Capital cost	111	18	23	22	7	7	9	9	8	8
NCF	4,759	325	396	484	595	604	615	653	494	593

Table 20-4: NPVs at Various Discount Rates for SJG Open-Pit Mine

Discount Rate (%)	6	7	8	9	10	11	12
NPV (million RMB)	3,517	3,356	3,205	3,064	2,932	2,808	2,692

20.3 SJG Underground Mine

The NCF was calculated and shown in Table 20-5. NPVs at various discount rates that were shown in Table 20-6 provide an indication that it is economically viable for SJG Underground Mine to report Mineral Reserves.

Table 20-5: Cash Flow Calculation for SJG Underground Mine ('000 RMB)

Cash Flow	Total	2022	2023	2024	2025	2026	2027	2028	2029
Cash inflow	266,877	47,275	44,245	38,735	40,448	30,989	28,207	23,440	13,539
Sales revenue	261,752	47,275	44,245	38,725	40,448	30,969	28,201	23,260	8,629
Fixed asset residuals	1,393	—	—	—	—	—	—	—	1,393
Working capital	3,732	—	0	10	—	19	6	180	3,516
Cash outflow	135,826	22,563	18,735	18,372	18,856	17,266	16,896	16,218	6,920
Operating cost	109,202	14,903	14,902	14,862	14,885	14,807	14,783	14,065	5,995
Working capital	3,270	3,264	—	—	6	—	—	—	—
Mineral resource tax	10,994	1,986	1,858	1,626	1,699	1,301	1,184	977	362
CIT	8,473	2,409	1,974	1,187	1,569	463	234	504	132
Capital cost	3,886	—	—	697	697	695	694	673	431
NCF	131,051	24,712	25,511	20,363	21,591	13,723	11,310	7,222	6,619

Table 20-6: NPVs at Various Discount Rate for SJG Underground Mine

Discount Rate (%)	**6**	**7**	**8**	**9**	**10**	**11**	**12**
NPV (million RMB)	107	104	101	98	95	93	90

20.4 Conclusions

A summary of economic analysis is shown in Table 20-7. The positive NPVs indicate that the SJG Project is economically viable.

Table 20-7: Summary of Overall Economic Analysis

Item	**Unit**	**SJG Open-Pit Mine**	**SJG Underground Mine**	**Total**	**Comments**
Production capacity	ktpa ore	3,300	90	3,390	
Life of mine	years	9	8	/	
Ore tonnage	kt	23,752	657	24,409	
Gold grade in ore	g/t	1.16	1.41	1.17	
Gold content in ore	kg	27,584	926	28,509	
Gold content in ore	koz	887	30	917	
Processing recovery rate	%	95.00	95.00	95.00	historical data based
Concentrate gold grade	g/t	19.00	19.00	19.00	
Concentrate tonnage	kt	1,379	46	1,425	
Gold content in concentrate	kg	26,204	880	27,084	
Gold content in concentrate	koz	842	28	871	
Payable gold	kg	24,108	809	24,917	
Gold price	RMB g/t	310	310	310	long-term forecasts
Sales revenue	million RMB	7,605	262	7,867	
Operating cost	million RMB	2,019	120	2,139	
Operating cost	RMB/t ore	85	183	88	
Mineral resource tax	million RMB	319	11	330	
Corporate income tax	million RMB	772	8	781	
Sunk capital cost	million RMB	444	99	543	
NPV (9%)	million RMB	3,064	98	3,162	9% is derived from WACC

21 ADJACENT PROPERTIES

No information is available regarding any adjacent properties.

22 OTHER RELEVANT DATA AND INFORMATION

No other relevant data or information is available for the SJG Project.

23 RISK ASSESSMENT

SRK completed a risk assessment of the specific risks identified for the SJG Project in relation to their likelihood of occurrence within the LoM and consequence in accordance with Guidance Note 7 to the Listing Rules.

In general, the risk of a project decreases from exploration, through development, to the production stage. The SJG Project is an advanced project.

SRK considered various technical aspects which may affect the feasibility and future cash flow of the SJG Project. SRK's final Risk Assessment is presented in Table 23-1.

Table 23-1: Risk Assessment for SJG Project

Risk Issue	Likelihood	Consequence	Overall
Geology and Mineral Resources			
Lack of significant Mineral Resource tonnage	Unlikely	Moderate	Low
Lower average grade of gold (i.e. 15% lower)	Unlikely	Major	Medium
Unexpected groundwater ingress	Unlikely	Moderate	Low
Overestimate of Mineral Resource potential	Unlikely	Minor	Low
Improper classification of Mineral Resource category	Possible	Moderate	Medium
Misleading geological description (related to low-quality exploration done)	Unlikely	Moderate	Low
Mining			
Significant geological structures	Possible	Moderate	Medium
Deformation of final open pit wall	Possible	Moderate	Medium
Designing of final open pit is wrong	Unlikely	Moderate	Low
Long-term schedule is optimistic	Unlikely	Moderate	Low
Ore production capacity is optimistic	Unlikely	Major	Low
Lack of significant Mineral Reserves	Unlikely	Moderate	Low
Mineral Processing			
Unfit configuration of equipment	Unlikely	Moderate	Low
Actual throughput cannot meet design capacity	Unlikely	Moderate	Low
Unsuitable flowsheet	Unlikely	Moderate	Low
Lower metal recovery	Unlikely	Moderate	Low
Poor plant design	Unlikely	Moderate	Low
Environmental and Social			
Land disturbance and ecological protection	Unlikely	Moderate	Low
ARD impact to the environment	Possible	Moderate	Medium
Land rehabilitation and site closure	Unlikely	Moderate	Low
Stakeholder engagement and cultural heritage protection	Unlikely	Moderate	Low
Capital and Operating Costs			
Project timing delay	Unlikely	Minor	Low
Poor mine management-plan	Possible	Minor	Low
Capital cost increases	Possible	Minor	Low
Higher capital costs — ongoing	Unlikely	Minor	Low
Operating cost underestimated	Possible	Moderate	Medium

In the risk assessment, various risk issues have been assessed for Likelihood, Consequence, and Overall Rating. SRK has used a matrix as described below.

The Likelihood of a risk is considered within a certain time frame, e.g., five years, as:

- **Likely**: will probably occur;
- **Possible**: may occur; or
- **Unlikely**: unlikely to occur.

The Consequence of a risk is classified as:

- **Major**: the factor poses an immediate danger to the SJG Project that, if uncorrected, will have a material effect on the SJG Project cash flow and performance and could lead a project failure;
- **Moderate**: the factor, if uncorrected, will have a significant effect on the SJG Project cash flow and performance; or
- **Minor**: the factor, if uncorrected, will have little or no effect on the SJG Project cash flow and performance.

The overall risk assessment combines the Likelihood and Consequence of a risk and be classified as Low (unlikely and possible minor risks, and unlikely moderate risk), Medium (likely minor, possible moderate, and unlikely major risks) and High (likely moderate and major risks, and possible major risks).

24 INTERPRETATION AND CONCLUSIONS

24.1 Geology

The SJG Project is situated in the eastern part of the Jiaobei Terrane and on the northeast margin of the Jiaolai Basin, on the Shandong Peninsula, and is regarded as a member of the Muping-Rushan gold belt. The gold mineralisation at the SJG Project is hosted within the pyritic-sericitic conglomerate of Linsishan Formation, part of the Cretaceous-age Laiyang Group. Gold enrichment occurs as veins as well as in disseminated structures and stockwork distributions. The SJG Project's conglomerate gold deposit is associated with mesothermal filling activities followed by alterations and metasomatism.

The boundaries between wall rocks, internal waste, and host rocks are not visually obvious, and must be determined by grade control drilling.

24.2 Data verification

It is SRK's opinion that the sample preparation, QA/QC, and assay procedures conducted at the SJG Open-Pit Mine since 2005 are reasonable and comply with industrial standards.

SRK made data verification through coarse rejects and pulp duplicates for the original assays in 2012. SRK considers that the results returned from verification samples are satisfying. In 2018, SRK monitored the sampling program for the underground channelling samples at the SJG Underground Mine and satisfied with the results.

24.3 Mineral Resource estimation

As of 31 December 2021, at a cut-off grade of 0.3 g/t Au, within the current mining licence for SJG Open-Pit Mine, it contains 35.3 Mt of Indicated Mineral Resources at an average gold grade of 1.10 g/t Au and 37.0 Mt of Inferred Mineral Resources at an average gold grade of 0.95 g/t Au.

In addition, as of 31 December 2021, at a cut-off grade of 0.7 g/t Au, within the current mining licence for SJG Underground Mine, it contains 1,717 kt of Indicated Mineral Resources at an average gold grade of 1.39 g/t Au and 3,050 kt of Inferred Mineral Resources at an average gold grade of 1.24 g/t Au

24.4 Mineral Reserve estimation

SJG Open-Pit Mine

SRK was provided a document issued by Shandong Research Institute of Geological Sciences dated 19 November 2019, in which the Institute has examined and approved the application and agreed to increase the production capacity to 900 ktpa for the open-pit mining. The modifying factors included mining and processing were estimated by SRK based on the available information to date. SJG Open-Pit Mine will be exploited as an open pit mine.

A cut-off grade was calculated to be 0.3 g/t au RoM to report Mineral Reserves. Open pit optimisation results indicate that the final open pit designed by Yantai Zhongjia is a little conservative, but it is technically feasible and economically viable. SRK accepts the final open pit design of Yantai Zhongjia.

The SJG Open-Pit Mine was reported to include Probable Mineral Reserves at about 23.8 Mt with 1.16 g/t Au, as of 31 December 2021. Without the open pit optimisation, the existing design of the SJG Open-Pit Mine can cater for the mining of approximately 2.4 Mt of Probable Mineral Reserves (representing approximately 10% of the Probable Mineral Reserves of approximately 23.8 Mt available at the SJG Open-Pit Mine). It is estimated that there are approximately 21.4 Mt of Probable Mineral Reserves (representing approximately 90% of the Probable Mineral Reserves of approximately 23.8 Mt available at the SJG Open-Pit Mine) that can be accessible at the unmined areas next to and below the current infrastructure, which has the potential to increase the mining production output and to cater for mining operations for the next years at Yantai Zhongjia's current mining capacity.

SJG Underground Mine

SRK understands that the FSR has been applied to guide the mine development since year 2016.

A cut-off grade was calculated to be 0.7 g/t Au RoM to report Mineral Reserves. Technically feasible stopes were initially designed based on the planned development system and mining methods. Stope economics of each stope were analysed to select economically viable stopes. The materials within economically viable stopes were reported as the Mineral Reserves.

The SJG Underground Mine was reported to include Probable Mineral Reserves at about 657 kt with 1.41 g/t Au grade. The production capacity is supposed to be 90 ktpa ore. The life of mine shall be about 8 years.

24.5 Mining

SJG Open-Pit Mine

Conventional road-truck technique is assumed as the bench development method. Mining sequence will be controlled by two pushbacks.

Conventional drill-blast-load-haul mining cycle is assumed to move rocks within the open pit. The bench height is 12 m high. The mining rate is 3.3 Mtpa ore.

No special device is installed to monitor the open pit stability, but the regularly patrolling per month is undergoing.

The waste rock have been and will be sold to third-parties. There is no need to consider permanently waste dumping.

Mine service facilities have been well developed and will be renovated to support daily ongoing operations.

SJG Underground Mine

The development system mainly consists of a trackless access ramp, six level haulage ways, an auxiliary shaft, a surface upcast and an underground upcast.

Off-road dump trucks are proposed to move both ore and wastes to surface along the level haulage way and the access ramp.

The mining methods include upward cut-and-fill mining and shrinkage stope mining. The designed ore production capacity of ore is 90 ktpa.

The mine plan relies on backfill as a ground support medium.

Mine service facilities have been well developed or shared with the SJG Open-Pit Mine to support daily operations.

24.6 Gold recovery

Inventory from the SJG Project has relatively simple characteristics, with good floatability. The processing recovery rate is assumed to be 95.00% in the future operation.

24.7 Capital investment and operating cost

Records of capital cost and operating cost have been provided to SRK. Production capacity ratio was applied to modify records to estimate future values.

SJG Open-Pit Mine

The sunk Capex is about RMB444 million Yuan. The initial Capex is zero. The sustaining Capex is about RMB111 million Yuan.

The operating costs were estimated to be about RMB85 Yuan per ton RoM.

SJG Underground Mine

The sunk Capex is about RMB99 million Yuan. The initial Capex is zero. The sustaining Capex is about RMB3.9 million Yuan.

The operating costs were estimated to be about RMB183 Yuan per ton RoM.

24.8 Economic analysis

The NPVs at a discount rate of 9% are about RMB3,064 million Yuan and RMB98 million Yuan for SJG Open-Pit Mine and SJG Underground Mine, respectively. These positive NPVs provide an indication that it is economically viable for the SJG Project to report Mineral Reserves.

25 RECOMMENDATIONS

25.1 Geology

Grade control should be performed for both SJG Open-Pit Mine and SJG Underground Mine to meet grade requirement of the processing plant.

As observed by SRK from the mineral resource model, it can be noted that there are significant Inferred Mineral Resources occurred deeply, especially for those occurred in open pit walls and at depth below the open pit base for SJG Open-Pit Mine. SRK suggests further exploration campaign may be performed to upgrade the category of these Inferred Mineral Resources to reduce exploitation risks and extend the life of mine.

25.2 Mining

In order to substantially scale up mining operations, gold concentrate processing and increase gold mineral reserves, optimising open-pit mine design should be implemented to cater for the increase in mining capacity, which includes expanding to the south of the current open pit boundary so that the mineral resources in the expanded area can be accessible as much as possible, the stripping of topsoil, wastes and ore materials to expose mineral resources as soon as possible, the construction of water storage pool and drainage system, the construction of site office and accommodation, the construction of a stockpile to store topsoil for future reclamation, and acquiring of additional equipment to support the expansion plan.

With respect to the SJG Underground Mine, SRK considers Yantai Zhongjia should strengthen its communication with technicians and management to mineral resources to ensure the mining operation could be performed as planned.

26 REFERENCES

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20. *Independent Technical Report of Songjiagou Gold Project, Shandong Province, the People's Republic of China*, SRK Consulting China Ltd., January 2016

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APPENDICES

Appendix A:
Mining licences

中华人民共和国

采矿许可证

（副本）

证号：C3700002009044110010983

采矿权人：烟台中嘉矿业有限公司

地　　址：烟台市牟平区王格庄镇前松椒村

矿山名称：烟台中嘉矿业有限公司宋家沟矿区

经济类型：有限责任公司

开采矿种：金矿、硫

开采方式：露天/地下开采

生产规模：90.0万吨/年

矿区面积：0.5937平方公里

有效期限：壹拾壹年自2020年05月17日至2031年05月17日

发证机关

（采矿登记专用章）

二〇二〇年五月二十四日

中华人民共和国自然资源部印制

矿区范围拐点坐标：（2000国家大地坐标系）

点号 X坐标 Y坐标

1, 4111146.76, 40621497.87

2, 4110713.76, 40622031.87

3, 4110121.76, 40621550.87

4, 4110438.76, 40621098.87

5, 4110786.76, 40621036.87

6, 4110959.76, 40621164.87

开采深度：由150.0米至-400.0米标高　共有6个拐点圈定

中华人民共和国

采 矿 许 可 证

（副本）

证号：C3700002016024210141314

采矿权人：烟台中嘉矿业有限公司

地　　址：烟台市牟平区王格庄镇前松椒村

矿山名称：烟台中嘉矿业有限公司宋家沟北矿区

经济类型：有限责任公司

开采矿种：金矿、银，硫

开采方式：地下开采

生产规模：9.0万吨/年

矿区面积：0.414平方公里

有效期限：壹拾年 自2021年02月18日至2031年02月18日

发 证 机 关
（采矿登记专用章）

二〇二一年 二 月 十九日

中华人民共和国自然资源部印制

（2000国家大地坐标系）

矿区范围拐点坐标：

点号	X坐标	Y坐标
1	4111281.76	40621594.87
2	4111290.76	40622129.87
3	4111015.76	40622582.87
4	4110554.76	40622253.87
5	4111178.76	40621502.87

开采深度：由142.0米至-270.0米标高　共有5个拐点圈定

Appendix B:
Drilling, trenching and channelling information

Hole ID	Easting (m)	Northing (m)	Elevation (m ASL)	Depth (m)
1-CM0	621,489.30	4,110,444.78	9.00	474.90
1-CM0–3B	621,488.81	4,110,445.25	9.00	420.05
1-CM1	621,582.43	4,110,728.96	9.00	230.00
1-CM10S-3B	621,674.40	4,110,807.16	9.00	13.72
1-CM2N-3B	621,243.84	4,110,670.04	9.00	191.26
1-CM3N-3B	621,282.79	4,110,720.21	9.00	13.38
1-CM4N-3B	621,302.51	4,110,742.49	9.00	13.72
1-CM4S-3B	621,470.49	4,110,613.77	9.00	14.02
1-CM5S-3B	621,492.77	4,110,638.81	9.00	19.35
1-CM6N-3B	621,362.34	4,110,806.86	9.00	240.39
1-CM6S-3B	621,512.03	4,110,656.32	9.00	161.83
1-CM7S-3B	621,549.13	4,110,670.47	9.00	272.04
1-CM8S-3B	621,563.52	4,110,695.64	9.00	11.28
1-CM9-3B	621,581.30	4,110,729.64	9.00	230.00
1-YM1N-3B	621,382.00	4,110,517.35	9.00	510.51
1-YM2N	621,217.07	4,110,635.35	9.00	331.62
1-YM2N-3B	621,358.53	4,110,535.78	9.00	53.60
1-YM3N-3B	621,214.84	4,110,638.89	9.00	332.00
268-ZK58	622,031.11	4,111,078.02	119.11	217.59
280-ZK59	621,781.81	4,111,261.95	126.12	234.45
2-CM0	621,489.73	4,110,445.30	–40.00	373.00
2-CM0-3B	621,489.48	4,110,445.94	–40.00	373.00
2-CM10-1-3B	621,610.79	4,110,741.54	–40.00	15.00
2-CM11-1-3B	621,629.14	4,110,766.10	–40.00	17.10
2-CM1-1-3B	621,423.25	4,110,525.32	–40.00	28.00
2-CM1-2-3B	621,380.98	4,110,564.43	–40.00	10.62
2-CM1-3-3B	621,246.04	4,110,637.02	–40.00	37.00
2-CM2-2-3B	621,402.87	4,110,584.21	–40.00	8.00
2-CM2-3-3B	621,259.92	4,110,662.42	–40.00	21.24
2-CM3-1-3B	621,476.91	4,110,598.94	–40.00	180.96
2-CM3-2-3B	621,428.53	4,110,608.51	–40.00	10.00
2-CM3-3-3B	621,292.04	4,110,668.33	–40.00	33.45
2-CM4-1-3B	621,494.00	4,110,619.96	–40.00	16.00
2-CM4-2-3B	621,449.43	4,110,628.75	–40.00	9.00
2-CM4-3-3B	621,301.65	4,110,704.85	–40.00	20.73
2-CM5-1-3B	621,511.88	4,110,644.65	–40.00	14.56
2-CM5-2-3B	621,463.68	4,110,642.42	–40.00	21.00
2-CM6-1-3B	621,521.06	4,110,656.77	–40.00	15.00
2-CM6-2-3B	621,494.65	4,110,669.34	–40.00	11.00
2-CM7-1-3B	621,533.33	4,110,671.73	–40.00	12.32

Hole ID	Easting (m)	Northing (m)	Elevation (m ASL)	Depth (m)
2-CM7-2-3B	621,537.32	4,110,712.78	–40.00	10.44
2-CM8-1-3B	621,567.97	4,110,699.22	–40.00	11.00
2-CM9-1-3B	621,589.71	4,110,717.20	–40.00	34.00
2-CM9-2-3B	621,578.97	4,110,758.15	–40.00	10.44
2-YM1-3B	621,401.92	4,110,494.61	–40.00	400.00
2-YM2-3B	621,350.54	4,110,521.66	–40.00	365.00
2-YM3-3B	621,220.18	4,110,613.59	–40.00	126.00
3-CM0-3B	621,490.76	4,110,444.62	–80.00	262.00
3-CM1N-3B	621,422.81	4,110,573.33	–80.00	29.28
3-CM1S-3B	621,471.67	4,110,535.34	–80.00	24.41
3-CM2N-3B	621,437.43	4,110,598.08	–80.00	24.00
3-CM2S-3B	621,486.11	4,110,557.73	–80.00	22.75
3-CM3N-3B	621,451.95	4,110,624.43	–80.00	10.00
3-CM3S-3B	621,507.49	4,110,586.13	–80.00	16.61
3-CM4N-3B	621,492.68	4,110,675.38	–80.00	8.04
3-CM4S-3B	621,543.41	4,110,638.53	–80.00	61.00
3-CM5N-3B	621,548.68	4,110,706.11	–80.00	15.00
3-CM5S-3B	621,585.61	4,110,674.07	–80.00	12.77
3-CM6N-3B	621,140.23	4,110,320.64	–80.00	9.38
3-CM6S-3B	621,622.67	4,110,722.28	–80.00	59.00
3-CM7N-3B	621,623.55	4,110,791.57	–80.00	12.97
3-YM1N-3B	621,417.44	4,110,493.95	–80.00	360.00
3-YM1NN-3B	621,416.62	4,110,494.73	–80.00	360.00
3-YM1S-3B	621,413.44	4,110,496.31	–80.00	116.00
3-YM1SN-3B	621,412.62	4,110,497.08	–80.00	116.00
3-YM2N-3B	621,365.10	4,110,535.96	–80.00	415.00
3-YM2NN-3B	621,364.28	4,110,536.74	–80.00	415.00
3-YM2S-3B	621,360.56	4,110,538.14	–80.00	311.00
3-YM2SN-3B	621,359.74	4,110,538.92	–80.00	311.00
4-CM0-3B	621,489.52	4,110,446.62	–120.00	181.66
4-CM1-3B	621,485.01	4,110,526.54	–120.00	86.66
4-CM-1N-3B	621,358.61	4,110,458.35	–120.00	44.81
4-CM-1S-3B	621,423.89	4,110,412.20	–120.00	48.40
4-CM2N-3B	621,450.18	4,110,589.43	–120.00	19.04
4-CM2S-3B	621,495.05	4,110,556.17	–120.00	8.50
4-CM3N-3B	621,475.05	4,110,607.97	–120.00	17.88
4-CM3S-3B	621,522.83	4,110,568.38	–120.00	20.40
4-CM4N-3B	621,524.05	4,110,646.76	–120.00	21.30
4-CM4S-3B	621,566.81	4,110,606.89	–120.00	23.23
4-YM1N-3B	621,430.06	4,110,491.78	–120.00	473.00

Hole ID	Easting (m)	Northing (m)	Elevation (m ASL)	Depth (m)
4-YM1NN-3B	621,429.44	4,110,492.36	–120.00	473.00
4-YM1S-3B	621,430.06	4,110,491.78	–120.00	78.29
4-YM1SN-3B	621,429.44	4,110,492.36	–120.00	78.29
4-YM2N-3B	621,380.61	4,110,531.03	–120.00	250.80
4-YM2NN-3B	621,379.99	4,110,531.62	–120.00	250.80
4-YM2S-3B	621,380.61	4,110,531.03	–120.00	86.43
4-YM2SN-3B	621,379.99	4,110,531.62	–120.00	86.16
624-ZK52	621,460.85	4,110,547.15	133.08	147.13
624-ZK53	622,572.88	4,110,556.28	107.98	260.14
624-ZK90	622,178.54	4,110,930.84	115.90	220.00
CK0-1	621,161.70	4,110,705.28	129.72	125.70
CK12-1	621,353.98	4,110,678.17	133.23	135.20
CK16-1	621,380.66	4,110,693.37	128.39	146.90
CK24-1	621,398.44	4,110,750.58	123.83	82.20
CK28-1	621,451.87	4,110,751.06	87.34	119.00
CK3-1	621,192.15	4,110,658.49	121.18	85.00
CK32-1	621,456.81	4,110,787.85	120.73	125.00
CK36-1	621,498.78	4,110,790.33	116.44	111.20
CK40-1	621,530.19	4,110,802.69	112.01	113.00
CK4-1	621,280.65	4,110,675.17	127.61	112.90
CK4-2	621,316.74	4,110,635.25	127.69	25.00
CK7-1	621,177.77	4,110,631.82	114.21	57.50
CK8-1	621,321.99	4,110,664.28	132.65	134.80
KDZK1	621,414.88	4,110,508.88	–120.45	120.60
KDZK10	621,529.70	4,110,564.19	–119.85	91.07
KDZK11	621,360.45	4,110,460.63	–119.58	104.28
KDZK2	621,462.85	4,110,469.78	–120.40	120.30
KDZK3	621,488.90	4,110,523.76	–120.95	50.60
KDZK4	621,458.60	4,110,554.04	–119.80	86.28
L2A	621,488.73	4,110,445.27	–40.00	357.50
L3A	621,488.60	4,110,445.24	–80.00	252.50
L3B1	621,541.97	4,110,641.09	–80.00	60.00
L3B2	621,490.91	4,110,673.50	–80.00	117.50
L4A	621,489.52	4,110,446.62	–120.00	180.00
L4B	621,485.01	4,110,526.54	–120.00	100.00
SHK1	621,502.48	4,110,926.02	107.23	550.50
SJ05-01	621,444.51	4,110,441.09	138.90	150.40
SJ05-02	621,479.20	4,110,472.74	139.42	160.00
SJ05-03	621,515.56	4,110,497.29	138.39	185.00
SJ05-04	621,404.09	4,110,402.52	135.81	150.00

Hole ID	Easting (m)	Northing (m)	Elevation (m ASL)	Depth (m)
SJ05-05	621,643.52	4,110,661.80	119.41	160.00
SJ05-06	621,606.88	4,110,628.62	122.07	84.18
SJ05-07	621,580.98	4,110,588.69	123.02	77.40
SJ05-08	621,387.18	4,110,561.08	137.36	180.03
SJ05-09	621,611.88	4,110,779.21	100.34	180.00
SJ05-10	621,554.94	4,110,732.57	95.66	150.00
SJ05-11	621,717.37	4,110,392.23	129.81	576.05
SJ05-12	621,373.63	4,110,485.43	118.62	180.00
SJ05-13	621,264.44	4,110,404.87	103.03	180.00
SJ05-14	621,646.99	4,110,309.67	113.32	527.70
SJ05-15	621,272.43	4,110,491.75	124.17	200.00
SJ05-16	621,313.80	4,110,702.67	138.16	200.09
SJ05-17	621,330.60	4,110,443.02	109.88	178.40
SJ05-18	621,400.09	4,110,802.12	122.16	182.90
SJ05-19	621,369.07	4,110,772.01	131.73	61.00
SJ05-20	621,369.09	4,110,772.05	131.73	314.00
SJ05-21	621,833.91	4,110,543.57	102.20	599.50
SJ05-22	621,341.69	4,110,728.25	136.10	182.92
SJ05-23	621,344.87	4,110,726.28	135.91	230.12
SJ05-24	621,313.80	4,110,702.67	138.16	275.91
SJ05-25	621,771.39	4,110,474.98	99.67	600.03
SJ05-26	621,584.82	4,110,239.31	102.75	600.14
SJ06-27	621,739.65	4,110,551.71	114.71	482.00
SJ06-28	621,660.71	4,110,487.23	124.69	471.30
SJ06-29	621,583.03	4,110,243.75	102.86	458.16
SJ06-30	621,644.76	4,110,593.89	114.56	377.90
SJ06-31	621,644.76	4,110,593.89	114.56	391.60
SJ06-32	621,478.99	4,110,381.03	130.59	306.13
SJ06-33	621,560.69	4,110,434.07	131.54	405.09
SJ06-34	621,620.12	4,110,428.54	134.05	418.00
SJ06-35	621,567.73	4,110,451.51	134.05	390.22
SJ06-40	621,879.99	4,111,244.63	123.00	200.00
SZK0-1	621,182.78	4,110,678.33	127.63	130.03
SZK0-2	621,278.81	4,110,623.32	119.31	153.67
SZK0-3	621,372.08	4,110,543.44	134.66	170.05
SZK0-5	621,755.04	4,110,222.79	133.63	658.75
SZK0-6	621,066.38	4,110,801.92	122.02	264.35
SZK108-1	622,166.50	4,110,953.69	117.91	313.65
SZK108-2	622,278.63	4,110,831.56	117.56	305.00
SZK16-3	621,248.32	4,110,806.57	139.65	335.34

Hole ID	Easting (m)	Northing (m)	Elevation (m ASL)	Depth (m)
SZK16-4	621,790.76	4,110,351.94	113.54	552.50
SZK16-5	621,365.31	4,110,725.55	104.49	318.10
SZK2011-10	621,396.86	4,110,922.87	122.85	282.40
SZK2011-11	621,571.28	4,110,924.39	88.36	312.27
SZK24-1	621,236.63	4,110,884.55	142.43	262.23
SZK24-2	621,297.01	4,110,842.47	125.18	252.60
SZK24-3	621,373.89	4,110,778.88	106.88	299.95
SZK31-1	621,249.36	4,110,332.98	106.90	470.72
SZK32-2	621,441.58	4,110,820.12	113.92	310.92
SZK32-3	621,368.27	4,110,860.59	108.54	291.01
SZK40-1	621,985.42	4,110,419.50	98.97	453.10
SZK40-3	621,453.28	4,110,863.28	99.37	367.29
SZK48-1	621,623.51	4,110,791.68	97.85	130.19
SZK48-2	621,679.78	4,110,756.09	88.12	183.45
SZK48-3	621,497.67	4,110,918.56	107.22	389.70
SZK48-5	621,417.42	4,110,978.31	115.12	373.75
SZK48-6	621,203.38	4,111,148.55	107.67	457.65
SZK56-1	621,676.07	4,110,841.20	85.93	132.66
SZK56-2	621,739.85	4,110,783.72	84.62	180.35
SZK56-4	621,496.63	4,111,000.28	87.54	331.26
SZK56-5	621,896.84	4,110,646.35	78.47	391.65
SZK63-1	620,977.88	4,110,246.50	89.33	613.10
SZK64-1	621,804.71	4,110,798.93	82.09	211.94
SZK64-2	621,901.81	4,110,731.87	78.30	501.28
SZK64-3	621,952.26	4,110,683.58	77.15	407.92
SZK7-1	621,233.08	4,110,583.98	114.26	182.12
SZK7-2	621,305.66	4,110,527.25	131.90	160.35
SZK72-1	621,898.91	4,110,800.63	82.31	282.04
SZK72-2	621,759.36	4,110,917.26	81.21	358.79
SZK72-3	621,629.04	4,111,027.75	85.21	256.65
SZK72-4	621,969.76	4,110,764.49	80.56	297.57
SZK72-5	622,009.00	4,110,714.65	78.85	262.92
SZK7-4	621,113.42	4,110,682.22	118.69	266.53
SZK80-1	621,999.51	4,110,832.83	94.45	370.92
SZK80-2	622,049.43	4,110,766.21	90.64	346.70
SZK80-3	622,130.86	4,110,680.25	82.70	392.60
SZK8-1	621,293.79	4,110,687.78	133.37	50.35
SZK8-2	621,444.00	4,110,561.83	131.59	200.04
SZK8-3	621,258.13	4,110,714.93	141.58	193.38
SZK8-6	621,140.50	4,110,815.85	118.45	264.69

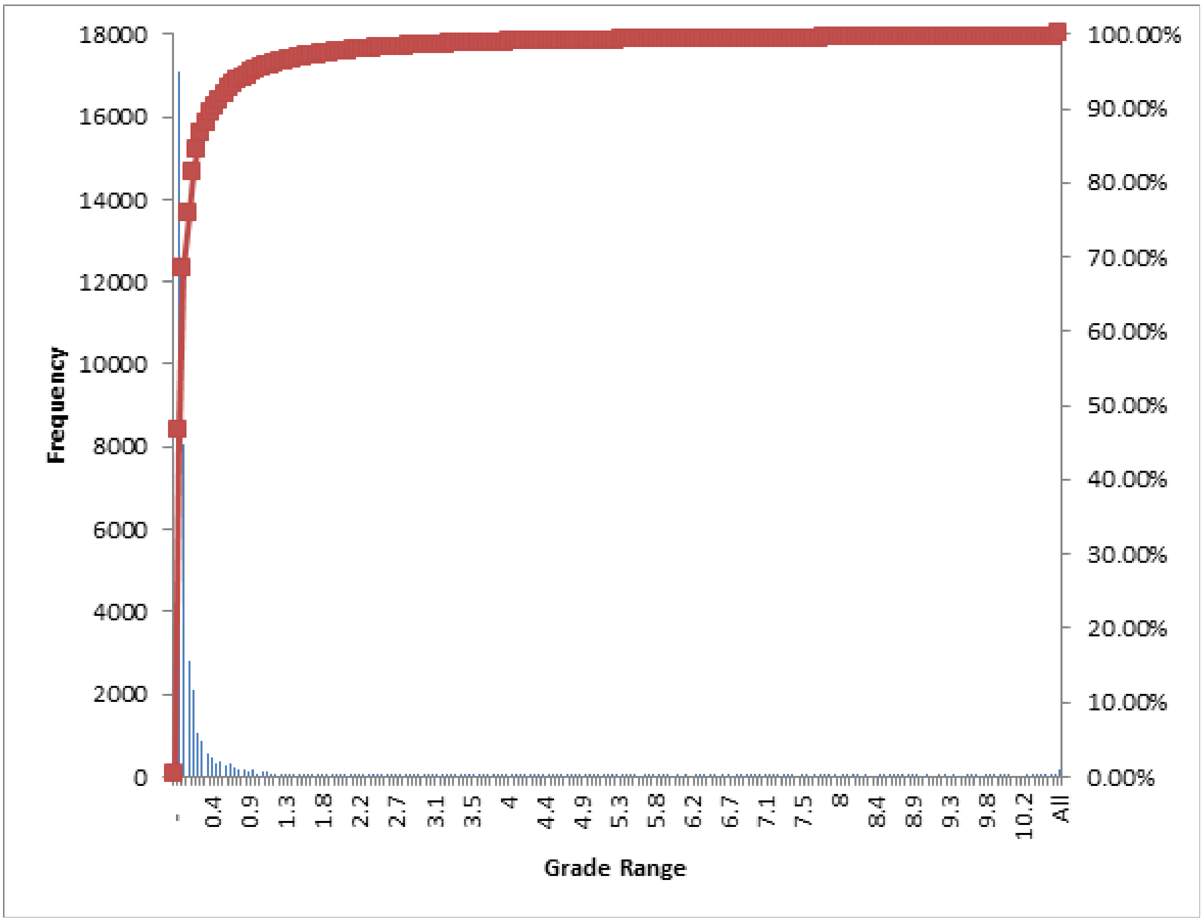
Hole ID	Easting (m)	Northing (m)	Elevation (m ASL)	Depth (m)
SZK8-7	620,944.72	4,110,971.98	126.37	307.65
SZK92-3	622,112.10	4,110,833.45	92.73	247.56
SZK92-4	621,977.36	4,110,924.61	117.30	386.95
SZK92-5	621,806.98	4,111,078.35	117.72	399.76
SZK92-6	622,453.13	4,110,538.69	87.89	271.65
SZK92-7	622,190.98	4,110,759.07	108.81	295.75
SZK96-2	622,010.97	4,110,905.59	111.00	250.50
TC0-1	621,146.82	4,110,732.25	128.62	45.00
TC0-2	621,264.60	4,110,640.74	123.52	66.30
TC0-3	621,314.57	4,110,620.11	128.65	113.00
TC0-4	621,118.40	4,110,749.17	119.69	35.70
TC108-1	621,716.01	4,111,342.09	122.76	117.30
TC11-1	621,153.31	4,110,612.66	109.68	220.00
TC12-1	621,272.15	4,110,747.49	144.95	105.20
TC12-2	621,439.61	4,110,607.21	124.17	23.00
TC12-3	621,224.41	4,110,781.45	138.98	61.00
TC124-1	621,797.78	4,111,366.68	93.37	43.60
TC124-2	622,586.52	4,110,766.73	72.04	68.30
TC124-3	622,641.66	4,110,667.64	76.47	54.00
TC15-1	621,198.53	4,110,536.30	105.72	131.00
TC15-2	621,118.83	4,110,624.05	106.46	110.00
TC16-1	621,245.50	4,110,809.13	139.86	181.00
TC16-2	621,474.87	4,110,617.59	118.25	24.00
TC16-3	621,217.74	4,110,825.72	138.45	28.70
TC19-1	621,176.40	4,110,515.26	105.42	119.00
TC20-1	621,350.11	4,110,760.26	136.39	33.30
TC20-2	621,473.24	4,110,656.19	113.25	77.50
TC24-1	621,365.13	4,110,786.42	130.78	37.00
TC24-2	621,477.19	4,110,690.91	106.64	127.50
TC24-3	621,319.26	4,110,828.34	120.62	63.00
TC24-4	621,281.20	4,110,850.34	132.10	26.00
TC24-5	621,213.22	4,110,908.90	142.29	99.80
TC28-1	621,408.56	4,110,787.76	124.44	14.00
TC3-1	621,131.19	4,110,699.93	124.68	44.00
TC3-2	621,303.73	4,110,581.27	130.54	66.00
TC32-1	621,437.12	4,110,804.42	120.09	25.00
TC32-2	621,539.06	4,110,716.98	97.63	57.50
TC32-3	621,374.13	4,110,850.95	106.68	81.50
TC32-4	621,288.13	4,110,921.67	138.80	115.70
TC3-3	621,352.90	4,110,522.20	132.24	22.00

Hole ID	Easting (m)	Northing (m)	Elevation (m ASL)	Depth (m)
TC36-1	621,481.98	4,110,804.35	116.72	21.50
TC36-2	621,567.91	4,110,732.26	97.63	33.00
TC40-1	621,517.28	4,110,815.81	112.23	18.40
TC40-2	621,611.21	4,110,730.56	92.51	21.50
TC40-3	621,476.43	4,110,855.21	97.70	58.30
TC40-4	621,301.29	4,110,995.31	132.93	205.70
TC4-1	621,178.90	4,110,746.15	136.84	29.00
TC4-2	621,280.65	4,110,675.17	127.61	55.00
TC4-3	621,387.36	4,110,581.03	131.44	71.00
TC44-1	621,554.22	4,110,825.84	109.79	15.00
TC48-1	621,539.75	4,110,854.33	95.34	153.00
TC48-2	621,501.07	4,110,902.02	104.39	28.00
TC48-3	621,352.43	4,111,030.90	120.50	200.00
TC56-1	621,541.27	4,110,917.77	97.35	20.00
TC56-2	621,404.88	4,111,064.93	103.00	65.70
TC624-1	622,509.27	4,110,667.47	100.99	8.00
TC624-2	622,514.57	4,110,661.50	101.43	30.50
TC624-3	622,086.32	4,110,979.31	97.29	85.00
TC7-1	621,136.29	4,110,664.11	118.96	52.00
TC7-2	621,219.83	4,110,598.34	118.23	174.30
TC7-3	621,115.38	4,110,684.66	118.83	32.00
TC7-4	621,092.24	4,110,708.33	115.85	45.60
TC80-1	621,803.43	4,110,966.99	83.68	119.90
TC8-1	621,301.81	4,110,698.66	137.10	131.00
TC8-2	621,290.40	4,110,694.05	135.28	44.00
TC8-3	621,407.75	4,110,595.15	132.30	44.20
TC8-4	621,189.48	4,110,772.90	133.12	21.50
TC92-1	621,569.19	4,111,280.89	110.99	185.55
TC92-2	621,854.37	4,111,040.54	99.84	104.60
UL106-A	621,681.30	4,110,753.95	9.00	105.00
UL106-C	621,511.33	4,110,621.47	9.00	99.70
UL106-D	621,497.62	4,110,612.03	9.00	100.36
UL106-E	621,483.45	4,110,585.56	9.00	100.13
UL206-A	621,501.79	4,110,575.13	–40.00	65.28
UL206-B	621,502.82	4,110,574.16	–40.00	63.24
UL206-C	621,578.40	4,110,684.64	–40.00	83.64
UL206-D	621,676.08	4,110,760.79	–40.00	65.28
UL206-E	621,515.42	4,110,650.62	–40.00	60.52
UL206-F	621,357.05	4,110,689.66	–40.00	75.10
UL206-G	621,550.48	4,110,649.73	–40.00	43.49

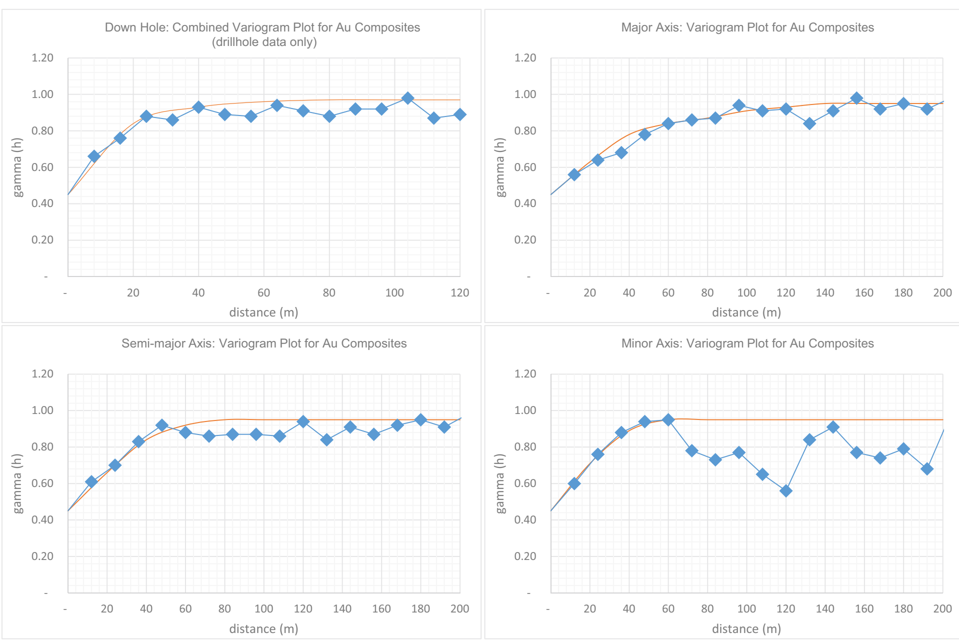
Hole ID	Easting (m)	Northing (m)	Elevation (m ASL)	Depth (m)
ZK1	621,597.36	4,110,710.46	91.98	409.00
ZK11	621,515.51	4,110,799.13	115.40	403.64
ZK13	621,375.41	4,110,575.95	139.62	507.76
ZK150	621,436.75	4,110,489.61	135.24	201.48
ZK151	621,380.12	4,110,537.03	133.91	200.39
ZK16	621,500.13	4,110,531.67	132.33	470.62
ZK17	621,675.44	4,110,667.46	113.22	375.00
ZK18	621,303.65	4,110,591.41	129.34	250.60
ZK19	621,431.17	4,110,492.83	133.79	253.74
ZK2	621,762.65	4,110,765.92	83.55	328.50
ZK2011-05	621,187.11	4,110,558.92	110.70	260.08
ZK2011-08	621,161.90	4,110,719.50	131.36	226.06
ZK21	621,182.98	4,110,699.06	130.20	80.53
ZK23	621,364.79	4,110,790.45	129.80	80.20
ZK26	621,340.58	4,110,678.85	134.90	84.10
ZK27	621,454.92	4,110,708.06	106.81	64.25
ZK28	621,584.21	4,110,820.05	104.00	50.81
ZK3	621,827.27	4,110,870.61	81.09	292.20
ZK33	621,354.78	4,110,419.65	124.10	70.52
ZK35	621,570.58	4,110,480.24	133.60	79.61
ZK4	621,667.46	4,110,762.32	88.65	362.30
ZK40	621,119.99	4,110,746.86	115.00	70.08
ZK41	621,200.39	4,110,796.86	133.40	80.76
ZK42	621,257.19	4,110,853.76	139.80	88.01
ZK5	621,817.05	4,110,670.91	82.44	315.00
ZK51	621,424.52	4,110,581.88	132.88	200.04
ZK52	621,460.85	4,110,547.15	133.08	200.20
ZK6	621,602.34	4,110,569.71	122.76	440.00
ZK7	621,281.18	4,110,100.95	82.71	616.90
ZK8	621,174.87	4,110,538.15	109.96	510.70
ZK9	621,299.27	4,110,618.40	131.58	530.00

Note: 1980 Xi'an Coordinate System

Appendix C:
Basic statistic and variogram



Probability Histogram and Cumulative Frequency Curve for Capped Au Grades



Variogram (drill hole data)

Appendix D:
SRK independent sampling and assay

Coarse duplicates' assay result

Samples taken on Jan 30 – 31 2012 by SRK
Coarse duplicate

Number	Original ID	Original-Au (g/t)	ALS-Au (g/t)
SJG001	D0004167	0.482	0.292
SJG002	STC15-1H94	3.830	2.210
SJG003	STC3-1H37	0.446	0.188
SJG004	STC0-1H35	0.294	0.156
SJG005	STC0-1H34	0.210	0.168
SJG006	STC0-1H39	0.071	0.047
SJG007	STC4-1H17	0.922	0.809
SJG008	STC4-1H16	3.380	4.070
SJG009	STC3-1H36	0.290	0.189
SJG010	SCK32-1H129	0.267	0.522
SJG011	SCK32-1H128	0.271	0.154
SJG012	STC7-1H175	0.271	0.192
SJG013	STC7-1H174	0.292	0.083
SJG014	STC7-1H173	0.348	0.359
SJG015	STC7-1H171	0.622	0.258
SJG016	STC7-1H170	0.323	0.297
SJG017	STC11-1H71	0.233	0.177
SJG018	STC11-1H75	0.207	0.168
SJG019	STC7-1H12	0.640	0.564
SJG020	STC7-1H195	0.295	0.234
SJG021	STC4-1H07	0.919	0.822
SJG022	STC4-1H08	0.270	0.242
SJG023	STC4-1H09	2.460	1.855
SJG024	STC4-1H10	2.580	2.800
SJG025	STC4-1H11	0.849	1.635
SJG026	STC11-1H76	0.237	0.167
SJG027	STC11-1H80	0.407	0.446
SJG028	STC11-1H81	0.614	0.546
SJG029	STC20-2H13	0.204	0.190
SJG030	SCK8-1H122	0.420	<0.005
SJG031	SCK8-1H43	0.423	0.446
SJG032	SCK8-1H37	0.304	0.186
SJG033	SCK12-1H105	0.238	0.352
SJG034	SCK7-1H01	0.564	0.552
SJG035	SCK7-1H02	0.326	0.268
SJG036	SCK7-1H03	0.422	0.366

Samples taken on Jan 30 – 31 2012 by SRK
Coarse duplicate

Number	Original ID	Original-Au (g/t)	ALS-Au (g/t)
SJG037	SCK7-1H05	0.236	2.640
SJG038	SCK16-1H279	0.949	0.499
SJG039	SCK28-1H7	0.597	0.276
SJG040	SCK28-1H8	2.510	2.840
SJG041	SCK28-1H9	0.289	0.593
SJG042	SCK12-1H77	0.430	0.370
SJG043	SCK12-1H78	0.946	1.795
SJG044	SCK16-1H246	1.430	4.090
SJG045	SCK16-1H261	0.815	0.633
SJG046	SCK16-1H276	0.700	1.745
SJG047	SCK16-1H277	1.650	0.940
SJG048	SCK16-1H239	0.666	1.155
SJG049	SCK16-1H240	1.090	1.105
SJG050	SCK8-1H111	4.480	1.330
SJG051	SCK8-1H113	0.342	0.256
SJG052	SCK8-1H58	0.973	0.334
SJG053	SCK8-1H59	0.764	0.944
SJG054	SCK8-1H61	0.630	0.178
SJG055	SCK8-1H63	0.347	0.853
SJG056	SCK32-1H120	0.981	0.916
SJG057	SCK32-1H119	0.770	0.801
SJG058	SCK32-1H118	4.420	2.180
SJG059	SCK32-1H117	0.685	1.230
SJG060	SCK28-1H30	1.660	1.705
SJG061	SCK16-1H241	0.335	0.137
SJG062	SCK16-1H247	3.040	1.130
SJG063	SCK16-1H248	1.130	1.535
SJG064	SCK16-1H250	20.000	7.080
SJG065	SCK16-1H251	0.360	0.312
SJG066	SCK8-1H107	0.684	0.560
SJG067	SCK28-1H5	1.670	1.260
SJG068	SCK16-1H257	7.300	3.760
SJG069	SCK16-1H258	5.560	2.960
SJG070	SCK16-1H260	1.560	1.385
SJG071	SCK28-1H37	0.534	0.283
SJG072	SCK28-1H38	0.337	0.325
SJG073	SCK28-1H40	0.739	0.487

Samples taken on Jan 30 – 31 2012 by SRK
Coarse duplicate

Number	Original ID	Original-Au (g/t)	ALS-Au (g/t)
SJG074	SCK28-1H41	0.317	0.115
SJG075	SCK8-1H13	0.371	0.411
SJG076	SCK12-1H68	0.572	1.205
SJG077	SCK8-1H52	0.406	0.448
SJG078	SCK8-1H53	0.531	0.349
SJG079	SCK16-1H253	0.460	0.274
SJG080	SCK16-1H254	0.387	0.309
SJG081	SCK12-1H17	0.687	0.609
SJG082	SCK16-1H267	49.200	22.900
SJG083	SCK28-1H29	0.734	0.187
SJG084	SCK0-1H23	0.230	0.698
SJG085	STC4-2H33	0.258	0.329
SJG086	STC4-2H35	0.307	0.238
SJG087	SCK0-1H122	0.306	0.253
SJG088	STC4-2H7	0.597	0.333
SJG089	STC4-2H8	0.408	0.193
SJG090	STC4-2H10	0.333	0.078
SJG091	SCK3-1H18	0.226	0.076
SJG092	SCK3-1H33	0.833	0.525
SJG093	SCK3-1H25	0.467	0.160
SJG094	SCK3-1H28	0.575	0.690
SJG095	SCK4-1H11	1.040	0.749
SJG096	SCK4-1H12	2.710	2.350
SJG097	SCK4-1H19	0.458	0.211
SJG098	SCK4-1H18	0.725	0.508
SJG099	SCK4-1H17	0.406	0.370
SJG100	STC24-2H93	0.562	0.517
SJG101	STC24-2H94	0.243	0.173
SJG102	STC24-2H95	0.255	0.195

Pulp duplicates' assay result

Samples taken on Jan 30 – 31 2012 by SRK
Pulp duplicate

Number	Original ID	Original-Au (g/t)	ALS-Au (g/t)
SJG103	SCK3-1H66	0.313	0.243
SJG104	SCK3-1H68	0.319	0.176
SJG105	STC24-2H85	0.411	0.483
SJG106	STC4-2H45	0.316	0.194
SJG107	SCK32-1H25	0.357	0.431
SJG108	SCK4-1H102	0.290	0.123
SJG109	SCK32-1H19	1.060	1.235
SJG110	SCK0-1H54	0.353	0.133
SJG111	STC8-1H115	0.319	0.125
SJG112	STC8-1H118	1.700	1.240
SJG113	SCK32-1H21	0.703	1.500
SJG114	SCK32-1H24	0.856	0.962
SJG115	SCK32-1H8	1.060	1.025
SJG116	SCK4-2H8	0.594	0.504
SJG117	SCK4-2H19	0.334	0.275
SJG118	SCK4-2H22	0.988	0.796
SJG119	SCK4-2H24	0.800	0.961
SJG120	SCK4-2H20	2.860	4.060
SJG121	SCK4-2H1	0.395	0.398
SJG122	SCK4-2H8	0.704	0.409
SJG123	SCK4-1H91	0.731	0.473
SJG124	SCK4-1H97	0.385	0.388
SJG125	SCK4-1H95	0.777	0.723
SJG126	SCK4-1H108	1.050	1.030
SJG127	SCK4-1H107	0.575	0.536
SJG128	SCK4-1H111	0.464	0.238
SJG129	SCK36-1H21	0.371	0.276
SJG130	SCK32-1H19	0.385	0.272
SJG131	SCK32-1H25	0.531	0.769
SJG132	SCK32-1H28	0.683	0.525
SJG133	SCK32-1H21	0.785	0.672
SJG134	SCK32-1H27	0.353	0.199
SJG135	SCK32-1H52	0.410	0.162
SJG136	SCK32-1H53	2.820	2.190
SJG137	SCK32-1H54	0.400	0.288
SJG138	SCK7-1H2	0.422	0.392

Samples taken on Jan 30 – 31 2012 by SRK
Pulp duplicate

Number	Original ID	Original-Au (g/t)	ALS-Au (g/t)
SJG139	SCK36-1H3	0.566	0.518
SJG140	SCK36-1H4	1.080	1.125
SJG141	SCK36-1H2	0.806	0.847
SJG142	SCK8-1H9	0.416	0.297
SJG143	SCK8-1H77	0.454	0.390
SJG144	SCK8-1H10	0.474	0.573
SJG145	SCK8-1H75	3.630	3.230
SJG146	SCK8-1H11	0.453	0.405
SJG147	SCK36-1H1	0.139	0.155
SJG148	SCK36-1H2	0.776	1.390
SJG149	SCK36-1H3	0.321	1.035
SJG150	SCK36-1H4	1.360	1.900

Appendix E:
Innovation Company Certificate

高新技术企业

证书

企业名称：烟台中嘉矿业有限公司

发证时间：2020年12月8日

批准机关：

证书编号：GR202037002092

有 效 期：三年

Appendix F:
Compliance with Chapter 18

Chapter 18				SRK
18.01	**DEFINITIONS AND INTERPRETATION**			Not applicable.
18.02–18.04	**CONDITIONS FOR [REDACTED] OF NEW APPLICANT MINERAL COMPANIES**			
18.02	In addition to satisfying the requirements of Chapter 8, a Mineral Company which has applied for [REDACTED] must also satisfy the requirements of this Chapter.			1.4
18.03	A Mineral Company must:			
	(1)	establish to the Exchange's satisfaction that it has the right to participate actively in the exploration for and/or extraction of Natural Resources, either:		Figure 1-1
		(a)	through control over a majority (by value) of the assets in which it has invested together with adequate rights over the exploration for and/or extraction of Natural Resources; or	
			Note: 'control over a majority' means an interest greater than 50%.	
		(b)	through adequate rights (arising under arrangements acceptable to the Exchange), which give it sufficient influence in decisions over the exploration for and/or extraction of the Natural Resources;	
	(2)	establish to the Exchange's satisfaction that it has at least a portfolio of:		12.11
		(a)	Indicated Resources; or	
		(b)	Contingent Resources, identifiable under a Reporting Standard and substantiated in a Competent Person's Report. This portfolio must be meaningful and of sufficient substance to justify a [REDACTED];	
	(3)	if it has commenced production, provide an estimate of cash operating costs including the costs associated with:		19.2 19.3
		(a)	workforce employment;	
		(b)	consumables;	
		(c)	fuel, electricity, water and other services;	
		(d)	on and off-site administration;	
		(e)	environmental protection and monitoring;	
		(f)	transportation of workforce;	
		(g)	product marketing and transport;	
		(h)	non-income taxes, royalties and other governmental charges; and	
		(i)	contingency allowances;	
		Note: A Mineral Company must: ● *set out the components of cash operating costs separately by category;* ● *explain the reason for any departure from the list of items to be included under cash operating costs; and* ● *discuss any material cost items that should be highlighted to investors.*		
	(4)	demonstrate to the Exchange's satisfaction that it has available working capital for 125% of the group's present requirements, that is for at least the next 12 months, which must include:		19.2.4 19.3.4
		(a)	general, administrative and operating costs;	
		(b)	property holding costs; and	
		(c)	the cost of any proposed exploration and/or development; and	
		Note: Capital expenditures do not need to be included in working capital requirements. Where they are financed out of borrowings, relevant interest and loan repayments must be included.		
	(5)	ensure that its working capital statement in the [REDACTED] document under Listing Rule 8.21A states it has available sufficient working capital for 125% of the group's present requirements, that is for at least 12 months from the date of its [REDACTED] document.		19.2.4 19.3.4

Chapter 18				SRK
18.04	If a Mineral Company is unable to satisfy either the profit test in rule 8.05(1), the market capitalisation/revenue/cash flow test in rule 8.05(2), or the market capitalisation/revenue test in rule 8.05(3), it may still apply to be [REDACTED] if it can establish to the Exchange's satisfaction that its directors and senior managers, taken together, have sufficient experience relevant to the exploration and/or extraction activity that the Mineral Company is pursuing. Individuals relied on must have a minimum of five years relevant industry experience. Details of the relevant experience must be disclosed in the [REDACTED] document of the new applicant.			Not applicable.
	Note: A Mineral Company relying on this rule must demonstrate that its primary activity is the exploration for and/or extraction of Natural Resources.			
18.05–18.08	**CONTENTS OF [REDACTED] DOCUMENTS FOR NEW APPLICANTS**			
18.05	In addition to the information set out in Appendix 1A, a Mineral Company must include in its [REDACTED] document:			
	(1)	a Competent Person's Report;		1.1
	(2)	a statement that no material changes have occurred since the effective date of the Competent Person's Report. Where there are material changes, these must be prominently disclosed;		1.5.2
	(3)	the nature and extent of its prospecting, exploration, exploitation, land use and mining rights and a description of the properties to which those rights attach, including the duration and other principal terms and conditions of the concessions and any necessary licences and consents. Details of material rights to be obtained must also be disclosed;		3
	(4)	a statement of any legal claims or proceedings that may have an influence on its rights to explore or mine;		1.9
	(5)	disclosure of specific risks and general risks. Companies should have regard to Guidance Note 7 on suggested risk analysis; and		23
	(6)	if relevant and material to the Mineral Company's business operations, information on the following:		
		(a)	project risks arising from environmental, social, and health and safety issues;	18.6
		(b)	any non-governmental organisation impact on sustainability of mineral and/or exploration projects;	18.5
		(c)	compliance with host country laws, regulations and permits, and payments made to host country governments in respect of tax, royalties and other significant payments on a country by country basis;	18.4
		(d)	sufficient funding plans for remediation, rehabilitation and, closure and removal of facilities in a sustainable manner;	18.5
		(e)	environmental liabilities of its projects or properties;	18.5
		(f)	its historical experience of dealing with host country laws and practices, including management of differences between national and local practice;	18.4
		(g)	its historical experience of dealing with concerns of local governments and communities on the sites of its mines, exploration properties, and relevant management arrangements; and	18.4 18.5
		(h)	any claims that may exist over the land on which exploration or mining activity is being carried out, including any ancestral or native claims.	3 18.3
18.06–18.08	**Additional disclosure requirements that apply to certain new applicant Mineral Companies**			
18.06	If a Mineral Company has begun production, it must disclose an estimate of the operating cash cost per appropriate unit for the minerals and/or Petroleum produced.			19.3.2 19.4.2
18.07	If a Mineral Company has not yet begun production, it must disclose its plans to proceed to production with indicative dates and costs. These plans must be supported by at least a Scoping Study, substantiated by the opinion of a Competent Person. If exploration rights or rights to extract Resources and/or Reserves have not yet been obtained, relevant risks to obtaining these rights must be prominently disclosed.			Not applicable.
18.08	If a Mineral Company is involved in the exploration for or extraction of Resources, it must prominently disclose to [REDACTED] that its Resources may not ultimately be extracted at a profit.			12.1
18.09–18.13	**RELEVANT NOTIFIABLE TRANSACTIONS INVOLVING THE ACQUISITION OR DISPOSAL OF MINERAL OR PETROLEUM ASSETS**			Not applicable.

	Chapter 18		SRK
18.09	A Mineral Company proposing to acquire or dispose of assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must:		
	(1)	comply with Chapter 14 and Chapter 14A, if relevant;	
	(2)	produce a Competent Person's Report, which must form part of the relevant circular, on the Resources and/or Reserves being acquired or disposed of as part of the Relevant Notifiable Transaction;	
		Note: The Exchange may dispense with the requirement for a Competent Person's Report on disposals where shareholders have sufficient information on the assets being disposed of.	
	(3)	in the case of a major (or above) acquisition, produce a Valuation Report, which must form part of the relevant circular, on the Mineral or Petroleum Assets being acquired as part of the Relevant Notifiable Transaction; and	
	(4)	comply with the requirements of rules 18.05 to 18.05 in respect of the assets being acquired.	
	Note: Material liabilities that remain with the issuer on a disposal must also be discussed.		
18.10–18.11	***Requirements that apply to listed issuers***		
18.10	A listed issuer proposing to acquire assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must comply with rule 18.09.		
18.11	On completion of a Relevant Notifiable Transaction involving the acquisition of Mineral or Petroleum Assets, unless the Exchange decides otherwise, a listed issuer will be treated as a Mineral Company.		
18.12–18.13	***Requirements that apply to Mineral Companies and listed issuers***		
18.12	The Exchange may dispense with the requirement to produce a new Competent Person's Report or a Valuation Report under rules 18.05(1), 18.09(2) or 18.09(3), if the issuer has available a previously published Competent Person's Report or Valuation Report (or equivalent) which complies with rules 18.18 to 18.34 (where applicable), provided the report is no more than six months old. The issuer must provide this document and a no material change statement in the [REDACTED] document or circular for the Relevant Notifiable Transaction.		
18.13	An issuer must obtain the prior written consent of a Competent Person(s) or Competent Evaluator for their material to be included in the form and context in which it appears in a [REDACTED] document or circular for the Relevant Notifiable Transaction, whether or not such person or firm is retained by the [REDACTED] applicant or the issuer.		
18.14–18.17	**CONTINUING OBLIGATIONS**		Not applicable.
18.14	***Disclosure in reports***		
18.14	A Mineral Company must include in its interim (half-yearly) and annual reports details of its exploration, development and mining production activities and a summary of expenditure incurred on these activities during the period under review. If there has been no exploration, development or production activity, that fact must be stated.		
18.15–18.17	***Publication of Resources and Reserves***		
18.15	A listed issuer that publicly discloses details of Resources and/or Reserves must give an update of those Resources and/or Reserves once a year in its annual report, in accordance with the reporting standard under which they were previously disclosed or a Reporting Standard.		
18.16	A Mineral Company must include an update of its Resources and/or Reserves in its annual report in accordance with the Reporting Standard under which they were previously disclosed.		
18.17	Annual updates of Resources and/or Reserves must comply with rule 18.18.		
	Note: Annual updates are not required to be supported by a Competent Person's Report and may take the form of a no material change statement.		
18.18–18.27	**STATEMENTS ON RESOURCES AND/OR RESERVES**		
18.18	***Presentation of data***		
18.18	Any data presented on Resources and/or Reserves by a Mineral Company in a [REDACTED] document, Competent Person's Report, Valuation Report or annual report, must be presented in tables in a manner readily understandable to a non-technical person. All assumptions must be clearly disclosed and statements should include an estimate of volume, tonnage and grades.		12.11 13.5.6 13.6.5

Chapter 18			SRK
18.19	***Basis of evidence***		
18.19	All statements referring to Resources and/or Reserves:		
	(1)	in any new applicant [REDACTED] document or circular relating to a Relevant Notifiable Transaction, must be substantiated in a Competent Person's Report which must form part of the document; and	12.11 13.5.6 13.6.5
	(2)	in all other cases, must at least be substantiated by the issuer's internal experts.	Not applicable.
18.20	***Petroleum Competent Persons' Reports***		Not applicable.
18.20	A Competent Person's Report for Mineral Companies involved in the exploration for and/or extraction of Petroleum Resources and Reserves must include the information set out in Appendix 25.		
18.21–18.22	***Competent Person***		
18.21	A Competent Person must:		1.6
	(1)	have a minimum of five years experience relevant to the style of mineralization and type of deposit under consideration or to the type of Petroleum exploration, reserve estimate (as appropriate), and to the activity which the Mineral Company is undertaking;	1.6
	(2)	be professionally qualified, and be a member in good standing of a relevant Recognised Professional Organisation, in a jurisdiction where, in the Exchange's opinion, the statutory securities regulator has satisfactory arrangements (either by way of the IOSCO Multilateral MOU or other bi-lateral agreement acceptable to the Exchange) with the Commission for mutual assistance and exchange of information for enforcing and securing compliance with the laws and regulations of that jurisdiction and Hong Kong; and	1.6
	(3)	take overall responsibility for the Competent Person's Report.	1.6
18.22	A Competent Person must be independent of the issuer, its directors, senior management and advisers. Specifically the Competent Person retained must:		1.9.3
	(1)	have no economic or beneficial interest (present or contingent) in any of the assets being reported on;	
	(2)	not be remunerated with a fee dependent on the findings of the Competent Person's Report;	
	(3)	in the case of an individual, not be an officer, employee or proposed officer of the issuer or any group, holding or associated company of the issuer; and	
	(4)	in the case of a firm, not be a group, holding or associated company of the issuer. Any of the firm's partners or officers must not be officers or proposed officers of any group, holding or associated company of the issuer.	
18.23	***Additional requirements of Competent Evaluators***		Not applicable.
18.23	In addition to the requirements set out in rules 18.21(2) and 18.22, a Competent Evaluator must:		
	(1)	have at least ten years relevant and recent general mining or Petroleum experience (as appropriate);	
	(2)	have at least five years relevant and recent experience in the assessment and/or valuation of Mineral or Petroleum Assets or securities (as appropriate); and	
	(3)	hold all necessary licences.	
	Note: A Competent Person's Report or Valuation Report may be performed by the same Competent Person provided he or she is also a Competent Evaluator.		
18.24	***Scope of Competent Persons' Reports and Valuation Reports***		
18.24	A Competent Person's Report or Valuation Report must comply with a Reporting Standard as modified by this Chapter, and must:		
	(1)	be addressed to the Mineral Company or listed issuer;	1.4
	(2)	have an effective date (being the date when the contents of the Competent Person's Report or Valuation Report are valid) less than six months before the date of publishing the [REDACTED] document or circular relating to a Relevant Notifiable Transaction required under the [REDACTED] Rules; and	1.5
	(3)	set out what Reporting Standard has been used in preparing the Competent Person's Report or Valuation Report, and explain any departure from the relevant Reporting Standard.	1.4
18.25–18.26	***Disclaimers and Indemnities***		
18.25	A Competent Person's Report or Valuation Report may contain disclaimers of sections or topics outside their scope of expertise in which the Competent Person or Competent Evaluator relied upon other experts' opinions, but must not contain any disclaimers of the report in its entirety.		1.4.3

Chapter 18				SRK
18.26	The Competent Person or Competent Evaluator must prominently disclose in the Competent Person's Report or Valuation Report the nature and details of all indemnities provided by the issuer. Indemnities for reliance placed on information provided by issuers and third party experts (for information outside the Competent Person's or Competent Evaluator's expertise) are generally acceptable. Indemnities for fraud and gross negligence are generally unacceptable.			1.9 1.10
18.27	***Obligations of sponsor***			
18.27	Any sponsor appointed to or by a new applicant Mineral Company under Chapter 3A must ensure that any Competent Person or Competent Evaluator meets the requirements of this Chapter.			1.6
18.28–18.34	**REPORTING STANDARD**			
18.28–18.30	***Mineral reporting standard***			
18.28	In addition to satisfying the requirements of Chapter 13 (as modified by this Chapter), a Mineral Company exploring for and/or extracting mineral Resources and Reserves must also satisfy rules 18.29 and 18.30.			
18.29	A Mineral Company must disclose information on mineral Resources, Reserves and/or exploration results either:			1.4.1
	(1)	under:		1.4.1
		(a)	the JORC Code;	1.4.1
		(b)	NI 43–101; or	
		(c)	the SAMREC Code,	Not applicable.
		as modified by this Chapter; or		Not applicable.
	(2)	under other codes acceptable to the Exchange as communicated to the market from time to time, provided the Exchange is satisfied that they give a comparable standard of disclosure and sufficient assessment of the underlying assets.		Not applicable.
	Note: The Exchange may allow presentation of Reserves under other reporting standards provided reconciliation to a Reporting Standard is provided. A Reporting Standard applied to specific assets must be used consistently.			Not applicable.
18.30	A Mineral Company must ensure that:			
	(1)	any estimates of mineral Reserves disclosed are supported, at a minimum, by a Prefeasibility Study;		13.3
	(2)	estimates of mineral Reserves and mineral Resources are disclosed separately;		12, 13
	(3)	Indicated Resources and Measured Resources are only included in economic analyses if the basis on which they are considered to be economically extractable is explained and they are appropriately discounted for the probabilities of their conversion to mineral Reserves. All assumptions must be clearly disclosed. Valuations for Inferred Resources are not permitted;		12.11
	(4)	for commodity prices used in Pre-feasibility Studies, Feasibility Studies and valuations of Indicated Resources, Measured Resources and Reserves:- (a) the methods to determine those commodity prices, all material assumptions and the basis on which those prices represent reasonable views of future prices are explained clearly; and (b) if a contract for future prices of mineral Reserves exists, the contract price is used; and		17.1
	(5)	for forecast valuations of Reserves and profit forecasts, sensitivity analyses to higher and lower prices are supplied. All assumptions must be clearly disclosed.		Not applicable.
18.31–18.33	***Petroleum reporting standard***			Not applicable.
18.31	In addition to satisfying the requirements of Chapter 13 (as modified by this Chapter), a Mineral Company exploring for and/or extracting Petroleum Resources and Reserves must also satisfy rules 18.32 and 18.33.			
18.32	A Mineral Company must disclose information on Petroleum Resources and Reserves either:			
	(1)	under PRMS as modified by this Chapter; or		
	(2)	under other codes acceptable to the Exchange if it is satisfied that they give a comparable standard of disclosure and sufficient assessment of the underlying assets.		
	Note: A Reporting Standard applied to specific assets must be used consistently.			

Chapter 18			SRK
18.33	A Mineral Company must ensure that:		
	(1)	where estimates of Reserves are disclosed, the method and reason for choice of estimation are disclosed (i.e. deterministic or probabilistic methods, as defined in PRMS). Where the probabilistic method is used, the underlying confidence levels applied must be stated;	
	(2)	if the NPVs attributable to Proved Reserves and Proved plus Probable Reserves are disclosed, they are presented on a post-tax basis at varying discount rates (including a reflection of the weighted average cost of capital or minimum acceptable rate of return that applies to the entity at the time of evaluation) or a fixed discount rate of 10%;	
	(3)	Proved Reserves and Proved plus Probable Reserves are analysed separately and principal assumptions (including prices, costs, exchange rates and effective date) and the basis of the methodology are clearly stated;	
	(4)	if the NPVs attributable to Reserves are disclosed, they are presented using a forecast price as a base case or using a constant price as a base case. The bases for the forecast case must be disclosed. The constant price is defined as the unweighted arithmetic average of the closing price on the first day of each month within the 12 months before the end of the reporting period, unless prices are defined by contractual arrangements. The basis on which the forecast price is considered reasonable must be disclosed and Mineral Companies must comply with rule 18.30;	
		Note: In the forecast case under PRMS, the economic evaluation underlying the investment decision is based on the entity's reasonable forecast of future conditions, including costs and prices, which will exist during the life of the project.	
	(5)	if estimated volumes of Contingent Resources or Prospective Resources are disclosed, relevant risk factors are clearly stated;	
		Note: Under PRMS, wherever the volume of a Contingent Resource is stated, risk is expressed as the chance that the accumulation will be commercially developed and graduate to the reserves class. Wherever the volume of a Prospective Resource is stated, risk is expressed as the chance that a potential accumulation will result in a significant discovery of Petroleum.	
	(6)	economic values are not attached to Possible Reserves, Contingent Resources or Prospective Resources; and	
	(7)	where an estimate of future net revenue is disclosed, whether calculated without discount or using a discount rate, it is prominently disclosed that the estimated values disclosed do not represent fair market value.	
18.34	***Mineral or Petroleum Asset Valuation Reports***		Not applicable.
18.34	A Mineral Company must ensure that:		
	(1)	any valuation of its Mineral or Petroleum Assets is prepared under the VALMIN Code, SAMVAL Code, CIMVAL or such other code approved by the Exchange from time to time;	
	(2)	the Competent Evaluator states clearly the basis of valuation, relevant assumptions and the reason why a particular method of valuation is considered most appropriate, having regard to the nature of the valuation and the development status of the Mineral or Petroleum Asset;	
	(3)	if more than one valuation method is used and different valuations result, the Competent Evaluator comments on how the valuations compare and on the reason for selecting the value adopted; and	
	(4)	in preparing any valuation a Competent Evaluator meets the requirements set out in rule 18.23.	

CERTIFICATE AND CONSENT

To accompany the report entitled Qualified Person's Report for Songjiagou Gold Project, Shandong Province, People's Republic of China (the "**SJG Project**") and dated 31 December 2021,

I, Anshun Xu, do hereby certify that:

1) I am a Corporate Consultant in Geology and Mineral Resources, partner and director with the firm of SRK Consulting China Ltd. (the "**SRK**") with an office at: B315 COFCO Plaza, 8 Jianguomennei Dajie, Beijing, the People's Republic of China (the "**PRC**" or "**China**").

2) I graduated with a Bachelor's degree in Geology of Mineral Deposits from Nanjing University, China (B.Sc.) in 1982, a Master's degree in Geology of Mineral Deposits from Chengdu University of Technology, China (M.Sc.) in 1988, and a Doctoral degree in Geology from University of Nebraska-Lincoln, USA (Ph.D.) in 1996. I have practiced my profession since 1982. From 1982 to 1990 I worked in teaching geochemistry and geology of ore deposits in Chengdu University of Technology. From 1990 to 1996, I worked in University of Nebraska-Lincoln in teaching and researching assistance; and from 1996 to 2004 I worked in Canadian mining companies, and since 2005 I worked in mining consulting business in SRK. I worked in exploration management, mineral resource estimates, and technical review and preliminary economic assessment and reporting for various types of mineral deposits, including iron, gold, silver, copper, nickel, cobalt, lead-zinc, diamond, bauxite, and others located in China, Canada, Mongolia, Kazakhstan, Indonesian, Philippines, North Korea, Congo (King), Cameron, Madagascar, and Peru, etc. I authored/co-authored several technical reports for [REDACTED] or transactions in the TSX/TSXV and The Stock Exchange of Hong Kong Limited.

3) I am a fellow of the Australasian Institute of Mining and Metallurgy (the "**FAusIMM**") (No. 224861) since 2005, and in a good standing.

4) I have visited the subject property from 30 to 31 October 2012; on 11 April 2013, between 6 and 8 June 2018, and from 14 to 16 November 2019.

5) I have read the definition of Qualified Person set out in National Instrument 43-101 and certify that by virtue of my education, affiliation to a professional association, and past relevant work experience, I fulfilled the requirements to be a Qualified Person for the purposes of National Instrument 43-101 and this technical report has been prepared in compliance with National Instrument 43-101 and Form 43-101F1.

6) I, as a Qualified Person, am independent of the issuer as defined in Section 1.5 of National Instrument 43-101.

7) I am a co-author and chief compiler of this technical report and have supervised the independent verification completed by SRK and the preparation of the mineral resource model described in Section 13, and Sections 20, 23, 24, and 25 of this technical report. I accept professional responsibility for those sections I co-authored.

8) I have had no prior involvement with SJG Project.

9) I have read National Instrument 43-101 and confirm that this technical report has been prepared in compliance therewith.

10) SRK was retained by SINOGOLD Resources Holdings Group Co., Ltd. (the "**SINOGOLD**") to prepare a technical report about the SJG Project pursuant to Canadian Securities Administrators National Instrument 43-101 and Form 43-101F1 guidelines. The preceding report is based on site visits, a review of project files, and discussions with SINOGOLD's and Songjiagou mine's personnel.

11) I have not received, nor do I expect to receive, any interest, directly or indirectly, in the SJG Project or securities of SINOGOLD.

12) That, as of the date of this certificate, to the best of my knowledge, information and belief, this technical report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

Anson Xu, PhD, FAusIMM (#224861)
Corporate Consultant (Geology)

To accompany the report entitled Qualified Person's Report for Songjiagou Gold Project, Shandong Province, People's Republic of China (the "**SJG Project**") and dated 31 December 2021,

I, Yuanhai Li, do hereby certify that:

1) I am a Principal Environmental Consultant with the firm of SRK Consulting China Ltd. (the "**SRK**") with an office at: B315 COFCO Plaza, 8 Jianguomennei Dajie, Beijing, the People's Republic of China (the "**PRC**" or "**China**").

2) I graduated with a Bachelor's degree in Environmental Engineering from Tsinghua University, China (B.Sc.) in 1999, a Master's degree in Structural Engineering from Shantou University, China (M.Sc.) in 2002, and a Doctoral degree in Environmental Engineering from Florida State University, USA (Ph.D.) in 2006. I am a Principal Environmental Consultant with SRK with over 19 years' experience in the environmental engineering field. Since I graduated with a doctoral degree in Environmental Engineering from the Florida State University, I have worked in various environmental projects in New Jersey/New York area of USA, China, Mongolia, as well as South Asian Countries. I have particular expertise in environmental due diligence reviews, environmental compliance and impact assessments for mining, mineral processing, refining, smelting; and infrastructure/hydropower project. In addition, I have extensive experience in environmental engineering with a thorough knowledge of various environmental hazardous waste/solid waste issues, including contaminated site assessment, landfill closures/brownfield redevelopment, and contaminated site remedial designs. I also have a deep understanding of water/wastewater treatment design, water distribution systems, storm water management systems.

3) I am a member of the Australasian Institute of Mining and Metallurgy (the "**MAusIMM**") (No. 314225) since 2013, and in a good standing.

4) I have visited the subject property between 6 and 8 June 2018.

5) I am a co-author of this technical report and prepared the Licences and Permits, and Environmental, Permit, Social and Community Impact described in Section 3, 18, 23, and 26 of this technical report. I accept professional responsibility for those sections I co-authored.

6) I have had no prior involvement with SJG Project.

7) I have read National Instrument 43–101 and confirm that this technical report has been prepared in compliance therewith.

8) SRK was retained by SINOGOLD Resources Holdings Group Co., Ltd. (the "**SINOGOLD**") to prepare a technical report about the SJG Project pursuant to Canadian Securities Administrators National Instrument 43-101 and Form 43-101F1 guidelines. The preceding report is based on site visits, a review of project files, and discussions with SINOGOLD's and Songjiagou mine's personnel.

9) I have not received, nor do I expect to receive, any interest, directly or indirectly, in the SJG Project or securities of SINOGOLD.

10) That, as of the date of this certificate, to the best of my knowledge, information and belief, this technical report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

Yuanhai Li, PhD, MAusIMM (#314225)
Principal Environmental Consultant

To accompany the report entitled Qualified Person's Report for Songjiagou Gold Project, Shandong Province, People's Republic of China (the "**SJG Project**") and dated 31 December 2021,

I, Lanliang Niu, do hereby certify that:

1) I am a Principal Consultant in Mineral Processing, working for SRK Consulting China Ltd. (the "**SRK**") with an office at: B315 COFCO Plaza, 8 Jianguomennei Dajie, Beijing, the People's Republic of China (the "**PRC**" or "**China**").

2) I graduated with a Bachelor's degree in Mineral Processing from Beijing University of Science & Technology in 1987. I have practiced my profession since 1983. From 1983 to 1995 I worked in technical research and consulting of gold industry in Rock and Mineral Test Centre of Henan Province. I am rewarded a Second Prize and a Third Prize of Ministry of Geology and Minerals of PRC for the significant contribution to development of geological technology practices on gold heap leach. From 1996 to 2005, I am engaged in mineral processing research on various minerals. From 2005 to 2007 I worked in a rare earth mine in Sichuan Province. Since 2007 I worked in mineral processing consulting business in SRK. I participated in more than a hundred projects in SRK.

3) I am a member of the Australasian Institute of Mining and Metallurgy (the "**MAusIMM**") (No. 301789) since 2009.

4) I have visited the subject property from 6 to 8 June 2018, and from 14 to 16 November 2019.

5) I am a co-author of this technical report and prepared the section 15 of this technical report. I accept professional responsibility for those sections I co-authored.

6) I have had no prior involvement with SJG Project.

7) I have read National Instrument 43–101 and confirm that this technical report has been prepared in compliance therewith.

8) SRK was retained by SINOGOLD Resources Holdings Group Co., Ltd. (the "**SINOGOLD**") to prepare a technical report about the SJG Project pursuant to Canadian Securities Administrators National Instrument 43-101 and Form 43-101F1 guidelines. The preceding report is based on site visits, a review of project files, and discussions with SINOGOLD's and Songjiagou mine's personnel.

9) I have not received, nor do I expect to receive, any interest, directly or indirectly, in the SJG Project or securities of SINOGOLD.

10) That, as of the date of this certificate, to the best of my knowledge, information and belief, this technical report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

Lanliang Niu, MAusIMM (#301789)
Principal Consultant (Mineral Processing)

As a co-author of the report entitled Qualified Person's Report for Songjiagou Gold Project, Shandong Province, the People's Republic of China and dated 31 December 2021,

I, Pengfei Xiao, do hereby certify that:

1) I am employed by, and carried out the assignment (Principal Geologist and Managing Director) for SRK Consulting China Limited ("**SRK**") with an office at: B315 COFCO Plaza, 8 Jianguomennei Dajie, Beijing, 100005, the People's Republic of China; Phone: 86-10-6511 1000, Fax: 86-10-8512 0385, Email: pxiao@srk.cn.

2) I graduated with a Bachelor's degree in Geophysics in China University of Sciences (B.Sc.) in 2005, a Master's degree in Solid Earth Physics and Mineral Exploration from China University of Sciences; Institute of Geology and Geophysics, China Academy of Sciences (M.Sc.) in 2008.
I have been directly involved in mineral project evaluation for this type of gold mineralization for more than 12 years.

3) I am a Member with the Australasian Institute of Mining and Metallurgy since 2011 (**MAusIMM** #307962).

4) I have visited the subject property together with SRK team in October 2012; accompanying by client personnel in January 2013 and May 2018.

5) I have read the definition of "Competent Person" set out in HKEx listing rules and certify that by reason of my education, affiliation with a professional association (as defined in the listing rules) and past relevant work experience, I fulfil the requirements to be a "competent person" for the purposes of the technical report.

7) I have had no prior involvement with SJG Project; I have no interest, nor do I expect to receive any interest, either directly or indirectly, in the SJG Project, nor in the securities of the Company, or their subsidiary mining companies.

8) I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.

9) I consent to the filing of the Technical Assessment Report with HKEx and other regulatory authority and any publication by them, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report

Pengfei Xiao
Principal Consultant (Geology)

To accompany the report entitled Qualified Person's Report for Songjiagou Gold Project, Shandong Province, People's Republic of China (the "**SJG Project**") and dated 31 December 2021,

I, Yonggang Wu, do hereby certify that:

1) I am a Principal Consultant in Mining Engineering with the firm of SRK Consulting China Ltd. (the "**SRK**") with an office at: Room 1405-1, Investment Building, No. 66 East Yangming Road, Donghu District, Nanchang City, Jiangxi Province, the People's Republic of China (the "**PRC**" or "**China**").

2) I graduated with a Bachelor's degree in Mining Engineering from Jiangxi University of Science and Technology, China (B.Eng.) in 2004, and a Master's degree in Mining Engineering from Jiangxi University of Science and Technology, China (M.Eng.) in 2007. I joined SRK after graduation from Jiangxi University of Science and Technology in 2007. I have acquired specialised knowledge of mining engineering and MineSight software and has been involved in a large number of projects to date. Minerals involved include Au, Pb, Zn, Mn, Cu, Fe, fluorite, potassium salts, alum, phosphorus, and many more. I have accumulated extensive experience in mineral resource/reserve estimation, open pit limit optimisation and design, underground mining design, long-term production planning, and due diligence studies. I have expertise in geological and mining modelling and is proficient in using MineSight, AutoCAD, and other specialised software packages.

3) I am a member of the Australasian Institute of Mining and Metallurgy (the "**MAusIMM**") (No. 320985) since 2015, and in a good standing.

4) I have visited the subject property from 6 to 8 June 2018, from 10 to 12 October 2020 and from 7 to 8 November 2021.

5) I am a co-author of this QPR and the preparation of the mineral reserve model described in Section 13, and Sections 14, 16, 17, 19 and 20 of this QPR. I accept professional responsibility for those sections I co-authored.

6) I have had no prior involvement with SJG Project.

7) I have read National Instrument 43-101 and confirm that this technical report has been prepared in compliance therewith.

8) SRK was retained by SINOGOLD Resources Holdings Group Co., Ltd. (the "**SINOGOLD**") to prepare a technical report about the SJG Project pursuant to Canadian Securities Administrators National Instrument 43-101 and Form 43-101F1 guidelines. The preceding report is based on site visits, a review of project files, and discussions with SINOGOLD's and Songjiagou mine's personnel.

9) I have not received, nor do I expect to receive, any interest, directly or indirectly, in the SJG Project or securities of SINOGOLD.

10) That, as of the date of this certificate, to the best of my knowledge, information and belief, this technical report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

Yonggang Wu, MAusIMM (#320985)
Principal Consultant (Mining)

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix VI in the section headed "Documents on display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) *Power to dispose of the assets of the Company or any subsidiary*

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) *Compensation or payment for loss of office*

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) *Loans to Directors*

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) *Financial assistance to purchase Shares*

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may by resolution approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) *Retirement, appointment and removal*

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak; (b) on a show of hands every member present in any such manner shall have one vote; and (c) on a poll every member present in such manner shall have one vote for every share of which he is the holder.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committed, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting in each financial year. The annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in such form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that the manner of purchase has first been authorised by the members of the Company by ordinary resolution.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, our of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 *Rights of minorities in relation to fraud or oppression*

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 *Procedure on liquidation*

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, given notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 May 2019 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The undertaking is for a period of twenty years from 9 March 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents on display" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands with limited liability under the Companies Act as an exempted company on 21 May 2019 with our registered office located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our Company has established a principal place of business in Hong Kong at Level 20, Infinitus Plaza, 199 Des Voeux Road Central and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 11 November 2019. In connection with such registration, Mr. Lo Cheuk Kwong Raymond has been appointed as the authorised representative of our Company. The address for service of process on our Company in Hong Kong is Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the Companies Act and our constitution, which comprises the Memorandum and the Articles of Association. A summary of various parts of the constitution and relevant aspects of the Companies Act is set out in the section headed "Summary of the constitution of our Company and Cayman Islands Company Law" in Appendix IV to this document.

2. Changes in the share capital of our Company

The following changes in the share capital of our Company have taken place since the date of incorporation and up to the Latest Practicable Date:

(a) On 21 May 2019, our Company was incorporated in the Cayman Islands with limited liability with an authorised share capital of US$50,000 divided into 50,000 Shares of US$1.00 each. On the same day, one Share credited as fully paid, was allotted and issued to Vistra (Cayman) Limited, our initial subscriber and an Independent Third Party. On the same day, the initial subscriber's one Share was transferred at par value of US$1.00 to Richard's Resource. On the same day, our Company allotted and issued five and 94 Shares credited as fully paid, to Richard's Resource and Majestic Gold, respectively;

(b) On 24 April 2020, the authorised and issued share capital of our Company were re-dominated by (i) an increase in our Company's authorised share capital by HK$370,000 by the creation of an additional 37,000,000 Shares of HK$0.01 each; (ii) an allotment and issue of 75,200 Shares and 4,800 Shares of HK$0.01 each to Majestic Gold and Richard's Resource, respectively; (iii) a repurchase of 94 shares and six shares of US$1.00 each then held by Majestic Gold and Richard's Resource, respectively; and (iv) following the above repurchase a diminution in the authorised but unissued share capital of our Company by the cancellation of 50,000 shares of US$1.00 in the share capital of our Company;

(c) On [●], the authorised share capital of our Company was increased from HK$370,000 divided into 37,000,000 Shares of HK$0.01 each to HK$[100,000,000] divided into [10,000,000,000] Shares of HK$0.01 each by the creation of [9,963,000,000] additional Shares of HK$0.01 each.

Assuming the [REDACTED] becomes unconditional, immediately following completion of the [REDACTED] and the Capitalisation Issue (taking no account of the Shares which may be issued upon the exercise of the [REDACTED] or the options granted or to be granted under the Share Option Scheme), the authorised share capital of our Company will be HK$[100,000,000] divided into [10,000,000,000] Shares and the issued share capital of our Company will be HK$[REDACTED] divided into [REDACTED] Shares, fully paid or credited as fully paid, with [REDACTED] Shares remaining unissued.

Other than pursuant to the Issue Mandate to issue Shares referred to in the paragraph headed "A. Further information about our Group — 6. Written resolutions of our Shareholders passed on [●]" in this appendix to this document, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this appendix and in the section headed "History, Reorganisation and corporate structure" in this document, there has been no alteration in the share capital of our Company since our incorporation.

3. Corporate Reorganisation

In order to rationalise our corporate structure and business, our Group underwent the corporate Reorganisation. Please refer to the section headed "History, Reorganisation and corporate structure — Reorganisation" in this document for more details.

4. Changes in share capital of our subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this document.

Save as disclosed in the section headed "History, Reorganisation and corporate structure" in this document, there has been no other change to the share capital of any of the subsidiaries of our Company within two years immediately prior to the date of this document.

5. Particulars of our subsidiary in the PRC

Set out below is a summary of the corporate information of Yantai Zhongjia, our subsidiary established in the PRC:

Full name	煙台中嘉礦業有限公司 (Yantai Zhongjia Mining Co. Ltd*)
Date of establishment	17 March 2005
Place of establishment	The PRC
Corporate nature	Limited liability company (Sino-foreign joint venture)
Registered capital	RMB139,905,500
Attributable interest of our Company	75%
Term of business operation	From 17 March 2005 to 16 March 2035
Scope of business (as shown on the business licence)	Geological exploration, mining (valid under license), processing of gold and precious metals and sale of self-made products
Legal representative	Mr. Zhou Shufeng (周書鋒)

6. Written resolutions of our Shareholders passed on [●]

Pursuant to written resolutions passed by all the then Shareholders on [●], the following resolutions, among other resolutions, were duly passed:

(a) our Company approved and adopted the Memorandum and Articles of Association, the terms of which are summarised in Appendix IV to this document, with effect from the [REDACTED];

(b) the authorised share capital of our Company was increased from HK$[370,000] divided into [37,000,000] Shares of HK$0.01 each to HK$[100,000,000] divided into [10,000,000,000] Shares of HK$0.01 each by the creation of an additional [9,963,000,000] Shares of HK$0.01 each, ranking *pari passu* with the existing Shares in all respects;

(c) conditional upon (i) the Stock Exchange granting the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued (pursuant to the [REDACTED], the [REDACTED] and the Share Option Scheme) as mentioned in this document; and (ii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms of the [REDACTED] or otherwise:

(i) the [REDACTED] and the [REDACTED] were approved and our Directors were authorised to approve to allot and issue the [REDACTED] and the Shares as may be required to be allotted and issued upon the exercise of the [REDACTED] on and subject to the terms and conditions stated in this document;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in this appendix, were approved and adopted, and our Directors or any committee thereof established by our Board were authorised, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the rules of the Share Option Scheme from time to time as such modification/amendments may be acceptable or not objected by, nor required to be approved by our Shareholders under applicable laws, rules and regulations, including the Listing Rules; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with the Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], any Shares or any part thereof that may hereafter from time to time be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme; and

(iii) conditional on the share premium account of our Company being credited as a result of the issue of the [REDACTED] of the [REDACTED], our Directors were authorised to capitalise HK$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on [●] (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to the resolution should rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(d) a general unconditional mandate was given to our Directors to allot, issue and deal with Shares (including the power to make or grant an offer or agreement, or grant securities or options which would or might require Shares to be allotted and issued), otherwise than by way of a rights issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the issue of Shares upon the exercise of any subscription or conversion rights attached to any warrants of our Company (if any) or pursuant to the exercise of options which may be granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of our Company and/or any of our subsidiaries or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, not exceeding 20% of the number of Shares in issue and to be issued immediately following completion of the [REDACTED] but before any exercise of the [REDACTED] until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meeting of our Company varying or revoking the authority given to our Directors, whichever occurs first.

(e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the number of Shares in issue immediately following completion of the [REDACTED] but before any exercise of the [REDACTED] until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meeting of our Company varying or revoking the authority given to our Directors, whichever occurs first; and

(f) conditional on the passing of the resolutions referred in sub-paragraphs (d) and (e) above, the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (d) above by the addition to the total number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of the total number of Shares repurchased by our Company pursuant to paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following the [REDACTED] but before any exercise of the [REDACTED] until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meeting of our Company varying or revoking the authority given to our Directors, whichever occurs first, be and is hereby approved.

7. Repurchase by our Company of our own securities

(a) *Listing Rules*

This paragraph contains information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of our own securities.

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed on [●] by all our then Shareholders, a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares exceeding 10% of the total number of Shares in issue or to be issued immediately following completion of the [REDACTED] and the Capitalisation Issue (taking no account of the Shares which may be taken up under any exercise of the [REDACTED] or the options under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of the then Shareholders in general meeting, whichever occurs first.

(ii) *Core connected persons*

The Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell his securities to the company on the Stock Exchange.

(iii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the applicable laws of the Cayman Islands and the Listing Rules. A listed company is prohibited from repurchasing its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Under the Cayman Islands laws, any repurchase of securities by our Company may be made out of profits or share premium of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing the credit of the share premium account of our Company or, subject to the Companies Act, out of capital.

(iv) *Status of repurchased Shares*

The [REDACTED] of all repurchased Shares (whether offered on the Stock Exchange or otherwise) will automatically be cancelled and the certificates for those Shares shall be cancelled and destroyed.

(v) *Trading restrictions*

A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(vi) *Suspension of repurchase*

Pursuant to the Listing Rules, a listed company may not make any repurchases of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter-year or any other interim period (whether or not required by the Listing Rules); and (ii) the deadline for a listed company to publish an announcement of its results for any year, half-year or quarter-year period under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange unless the circumstances are exceptional.

(vii) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(b) *Reasons for repurchase*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and our subsidiaries and/or the earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Funding of repurchase*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of Cayman Islands.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme), would result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this document) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company and our subsidiaries or the gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company and our subsidiaries.

(d) ***General***

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Cayman Islands.

If, as a result of a share repurchase, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) may obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falls below 25% of the total number of Shares in issue.

Our Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months prior to the Latest Practicable Date.

No core connected person has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Company or our subsidiaries within the two years preceding the date of this document and are or may be material:

(a) the deed of waiver dated 4 June 2020 entered into between our Company and Majestic Gold pursuant to which Majestic Gold agreed to waive the outstanding debts amounted to approximately CAD$62.1 million owed by our Company;

(b) the letter of agreement on waiver of debt dated 25 March 2022 entered into between Majestic Gold and Yantai Zhongjia pursuant to which Majestic Gold agreed to waive the outstanding debts amounted to approximately RMBl0.8 million owed by Yantai Zhongjia upon successful listing of our Company;

(c) the letter of agreement on waiver of debt dated 25 March 2022 entered into between Dahedong and Yantai Zhongjia pursuant to which Dahedong agreed to waive the outstanding debts amounted to approximately RMB36.3 million owed by Yantai Zhongjia upon successful listing of our Company;

(d) the Deed of Indemnity;

(e) the Deed of Non-competition; and

(f) the [REDACTED].

2. Intellectual property rights of our Group

(a) *Trademarks*

As at the Latest Practicable Date, we had registered the following trademark in Hong Kong:

Trademark	Owner	Classes	Registration number	Duration of validity
(A) (B)	Our Company	14, 37, 42	305134004	5 December 2019 – 4 December 2029

As at the Latest Practicable Date, we had registered the following trademark in the PRC:

Trademark	Owner	Classes	Registration number	Duration of validity
	Our Company	7, 37, 42	50746519	7 August 2021 – 6 August 2031

As at the Latest Practicable Date, we are applying for registration of the following trademark in the PRC:

Trademark	Applicant	Classes	Application number	Date of application
	Our Company	7, 37, 42	42820074	4 December 2019

(b) *Patents*

As at the Latest Practicable Date, we have registered the following patents which we consider to be or may be material to our business:

No.	Patent Name	Patent type	Patentee	Place of registration	Patent number	Grant date	Expiry date
1.	A concentrating machine (一種選礦機)	Invention patent	Yantai Zhongjia	PRC	201811083735X	16 June 2020	18 September 2038
2.	An automatic irrigation system based on slope protection purpose (一種基於邊坡防護目的的自動灌溉系統)	Utility model patent	Yantai Zhongjia	PRC	2019214766993	9 October 2020	6 September 2029
3.	A detachable and degradable environment friendly dust screen (一種便於拆卸的可降解環保防塵網)	Utility model patent	Yantai Zhongjia	PRC	2019214866879	9 June 2020	9 September 2029
4.	A new intelligent NC dosing device (一種新式智能數控加藥裝置)	Utility model patent	Yantai Zhongjia	PRC	2019214866830	28 July 2020	9 September 2029

No.	Patent Name	Patent type	Patentee	Place of registration	Patent number	Grant date	Expiry date
5.	A Yin-yang high performance abrasion-resistance ball (一種陰陽型高性能耐磨球)	Utility model patent	Yantai Zhongjia	PRC	2019214954475	15 May 2020	10 September 2029
6.	An energy-efficient wet iron separator (一種節能高效濕式除鐵器)	Utility model patent	Yantai Zhongjia	PRC	2019215426819	11 August 2020	17 September 2029
7.	A drainage well water yield real-time monitoring device (一種排滲井出水量的實時監測裝置)	Utility model patent	Yantai Zhongjia	PRC	201921704803X	28 July 2020	12 October 2029
8.	A shrink and adjust sensitive riffle (一種縮分調節靈敏的二分器)	Utility model patent	Yantai Zhongjia	PRC	2019219014339	14 July 2020	6 November 2029
9.	An uncoupled air spacer for charging (一種用於裝藥的不耦合式空氣間隔柱)	Utility model patent	Yantai Zhongjia	PRC	2019219436504	14 July 2020	12 November 2029
10.	A quick reading and accurate measuring device for the length of gun-mud filling (一種讀數快測值精準的炮泥填塞長度測量裝置)	Utility model patent	Yantai Zhongjia	PRC	2019220600069	14 July 2020	26 November 2029
11.	A high precision measuring device for tailing pulp quantity (一種測量精度高的尾礦漿量測量裝置)	Utility model patent	Yantai Zhongjia	PRC	2020231395709	14 September 2021	22 December 2030
12.	A vegetation fixtures for strengthening the stability of rocky slopes (一種加強岩質邊坡穩定性的植被固定裝置)	Utility model patent	Yantai Zhongjia	PRC	2020231471011	14 September 2021	23 December 2030
13.	A high stability slope rockfall monitoring device for open-pit mine (一種用於露天礦的穩定性高的邊坡落石監測裝置)	Utility model patent	Yantai Zhongjia	PRC	2020231687162	14 September 2021	24 December 2030
14.	An underground filling aggregate strength testing device (一種井下充填骨料強度檢測裝置)	Utility model patent	Yantai Zhongjia	PRC	2020231685449	1 October 2021	24 December 2030
15.	A sprinkler with wide coverage for underground fire safety (一種用於井下消防安全的覆蓋面廣的噴淋裝置)	Utility model patent	Yantai Zhongjia	PRC	202023206037X	17 September 2021	25 December 2030
16.	A warning device for preventing from entering into underground mine working area accidentally (一種地下礦山作業區域防誤入警戒裝置)	Utility model patent	Yantai Zhongjia	PRC	2020232056726	14 September 2021	25 December 2030

(c) ***Software copyrights***

As at the Latest Practicable Date, our Group had registered the following software copyrights in the PRC which are material to our Group's business:

No.	Registered No.	Software Name	Copyright Owner	Date of registration
1	2019SR1028291	Zhongjia Blasting Supervision Dynamic Control Software V1.0 (中嘉爆破監理動態管控軟件V1.0)	Yantai Zhongjia	11 October 2019
2	2019SR1028293	Zhongjia Mining Visual 3D Scene Reproduction and Visualisation Management System V1.0 (中嘉礦業三維場景再現可視化管理系統V1.0)	Yantai Zhongjia	11 October 2019
3	2019SR1035701	Zhongjia Online Safety Monitoring and Controlling System of Tailings dam V1.0 (中嘉尾礦庫在線安全監測監控系統V1.0)	Yantai Zhongjia	12 October 2019
4	2019SR1035740	Zhongjia Open Truck Digital Dispatching System V1.0 (中嘉露天卡車鏟運數字化調度系統V1.0)	Yantai Zhongjia	12 October 2019
5	2019SR1035810	Zhongjia 3D Mine Surveying Integrated Information Management Software V1.0 (中嘉三維礦業測量綜合信息管理軟件V1.0)	Yantai Zhongjia	12 October 2019

(d) ***Art copyrights***

As at the Latest Practicable Date, our Group had registered and maintained the following art copyright in the PRC which is material to our Group's business:

Registered No.	Art type	Copyright Owner	Date of registration
2020F00987491	Art product	Our Company	24 February 2020

(e) *Domain names*

As at the Latest Practicable Date, our Group had registered and maintained the following domain names which are material to our Group's business:

Domain name	Registration date	Expiry date	Registrant
www.sinogoldresources.com	7 November 2019	7 November 2022	Our Company
www.zj-mining.cn	8 January 2018	8 January 2027	Yantai Zhongjia

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Interests and short position of Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations

So far as the Directors are aware, immediately following completion of the [REDACTED] and the Capitalisation Issue and without taking into account of any Shares which may be issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, based on the information available on the Latest Practicable Date, the interests or short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(a) *Interest in Shares of our Company*

Name of Director	Nature of interests	Number of Shares	Approximate % of interest in our Company
Nil			

(b) *Interest in associated corporation of our Company*

Name of Director	Name of associated corporation	Nature of interests	Number of shares held in the associated corporation	Approximate % of interest in associated corporation
Mackie James Thomas	Majestic Gold	Beneficial Owner	100,000	0.01

Notes:

1. All interests stated are long positions.

2. Interests and short positions of substantial shareholders in the shares or underlying shares of our Company

So far as our Directors are aware, immediately following the [REDACTED] and the Capitalisation Issue and without taking into account of any Shares which may be issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, the following on person(s), not being Directors or chief executive of our Company, who (based on the information available on the Latest Practicable Date) will have the interests or short positions in the Shares or underlying Shares of our Company which will fall to be disclosed to our Company under the provisions of divisions 2 and 3 of part XV of the SFO, or, directly or indirectly interested in 10% of more of the issued voting shares of any other member of our Group:

(a) *Interests and short positions in our Shares and underlying Shares*

Name	Nature of interests	Number of Shares	Approximate % of shareholding
Majestic Gold	Beneficial owner	[REDACTED]	[REDACTED]

(b) *Interests of substantial shareholders of any member of our Group (other than our Company)*

Name of subsidiary	Name of shareholder	% of interest
Yantai Zhongjia	Dahedong *(Note)*	25

Note: As at the Latest Practicable Date, Dahedong was owned as to 50% by Mr. Kong Fanbo, and the remaining equity interests held in equal share of approximately 16.67% by each of (i) Mr. Kong Fanzhong; (ii) Mr. Wang Lei; and (iii) SDZJ. Mr. Kong Fanbo and Mr. Kong Fanzhong are brothers and Mr. Wang Lei is their brother-in-law.

3. Particulars of Directors' service contracts and letters of appointment

Each of our executive Directors, namely, Dr. Shao, Mr. Mackie James Thomas, Mr. Lo Cheuk Kwong Raymond and Mr. Chen Shaohui, has entered into a service agreement with our Company for an initial term of three years commencing from the [REDACTED]. During the initial term, either party to the service agreement shall be entitled to terminate the service agreement by serving not less than three months' written notice upon the other side.

Each of our executive Directors is entitled to a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of our executive Directors. Each of our executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board regarding the amount of annual salary and discretionary bonus payable to himself.

Each of our independent non-executive Directors, namely, Dr. Malaihollo Jeffrey Francis A, Mr. Chan Ngai Fan and Dr. Zeng Ming has entered into a letter of appointment with our Company for an initial term of three years commencing from the [REDACTED]. During the initial term, either party shall be entitled to terminate the term by serving not less than three months' written notice upon the other side.

Each of our Directors is entitled to the respective basic salary/service fee set out below (subject to annual adjustment after consultation with remuneration committee at the discretion of our Directors, and taking no account of the discretional bonus they may be entitled to).

Our Company shall reimburse our Directors, upon production of valid receipts and/or vouchers if requested, all necessary and reasonable expenses (including travel, hotel, meals and other out-of-pocket expenses) properly incurred by our Directors in the performance of their duties under the service contracts or letters of appointment.

The current basic annual salaries/service fees (excluding discretionary bonus) of each of our Directors are as follows:

Name	**Annual basic salary/service fee**
Executive Directors	
Dr. Shao Xuxin	HK$1,500,000
Mr. Mackie James Thomas	HK$1,300,000
Mr. Lo Cheuk Kwong Raymond	HK$1,200,000
Mr. Chen Shaohui	HK$300,000
Independent non-executive Directors	
Dr. Malaihollo Jeffrey Francis A	HK$240,000
Mr. Chan Ngai Fan	HK$240,000
Dr. Zeng Ming	HK$240,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

4. Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are (i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to our Company; and (ii) non-cash benefits may be provided to our Directors under their remuneration package.

For the three years ended 31 December 2021, the aggregate amount of salaries and other allowances, discretionary bonus, retirement scheme contributions, other social welfare and benefits in kind (if applicable) paid by our Group to our Directors amounted to approximately RMB0.9 million, RMB2.0 million and RMB1.7 million, respectively. For further details in respect of our Directors' remuneration, please refer to the Appendix I to this document.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors (i) as an inducement to join or upon joining our Group or (ii) for loss of any office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors had waived any remuneration during the Track Record Period.

Save as disclosed in this document, for the three years ended 31 December 2021, no other emoluments have been paid or are payable by our Company to our Directors. Under the arrangements currently in force within our Group, our Company estimates that the aggregate remuneration (including fees, salaries, allowances, pension-defined contribution plans and other benefits in kind where applicable) of our Directors (including independent non-executive Directors in their capacity as Directors), excluding any discretionary benefits or bonuses or other fringe benefits, for the year ending 31 December 2022 will be approximately RMB3.3 million.

Save as disclosed in Appendix I to this document, none of our Directors received any other remuneration or benefits in kind from our Group during the Track Record Period.

5. Related party transactions

Save as disclosed in this document and in Note 35 to the Accountants' Report, the text of which is set out in Appendix I to this document, during the three years immediately preceding the date of this document, we had not engaged in any other material related party transactions.

6. Disclaimers

Save as aforesaid and saved as disclosed elsewhere in this document:

(a) none of our Directors or the chief executive of our Company, as at the Latest Practicable Date, has any interest or short position in any share, underlying share and debenture of our Company or any of its associated corporations (within the meaning of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the of the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

(b) save in connection with the [REDACTED], none of the experts referred to in the paragraph headed "E. Other information — 11. Consents of experts" of this appendix has any shareholding in any member of our Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(c) none of the experts referred to in the paragraph headed "E. Other information — 11. Consents of experts" of this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) taking no account of Shares which may be pursuant to options which may be granted under our Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED], have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group;

(e) none of our Directors has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group;

(f) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole; and

(g) our Directors confirm that none of our Directors, their respective close associates or Shareholders who are interested in 5% or more of the issued share capital of our Company have any interest in the five largest customers or the five largest suppliers or the five largest subcontractors of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on [●]. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) have had or may have made to our Group by:

(i) motivating the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the Group.

2. Who may join

Our Board may, at its discretion, invite any person belonging to any of the following classes of persons (the "**Eligible Participants**") to take up options to subscribe for Shares:

(i) any full-time or part-time employees, executives or officers of our Company or any of our subsidiaries;

(ii) any directors (including executive, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to our Company or any of our subsidiaries; and

(iv) such other persons who, in the sole opinion of our Board, will contribute or have contributed to our Group, the assessment criteria of which are:

(aa) contribution to the development and performance of our Group;

(bb) quality of work performed for our Group;

(cc) initiative and commitment in performing his/her duties; and

(dd) length of service or contribution to our Group.

3. Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer may be accepted by an Eligible Participant in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document and accepted by the Eligible Participant. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs 12, 13, 14, 15 and 16 below, an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, and by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the auditors' or independent financial adviser's certificate pursuant to paragraph 18 below, our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee a share certificate for the Shares so allotted.

The exercise of any option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.

4. Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, being [REDACTED] Shares (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, our Board may:

(i) renew this limit at any time to 10% of the Shares in issue (the "**New Scheme Limit**") as at the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph 18 below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

5. Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled (the "**Cancelled Shares**") to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among others:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph 3 above;

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the notice given by the grantee in respect of the exercise of the option; and

(hh) the method of acceptance of the option which shall, unless our Board otherwise determines, be in accordance with the provision of the Share Option Scheme as set out in paragraph 3 above.

6. Subscription price

The subscription price in respect of any option shall, subject to any adjustments made under the Share Option Scheme, shall be at the absolute discretion of our Board, provided that it shall be not less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

7. Granting options to connected persons

Any grant of options to a Director, chief executive or Substantial Shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantees, their respective associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting and the date of our Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

8. Restrictions on the time of grant of options

Our Board shall not make an offer to any Eligible Participant after inside information has come to our Company's knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(i) the date of our Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of the results announcement, no option may be granted.

9. Rights are personal to grantee

An option is personal to the grantee and shall not be assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing by a grantee shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

10. Time of exercise of option and duration of the Share Option Scheme

Our Board shall, in accordance with the provisions of the Share Option Scheme, be entitled but shall not be bound, at any time within a period of ten years commencing on the date on which our Shareholders of our Company approve the Share Option Scheme (the "**Adoption Date**") to make an offer to such Eligible Participant as our Board may in its discretion select to subscribe for such number of Shares at the subscription price as our Board shall determine. The Share Option Scheme shall be valid and effective until the close of business of our Company on the date which falls ten years after the Adoption Date, after which period no further options may be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

11. Performance target

Our Board may, at its absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to an Eligible Participant.

12. Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:

(i) by any reason other than death, ill-health, injury, disability or termination of his/her relationship with our Company and/or any of our subsidiaries on one or more of the grounds specified in paragraph 13 below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) in whole or in part in accordance with the provision of paragraph 3 above within a period of one month (or such longer period as our Board may determine) from such cessation which date shall be the last actual working day with our Company or our relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or

(ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph 13 below has occurred, the grantee or his personal representative(s) may exercise the option (to the extent already exercised) in whole or in part in accordance with the provision of paragraph 3 above within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an Eligible Participant or death.

13. Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his/her employment or contract on the grounds that he/she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his/her debts or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or has been in breach of contract, an option shall lapse automatically and not be exercisable (to the extent not already exercised).

14. Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

15. Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

16. Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or our amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as we give notice of the meeting to our members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company no later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

17. Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

18. Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

19. Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by our Board;

(ii) the expiry of any of the periods referred to in paragraphs 12, 13, 14 above;

(iii) the date upon which the scheme of arrangement of our Company referred to in paragraph 16 above becomes effective;

(iv) subject to paragraph 15 above, the date of commencement of the winding-up of our Company;

(v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of our subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date upon which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph 9 above or the options are cancelled in accordance with paragraph 21 below.

20. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms shall still comply with Chapter 17 of the Listing Rules and any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

21. Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph 9 above.

22. Termination of the Share Option Scheme

Our Company may by resolution in general meeting or our Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any outstanding option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Outstanding options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

23. Administration of our Board

The Share Option Scheme shall be subject to the administration of our Board whose decision of which on all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties who may be affected thereby.

24. Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Stock Exchange granting approval to the [REDACTED] of and permission to [REDACTED] on the Main Board in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme;

(ii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the [REDACTED]) and not being terminated in accordance with the terms of the [REDACTED] or otherwise; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph 24 above are not satisfied within 12 calendar months from the Adoption Date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

25. Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being [REDACTED] Shares in total.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnity

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group. Our Controlling Shareholder (the "**Indemnifier**") [has entered into] the Deed of Indemnity with and in our favour (for our Company and on behalf of each of our subsidiaries) whereby the Indemnifier shall indemnify and at all times keep each member of our Group fully and effectively indemnified against, among other things:

(a) any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by our Company or any member of our Group by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in Hong Kong, the BVI, the Cayman Islands, the PRC, or any other relevant jurisdiction as a result or in consequence of any event or transaction occurring on or before the date on which the [REDACTED] becomes unconditional, whether or not such event or transaction shall have taken place in conjunction with any circumstances whenever occurring;

(b) any taxation falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) or any other relevant assessable sums on or before the date on which the [REDACTED] becomes unconditional or any transactions, matters, things, events, acts or omissions occurring or deemed to occur on or before such date, whether alone or in conjunction with any other transaction, matter, thing, event, act, omission or circumstance whenever occurring, and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

(c) all costs (including all legal costs), expenses, interests, penalties, fines, charges or other liabilities which any member of our Group may reasonably and properly incur in connection with:

   (i) the investigation, assessment or the contesting of any claim under paragraph (b);

   (ii) the settlement of any claim under paragraph (b);

   (iii) any legal proceedings in which any member of our Group claims under or in respect of paragraph (b) and in which judgment is given for or against any member of our Group; and/or

   (iv) the enforcement of any such settlement referred to in (ii) and/or judgment referred to in (iii).

(d) any and all expenses, payments, sums, outgoings, fees, demands, claims (including counterclaims), complaints, actions, proceeding, suits, litigations, arbitrations, judgments, damages, losses, costs (including but not limited to legal and other professional costs), charges, contributions, liabilities, fines, penalties and tax which any member of our Group may incur, suffer or accrue, whether directly or indirectly, from or on the basis of or in connection with any breach or non-compliance of any applicable laws, rules or regulations (whether currently in force or repealed) in the Cayman Islands, the BVI, Hong Kong and/or the PRC on or before the date on which the [REDACTED] becomes unconditional;

(e) all costs (including all legal and other professional costs), expenses, interests, penalties, fines, charges or other liabilities which any member of our Group may reasonably and properly incur in connection with:

(i) the investigation, assessment or the contesting of any claim under paragraph (d);

(ii) the settlement of any claim under paragraph (d);

(iii) any legal proceedings in which any member of our Group claims under or in respect of paragraph (d) and in which judgment is given for or against any member of our Group; and/or

(iv) the enforcement of any such settlement referred to in (ii) and/or judgments referred to in (iii).

In addition, the Indemnifier had undertaken to indemnify and keep indemnified our Company and our subsidiaries on demand against any expenses, payments, sums, outgoings, fees, demands, claims (including counterclaims), complaints, actions, proceedings, suits, litigations, arbitrations, judgments, losses, damages, costs (including but not limited to legal and other professional costs), charges, contributions, liabilities, fines or penalties which may be made, suffered or incurred by any of them in respect of or arising directly or indirectly from any claim, including but not limited to, all reasonable costs (including legal and other professional costs), expenses, interests, penalties, fines, charges and other liabilities which our Company and our subsidiaries may properly incur in connection with:

(a) the investigation, assessment or the contesting of any claim under the Deed of Indemnity;

(b) the settlement of any claim under the Deed of Indemnity;

(c) any legal proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for or against any member of our Group; and/or

(d) the enforcement of any such settlement referred to in (ii) and/or judgment referred to in (iii).

The Indemnifier had also undertaken to indemnify and keep indemnified our Company and our subsidiaries on demand from any depletion or reduction in value of its assets or any loss (including all legal and other professional costs and suspension of operation), costs, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

Save and except the above, the Indemnifier shall be under no liability under the Deed of Indemnity in respect of any tax, tax claim or tax related liability ("**such tax liability**"):

(i) to the extent that full provision or reserve has been made for such tax liability in the audited consolidated accounts of our Group and the audited accounts of the relevant member of our Group for an accounting period ended for the three years ended 31 December 2021 (the "**Accounts**") as set out in Appendix I to this document;

(ii) such tax liability for which any member of our Group is primarily liable as a result of any transactions entered into by any member of our Group in respect of any accounting period commencing on or after 31 December 2021 and ending on the date which the [REDACTED] becomes unconditional in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets on or before the date on which the [REDACTED] becomes unconditional and carried out, made or entered into pursuant to a legally binding commitment created on or before the date of [REDACTED] or pursuant to any statement of intention made in this document;

(iii) to the extent that such liability arises or is incurred as a result of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority in Hong Kong, the PRC or any part of the world, including but without limitation the Inland Revenue Department, having retrospective effect coming into force after the date of the Deed of Indemnity or to the extent that such liability arises or is increased by an increase in rates of taxation, payments, fines, fees or premium as required by the PRC laws and regulations (as the case may be) after the date of the Deed of Indemnity with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of any part of the world on the profits of companies for the current or any earlier financial period);

(iv) to the extent that such liability is discharged by another person who is not any member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge of the liability; and

(v) to the extent of any provision or reserve made for such liability in the Accounts referred to in paragraph (i) which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier's liability (if any) in respect of taxation shall be reduced by an amount not exceeding such over-provision or excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifier or any of them in respect of such liability shall not be available in respect of any such liability arising thereafter.

2. Interests in competing business

Save as disclosed in this document, none of our Directors, our Controlling Shareholder and their respective close associates of each are interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of our Group.

3. Litigation

Save as disclosed in the section headed "Business — Litigation" in this document, as at the Latest Practicable Date, neither our Company or any of our subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known by our Directors to be pending or threatened by or against any member of our Group.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US$13,450 (equivalent to approximately HK$104,238) and are payable by our Company.

5. The Sole Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for [REDACTED] of, and permission to [REDACTED] in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the [REDACTED] and the exercise of the [REDACTED]. All necessary arrangements have been made enabling such Shares to be admitted into [REDACTED].

6. Independence of the Sole Sponsor and the Sole Sponsor's fee

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. Our Company agreed to pay the Sole Sponsor a fee of HK$6.4 million as the sponsor to our Company for the [REDACTED].

7. No material adverse change

Save as disclosed in this document, our Directors confirm that there has been no material adverse change in our Group's financial or trading position since 31 December 2021 (being the date to which our Company's latest audited consolidated financial statements were made up) up to the date of this document.

8. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the related transactions described in this document.

9. Agency fees or commissions received

Save as disclosed in this document, none of our Directors or the experts named in the paragraph headed "E. Other information — 11. Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this document.

10. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Innovax Capital	Licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)
Ernst & Young	Certified Public Accountants
Jincheng Tongda & Neal Law Firm Shenzhen Office	Legal advisers to our Company as to PRC laws
Maples and Calder (Hong Kong) LLP	Legal adviser to our Company as to Cayman Islands laws
Frost & Sullivan	Independent industry consultant
SRK Consulting	Competent person (with the meaning of Chapter 18 of the Listing Rules)

11. Consents of experts

Each of Innovax Capital, Ernst & Young, Jincheng Tongda & Neal Law Firm Shenzhen Office, Maples and Calder (Hong Kong) LLP, Frost & Sullivan and SRK Consulting has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or the references to its name included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

12. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Miscellaneous Provisions) Ordinance insofar as applicable.

13. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. Miscellaneous

Save as disclosed in this document:

(e) within two years immediately preceding the date of this document:

  (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

  (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries;

  (iii) no commission has been paid or payable (except to [REDACTED]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares of our Company or any of the subsidiaries; and

(f) no founder, management or deferred shares of our Company have been issued or agreed to be issued.

(g) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(h) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(i) all necessary arrangements have been made enabling the Shares to be admitted into [REDACTED];

(j) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;

(k) there has not been any interruption in the business of our Group which have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document;

(l) the principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands;

(m) there is no arrangement under which future dividends are waived or agreed to be waived;

(n) the [REDACTED] does not involve the exercise of any right of pre-emption or the transfer of subscription rights;

(o) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(p) our Directors have been advised that under the Cayman Islands company law the use of a Chinese name by our Company does not contravene the Companies Act; and

(q) our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(1) a copy of the [REDACTED];

(2) the written consents referred to in the section headed "Statutory and general information — E. Other information — 11. Consents of experts" in Appendix V to this document; and

(3) copies of the material contracts referred to in the section headed "Statutory and general information — B. Further information about our business — 1. Summary of material contracts" in Appendix V to this document.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.sinogoldresources.com**:

(1) the Memorandum of Association and the Articles of Association of our Company;

(2) the accountants' report on the financial information of our Group for the three years ended 31 December 2021 prepared by Ernst & Young, the text of which is set out in Appendix I to this document;

(3) the audited consolidated financial statements of our Group for the three years ended 31 December 2021;

(4) the report on the unaudited pro forma financial information of our Group prepared by Ernst & Young, the text of which is set out in Appendix II to this document;

(5) the material contracts referred to in the section headed "Statutory and general information — B. Further information about our business — 1. Summary of material contracts" in Appendix V to this document;

(6) the service contracts and letters of appointment with Directors, referred to in the section headed "Statutory and general information — C. Further information about our Directors, senior management and Substantial Shareholders — 3. Particulars of Directors' service contracts and letters of appointment" of Appendix V to this document;

(7) the written consents referred to in the section headed "Statutory and general information — E. Other information — 11. Consents of experts" of Appendix V to this document;

(8) the PRC legal opinions prepared by Jincheng Tongda & Neal Law Firm Shenzhen Office, our legal advisers as to PRC laws, in respect of certain aspects of our Group;

(9) the SRK Report prepared by SRK Consulting China Ltd, the texts of which are set out in Appendix III to this document;

(10) the industry report prepared by Frost & Sullivan;

(11) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisers as to Cayman Islands laws, summarising certain aspects of Cayman Islands companies law referred to in Appendix IV to this document;

(12) the Companies Act; and

(13) the rules of the Share Option Scheme.