You should carefully consider the risks described below and all other information contained in this prospectus before making an investment decision. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that almost all of our operations are conducted in China and are governed by a legal and regulatory environment that differs in some respects from those that prevail in other countries. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our Shares could decline, and you may lose part or all of your investment.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to doing business in the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS

Our business and results of operations are dependent on the demands in the end-user market for, and the market price of, silver products in China, which are driven by factors beyond our control

We derived approximately 70% or more of our revenue during the Track Record Period from the sales of our principal product, silver ingot, in China. Our operating results are directly affected by fluctuations of silver price in China, which generally follows the trend of silver price in the international market and have mainly been driven by various market forces, such as global and PRC end-user market demands for silver products, global and PRC supplies from mine production and silver scrap, gold price, investment trading, fluctuations in the U.S. dollar value, the European debt crisis, inflation fear and changes in prevailing interest rates, which are all beyond our control. As silver is an industrial material as well as a tangible asset which can be used to hedge against risk, macroeconomic circumstances have a great impact on the silver price. During an economic boom, the increased end-user market demand for silver products pushes up the silver price. During an economic recession, the decreased end-user market demand has downward pressure on the silver price. The economic slowdown that began in the second quarter of 2008 caused the silver prices to decrease from its peak in the third quarter of 2007. Since September 2011, the European debt crisis and deteriorating economic outlook have caused silver prices to continue to fall and remain persistently low. Details of historical price movements of silver are set out in the section headed “Industry Overview — Silver Market Pricing” in this prospectus.

Our business growth has depended, and will continue to depend, substantially on the growing end-user market demands in China for silver products, in particular, in the electrical, renewable energy, medical, health care, jewelry, artifacts and investment industries. We experienced a significant growth in the sales volume of our silver ingots from 2009 to 2011 at a CAGR of 12.8%. The increase of our sales volume slowed during the first six months of 2012 due to China’s slowing economy and the European debt crisis. When the end-user market demands in China for silver products are increasing or decreasing, there could be corresponding fluctuations of purchase orders from our customers, which consist of Chinese downstream manufacturers and trading companies of silver fabrication products in China. If the end-user market demands in China for silver products contract or do not grow at the pace we expect, our customers could significantly change, reduce, delay or cancel their purchase orders, which would have a material adverse effect on our business, financial condition and results of operations.

We price our silver ingot primarily by reference to the China Domestic Silver Price. In line with the movements of the China Domestic Silver Price during the Track Record Period, the average selling price of our silver ingot per tonne increased from approximately RMB2.9 million in 2009 to RMB3.8 million in 2010, and further increased to RMB6.4 million in 2011, but decreased slightly to RMB5.4 million for the six months ended June 30, 2012. The recent decline of the average selling price of our silver ingot was primarily due to the persistent debt crisis in Europe and China's slowing economy. During the Track Record Period, our inventory of raw materials to support our continuous production was one to two months, our production lead time (from acceptance of delivery of raw materials to sale of our end products) was one to three months and our typical production cycle was two to four months (from order of raw materials to sale of our end products). If the prices of silver and lead drop rapidly during our production cycle, we would suffer significant losses and our results of operations and profitability would be adversely affected. Any sustained decline in the prices of silver ingots in China could have a negative impact on our results of operations and profitability.

Furthermore, the price movements of silver and lead in China also directly affect the purchase prices of our principal raw materials, mostly high-content ore powder, smelting slag and low-content ore powder, as we determine the price of our principal raw materials primarily based on the content levels of silver and lead in the raw materials by reference to (i) in the case of silver, the China Domestic Silver Price and (ii) in the case of lead, the benchmark lead price provided by the Shanghai Metals Market after applying 10 to 40% discounts. The discount depends on the types of raw materials, which are generally determined through negotiations. The price of our raw materials could increase faster than the market price of our silver ingot, or the market price of our silver ingot could drop more quickly than the price of our raw materials. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our gross profit margin depends on various factors which are out of our control, including key factors such as fluctuations on the average selling price of our silver ingot, purchase costs of raw materials and our production lead time. Our gross profit margin decreased in 2011 and in the six months ended June 30, 2012 primarily due to the increased volatilities of silver prices in the PRC and international markets during 2011 and the decrease in silver price caused by the unfavorable market environment in China for silver products and the persistent debt crisis in Europe during the six months ended June 30, 2012. We cannot assure you that the market environment for silver products and the silver prices in China will become favorable to us in the future. A decrease in the price of our silver ingot or an increase in the prices of our cost of raw materials consumed would negatively impact our gross profit margins. If our gross profit margin continues to decrease in the future, our business, financial condition, results of operations and prospects would be adversely and materially affected.

We currently do not have any hedging arrangements against the fluctuations of silver price because silver contracts only recently became available for trading on the Shanghai Futures Exchange in May 2012. Therefore, any unexpected and significant fluctuations of silver price in China could materially and adversely affect our revenue, gross profit margin and profitability.

We had net current liabilities as of June 30, 2012, which exposes us to certain liquidity risks

As of June 30, 2012, we had net current liabilities of approximately RMB20.8 million. Our net current liabilities were mainly due to the consideration of RMB110 million payable to the individual shareholders of Longtianyong Nonferrous Metals in connection with the acquisition of the entire equity interest in Longtianyong Nonferrous Metals by Zhejiang Fuyin on April 27, 2012 as part of the Reorganization. The Group obtained a loan of RMB110 million from Mr. Chen Wantian and settled the full amount of the consideration payable on July 19, 2012. In addition, our gearing ratio was 40.6% and 40.8% as of December 31, 2011 and June 30, 2012, respectively, due to the additional bank borrowings we took to expand our production scale in 2011 and the lower equity balance as of June 30, 2012 as a result of the Reorganization.

We cannot assure you that we will not experience a net current liabilities or a high gearing ratio position in the future. Having net current liabilities could constrain our operational flexibility as well as adversely affect our ability to expand our business and enhance our liquidity. For example, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade and bills payables, and repay the outstanding debt obligations when they become due, we may need to increase external borrowings significantly for funding. If the increase in our total borrowings results in our gearing ratios higher, our capability for external financing will be limited. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

We do not have insurance coverage for certain risks associated with our business operations

Risks associated with our production process include transportation losses or damage, environmental pollution, damage to buildings, production facilities, equipment and inventories, industrial damage, and risks posed by natural disasters. Except for property insurance for our buildings, production equipment, facilities and other properties, and automobile insurance for our vehicles, we currently do not maintain transportation insurance for the goods that are in transit, nor have we purchased any product insurance. Our standard sales contract for silver ingot provides that we are responsible for delivery of the silver ingots to our customers and therefore we bear the risk of losses occurring during transportation until the silver ingots are delivered to our customers. Because our silver ingots have high commercial value, our losses could be substantial if any theft, robbery, damage or other loss occurs to our products during transportation. In addition, we do not maintain any insurance for our inventories and thus we are exposed to risk of fire and natural disasters for our inventories, nor do we carry any business interruption insurance or liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of business.

Furthermore, we may be unable to obtain or maintain insurance policies covering the risks which are associated with our silver production but not within the scope of our current insurance coverage, including but not limited to, transportation damages or losses, business interruption, or environmental pollution, all of which could damage, disrupt or suspend our production activities. Upon occurrence of any unexpected incident, if we incur any substantial loss to our products, properties, inventories or other assets not covered by our insurance policies, our financial condition and results of operations could be adversely affected.

We are subject to various operational risks which are inherently risky and may not be insurable

Due to the nature of our business, we engage in certain inherently risky and hazardous production activities, including but not limited to, the handling and delivery of toxic products such as lead and antimony and operating at a dusty or high temperature environment. As a result, we are subject to risks associated with these activities, including production workers' exposure to health hazards caused by toxic products or dust generated in the air during production, high temperature liquid leakages, equipment failures, industrial accidents, fire and explosions. During the Track Record Period, a fire incident occurred in our production plant without any personal injury to production workers or substantial damage to production facilities. We cannot assure that further fire accidents will not happen again. These operational risks and occupational hazards may result in risk of liability for personal injury and loss of life to production workers, malfunctioning or failure of production equipment and machinery, damage to or destruction of production facilities and equipment, and environmental pollution.

All of the operational risks may not be eliminated through implementation of preventive measures and purchase of insurance policies. Any of these risks and hazards or any combination thereof may disrupt our operations, increase our production costs, result in property damages, cause personal injuries to our production workers and create liability for us, and harm our reputation and corporate image. If any accident causes personal injuries or deaths to our production workers, we may be liable for medical and other payments to the individuals affected and their families, in addition to relevant fines or penalties by governmental authorities. We cannot assure you that all such risks could be prevented by implementing safety measures, nor have we purchased any insurance policies since such risk may not be insurable at all. If due to the inherently risky nature of our production activities, we incur substantial liabilities, our business, financial condition and results of operations could be materially and adversely affected.

Any failure by us to comply with any present or future environmental laws and regulations may subject us to administrative sanctions or civil claims or interrupt our business operations

We are required to comply with all relevant national and local environmental laws, regulations, rules and pollutant discharge standards in China. These laws, rules and regulations govern the level of fees payable to the government entities which provide environmental services and set out the requirements and standards in relation to the discharge of hazardous substances during silver production. In addition, these laws, rules and regulations empower local PRC governments to impose sanctions, penalties or fines on enterprises for any non-compliance with such laws, rules and regulations, including warnings, fines, orders for rectification within a specified period of time, orders for cessation of production, orders for re-installation of pollution prevention and control facilities which have been removed without approval or have not been used, imposition of administrative sanctions against the responsible persons and the liability to compensate the victims. In respect of serious violations, the competent governmental authority may order the enterprise to close down its operation and the responsible persons may have criminal liability. In 2009, we did not apply to the City EPB for an extension of our trial production within the prescribed period. In addition, pursuant to the environmental regulations, in the event that the trial production after an extension exceeds one year and we did not apply for the final inspection and acceptance, the relevant environmental protection authorities could deem us to have ended the trial production and started the normal production. Our PRC legal advisors, Jingtian & Gongcheng, advised us that the maximum amount of various penalties which could be imposed on us due to our non-compliance of environmental laws and regulations relating to trial productions could be up to RMB150,000. See the section headed "Business — Environmental Protection" in this prospectus for further information.

Our silver production may cause pollution to the environment. There are internet media articles alleging that we have emitted hazardous gas and discharged industrial process wastewater into the En River, a class I drinking water protection area near our production site, causing lead-related pollution in the drinking water. See the section headed "Business — Environmental Protection" in this prospectus for further details. Any future negative media reports on our environmental compliance may result in bad publicity on us and damage our reputation in the business community. We cannot assure you that our silver production will not violate any relevant PRC environmental laws and regulations in the future or that the relevant governmental authorities will not take action against us for any breach or violation in the future. If any legal action is initiated against us on any alleged violation of such laws and regulations, or if our waste discharge results in any harmful impact on any person including those living in surrounding areas, our business could be materially and adversely affected. We do not have any insurance coverage against possible liability claims due to environmental matters. To our Directors' best knowledge, no such insurance is currently available in China. Losses incurred or compensation or medical expenses payable as a result of environmental violation could have a material adverse impact on our performance.

With the increasing awareness of environmental protection in China, we anticipate that the PRC environmental regulatory framework will become increasingly stringent. The implementation of the more stringent laws and regulations or stricter interpretation of the existing laws and regulations may require us to incur additional expenses for compliance purposes or even cause delay or disruption in our production process. For example, when we relocated our production plant to the Western Industrial Park of Yongfeng County in 2009, we entered into an agreement with the Management Committee of Western Industrial Park of Yongfeng County and were granted a waiver of our pollutant discharge fees for three years. The administrative measures pursuant to which we were granted such waiver were subsequently abolished by the People's Government of Ji An City. If local environmental protection authorities require us to repay the waived pollutant discharge fees, or the agreement becomes unenforceable due to the abolishment of the administrative measures or the Management Committee is unable to reimburse us in accordance with the agreement, we may have to pay the pollutant discharge fees of up to RMB414,130. See the section headed "Business — Environmental Protection" in this prospectus for further information.

We cannot assure you that we will be able to comply with any additional environmental regulations in the future, or satisfy heightened environmental standards, on a cost-effective basis, or at all. Any failure by us to control use of, or to adequately restrict discharge of, hazardous substances, or maintain our workplace in compliance with occupational health and safety standards could subject us to potentially significant monetary damages, fines, or administrative, civil or criminal sanctions, which could limit, disrupt or even suspend our operations. In such circumstances, our business, financial condition and results of operations could be adversely and materially affected.

If we fail to increase our production capacity according to our planned schedule or improve our production utilization rate, we may not be able to maintain or increase our profit margin

We completed the Phase I construction of our current production plant by the end of 2008 and increased our designed annual production capacity to 250 tonnes. Afterwards, our utilization rates during the Track Record Period remained low because after we had completed the Phase I construction by the end of 2008, our integrated production system went through trial production for fine-tuning; our trial production was suspended for several months for technical improvement and adjustment in 2009; and we did not have sufficient funds for our working capital at the relevant time to purchase raw materials required for a ramp up in production volumes. If we fail to increase our production capacity or improve our utilization rate, our ability to deliver our silver ingots to our customers on time as scheduled could be limited. To expand our production capacity, we will need to construct new production facilities, and hire workers with requisite skills to operate and maintain new production equipment and machinery. We cannot assure you that new production equipment and machinery will be made available to us according to our planned schedule, or that new production facilities can be completed in a timely manner or at a reasonable cost. We cannot assure you that we will have access to a sufficient number of skilled workers to operate and maintain new production plant. If we are unable to increase our production capacity effectively in a timely manner or at all to meet growing demand in end-user markets in China for silver products, we may lose our customers and our reputation may be damaged, which could adversely affect our sales, profit margin, other financial results and growth prospects.

In addition, greater operational efficiency can improve our gross profit margin by decreasing production costs relative to output. Our operational efficiency is reflected by the capacity utilization rate of our production plant. If our utilization rate increases, we can allocate our fixed costs over greater units of output, which will decrease our average costs per unit of output. As a result, a decrease in our production capacity utilization rate could have a material effect on our average costs per unit of output, which in turn affects our profit margin. We cannot assure you that we will be able to increase our utilization rate adequately for our production plant to reduce our average costs per unit of output and continue to maintain reasonably high utilization rate thereafter. Furthermore, we cannot assure you that we will be able maintain such utilization rate. If we fail to maintain or increase our utilization rate to enhance our operational efficiency, our profit margin and other financial results may be adversely affected.

Non-compliance with PRC employee social welfare contribution regulations could lead to the imposition of fines or penalties

In accordance with relevant PRC labor laws and regulations, we are required to contribute to a number of employee social welfare schemes for our employees. Such schemes include housing provident fund contributions, pension insurance, medical insurance, unemployment insurance, maternity insurance and job-related injury insurance. We did not participate in and make full contribution to the housing fund schemes operated by the relevant government authorities for our employees during the Track Record Period because the local system for participation and contribution of housing funds were not fully established yet. In addition, we did not make any contribution of social insurance for our employees during their employment probation period, which typically extends for approximately one to six months.

Our PRC legal advisors, Jingtian & Gongcheng, have advised us that our employees, including those who are no longer employed by us, are entitled to request that we make the relevant social welfare fund contribution for their benefits. We cannot assure you that there are no, or will not be any, employee complaints regarding payment of the social welfare insurances against us, or that we will not receive any claims or complaints from any labor dispute arbitration committee or court in China relating to disputes about payment of these insurances in the future. We cannot assure you that we will not be required to pay such insurances or any related damages in the future.

Our PRC legal advisors, Jingtian & Gongcheng, have further advised us that with respect to our failure to make the required contributions, we may be ordered to make such payments within a specified period of time. If we fail to make the relevant payments within such time, the relevant government authorities may apply to the court for enforcement. As of June 30, 2012, the total outstanding amount payable by us in relation to our required contribution to the social insurance was approximately RMB1.6 million, of which approximately RMB1.1 million were provided for the delinquent payments of contributions to the social insurance for employees who were subject to probation during the Track Record Period. Such a provision we made reflected the total of approximately RMB400,000, RMB200,000, RMB500,000 and nil for the year ended December 31, 2009, 2010 and 2011, and the six months ended June 30, 2012, respectively. The outstanding amount payable by us in relation to our required contribution to the housing fund was approximately RMB374,000, RMB877,000, RMB1,682,000 and RMB2,103,000 for the year ended December 31, 2009, 2010 and 2011, and the six months ended June 30, 2012, respectively. However, we did not make any provision for the housing fund that we did not contribute during the Track Record Period because (i) as confirmed by the Yongfeng Municipality Housing Fund Administration (永豐縣住房公積金辦事處), the contribution system of Yongfeng County was not fully established yet, and (ii) based on the confirmation made by such housing fund authority, our PRC legal advisors, Jingtian & Gongcheng, advised us that it is unlikely for the housing fund authority to require us to make up the past contributions that had not been made or to impose any penalty on us. For further details, please refer to the section headed "Business — Employees" in this prospectus. We cannot assure you that we will not be subject to any order to rectify non-compliance in the future.

Our production and further growth may be limited by unavailability of financing at reasonable terms or at all

We require significant capital investment to construct, maintain and operate our production facilities, to purchase production equipment and spare parts, or to meet our working capital needs for raw materials and additional workforce. Substantial capital expenditure would have to be incurred before we generate any new sales revenue. Securing adequate financing in advance is essential to our expansion plans. If we require additional funds and cannot obtain them in a timely manner and at a reasonable cost when required, we may be unable to meet our working capital needs, upgrade our existing facilities or expand our production.

We currently fund our operations with short-term bank borrowings and cash flow from our operating activities. If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flows from operations. The monetary policy of the PRC Government with respect to bank interest rates and lending practices and conditions could be changed in a manner that disfavors our financial position.

After we incurred significant capital expenditure and made substantial investment in the Phase I construction and installation of our current production facilities in 2008, our production volume was limited by the available funding for working capital to purchase raw materials and hire a sufficient number of production workers. This to some extent had contributed to our low utilization rate during the Track Record Period. We cannot assure you that such events will not occur in the future. We cannot assure you that upon occurrence of such event, we could obtain sufficient funding for our working capital on terms acceptable to us, or at all. These or other factors may also prevent us from entering into transactions with customers that would otherwise benefit our business or implementing our future strategies. Any of these factors may have a material adverse effect on our growth, competitive position and future profitability.

Our existing and future major capital expenditure projects may not be completed within the expected period and within our budget, or at all, and may not achieve the intended economic results

We plan to construct new production facilities, warehouses and ancillary facilities, and purchase additional machinery and equipment to expand our production capacity. We also plan to construct a gold extraction plant which will enable us to use the hydrometallurgical method to produce gold. In addition, we plan to establish a provincial level technology engineering and research center to improve our research and development capacity.

Our existing and future major capital expenditure projects could be delayed or adversely affected by a variety of factors, including failure to obtain regulatory approvals or sufficient funding on time, construction delays, technical difficulties, and manpower or other resource constraints. In particular, disruptions, uncertainty or volatility in the capital and credit markets resulted from the recent European debt crisis may limit our ability to obtain financing to meet our funding requirements and we may postpone certain construction projects if our Directors determine that doing so would be in the interest of our Group after taking into consideration the then market conditions, our financial performance and other relevant factors. Costs of these projects may also exceed our planned budgets.

Even if we are able to complete the projects without any delay and within our budget, as a consequence of changes in market conditions or other factors, we may not achieve the intended economic benefits of these projects. As a consequence of any delay in completing our capital expenditure projects, cost overruns, changes in market conditions or other factors, the intended economic benefits from these capital expenditure projects may not materialize, and our financial condition and results of operations may be materially and adversely affected.

Our future financial performance may be negatively affected by the listing expenses we incurred in connection with our Global Offering

We estimate that we will incur a total of approximately RMB44.5 million listing expenses in connection with the listing of our Shares and the Global Offering, of which RMB325,000 was incurred and recognized during the six months ended June 30, 2012. The remaining listing expenses to be recognized after June 30, 2012 are estimated to be approximately RMB44.2 million, based on the mandates or engagement agreements we have entered into, or expect to enter into, with various parties involved in the Listing and the Global Offering. Among the estimated expenses, approximately RMB27.4 million is expected to be recognized as expenses for the year ending December 31, 2012, while the remaining balance of RMB16.8 million is expected to be deferred and set off against the share premium account according to relevant accounting standards upon completion of the Global Offering.

Regardless whether the Listing will occur, a major portion of the above estimated listing expenses will be incurred and recognized as expenses, which will reduce our net profit and therefore negatively affect our future financial performance. In addition, if the Listing and the Global Offering were to be postponed due to market conditions, we would have to incur additional listing expenses for our future listing plan, which would further negatively affect our net profit in the future. As a result, our business, financial performance, results of operations and prospects would be materially and adversely affected.

Any disruption in our production facilities could materially and adversely affect our business, financial condition and results of operations.

Our existing production facilities are all located in the Western Industrial Park of Yongfeng County, Jiangxi Province. In addition, the new production facilities for future development are planned within close proximity to our existing production facilities. Any disruption or significant damage to our production facilities from natural or other causes, such as extreme climatic and weather conditions, fires, natural disasters and epidemics, could be costly and time-consuming to repair, which in turn disrupt our operations. We could incur significant extra costs and we may experience a disruption in the manufacture of our products until our facilities become available and operational. In such an event, we would be forced to seek alternative manufacturing sites, which we believe would be extremely difficult to locate and secure given the highly specialized nature of our silver manufacturing operation. Even when we are able to identify an alternative manufacturing site, it could take a significant time period for us to construct, adjust and improve production processes before the production volume could reach to a level that is close to our current production capacity.

Any disruption in our operations would have a material adverse impact on our ability to produce sufficient quantities of products and meet the demands of our customers. In such an event, we may have to incur additional expenses to produce sufficient quantities of products for purchase orders. As a result, if we could not deliver our products on time, our customers could cancel purchase orders in accordance with sales contract terms. Any disruption in our operation could materially and adversely affect our business, financial condition and results of operations.

If any of our major customers reduces or terminates its purchases of our products or we are unable to develop new customers as part of our business strategy, our business, financial condition, results of operations and prospects will be materially and adversely affected

Our five largest customers accounted for approximately 75.7%, 66.3%, 68.1% and 71.3% of our total revenue for the year ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. Sales to our largest customer accounted for approximately 42.7%, 31.9%, 30.4% and 24.3% of our total revenue for the year ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. Our business, financial condition and results of operations will continue to depend largely on our ability to continue to obtain purchase orders from our major customers.

We cannot assure you that we will be able to retain any of our five largest customers or any other major customers. Given the significant revenue contribution from our five largest customers, our business will be materially and adversely affected if any of the five largest customers decides to terminate or materially change its business relationship with us, significantly change its procurement policies, or otherwise reduces or eliminates the purchase of our products. Any material delay or reduction in, or cancellation of, purchase orders from our major customers could cause our sales to decline significantly, and in any such event, our results of operations may be materially and adversely affected. We cannot assure you that these major customers will place orders with us in the future at the same levels as in prior periods, or that any of these major customers will not terminate their purchase relationships with us or significantly change, reduce, delay or cancel their purchase orders. In addition, we may not be able to secure new customers in a timely manner or at all, and we may also need to incur expenses to launch certain marketing activities or offer incentive sales terms to maintain our customer base. If any of the foregoing events occurs, there would be a material adverse effect on our business, financial condition and results of operations.

In addition, an integral part of our business strategy is to develop our relationship with banks and financial institutions who are engaged in trading of silver in international and domestic commodity markets as our production capacity expands in the future. We cannot assure you that banks and financial institutions will place orders with us in the future as we may not offer incentive sales terms to the new customers. Even if they purchase products from us, we cannot assure you that we will be able to successfully develop good relationship with them. We may not be able to negotiate sales contracts in commercially acceptable terms with them, or have sufficient capital to produce our products in adequate quantities and deliver them in a timely manner to meet their requirements. If we are unable to implement our business strategy successfully, our business, financial condition and prospects may be materially and adversely affected.

Any change in the practice of prepayments from customers to us may adversely affect our financial position and our net profit margin

We generally require customers, who purchase our silver ingots, to make prepayments in the range of 70% to 90% of the purchase price within one week after we sign the sales contracts but before the product delivery and settle the remaining balance within seven to ten days after the delivery of products. Prepayments from customers contributed to our cash flow and reduced our need to obtain bank borrowings for working capital requirements, which reduced our finance costs and had a positive impact on our net profit margin. If there is any change in such industry practice, we may be required to grant a credit period to our customers. In such an event, we may need to fund our working capital needs with bank or other borrowings, which will increase our finance costs and adversely affect our net profit margin going forward.

If we are unable to obtain sufficient amounts of raw materials, supplementary materials or fuels that meet our quality standards or at commercially acceptable prices, our business, financial condition and results of operations would be materially and adversely affected

Our principal raw materials are high-content ore powder, smelting slag and low-content ore powder, from which we extract silver and other metals with commercial value. We also purchase supplementary materials to facilitate the extraction of our products. The fuels we use in our production are mainly electricity and coal. We source our materials and fuels from domestic or local suppliers. We cannot assure you that there would not be any sudden shortage or disruption in supply of raw materials, supplementary materials, electricity or coal, or any fluctuations in their prices due to changes in market conditions, which would in turn lead to price increases in the future. We cannot assure you that our key suppliers will continue to provide us with raw materials, supplementary materials, electricity or coal at commercially reasonable price, meeting our required quality standards or in required quantities, or that the prices of raw materials will remain stable in the future. The PRC government authorities may require suppliers to comply with more stringent procedures and requirements than those currently in place, and even order suppliers to suspend production of raw materials, supplementary materials, electricity or coal due to any non-compliance.

If any of the above occurs, suppliers may not be able to provide adequate raw materials, supplementary materials, electricity or coal to us. If we are unable to find alternative sources at the same or similar price level offered by suppliers or at otherwise commercially acceptable prices or terms and in a timely manner, it would disrupt our operations and have a material adverse effect on our business, financial condition, results of operations and prospects. In the event that the costs of raw materials that we use in the future increase significantly and we are not able to pass on the additional cost to our customers, our profit margin may be significantly reduced.

We may not be able to manage our expansion effectively or complete our expansion projects as expected

We have experienced rapid growth since our establishment. Our net profit increased to RMB98.3 million for the year ended December 31, 2010 from RMB37.1 million for the year ended December 31, 2009, and further to RMB115.4 million for the year ended December 31, 2011, representing a CAGR of 76.3% during the Track Record Period. The significant increase in our net profit were mainly due to the increase in purchase orders from our customers driven by growing end-user market demands for silver products, expansion of our production capacity and the increase in the average selling price of our silver ingot during the Track Record Period.

We may not be able to maintain our future growth at the rates comparable to our historical growth rates, or at all. We cannot assure you that our business expansion plan will be successfully implemented, or that our market share will continue to grow. Our plan to expand production facilities may include construction of additional production units and the purchase of additional production equipment and machinery. Our expansion plan may strain our managerial, operational, technical support, financial and human resources. If we are unable to effectively manage our growth in a cost effective manner or complete our expansion projects as expected in the future, our business, financial condition and results of operations may be materially and adversely affected.

Our acquisition and investment strategies may not be successful

An integral part of our business strategy is to grow our business through acquisition of, or investment in, upstream silver polymetallic mines, which will enable us to secure a stable and sufficient supply of quality-grade silver ore for our future expansion and growth of our profitability. However, we cannot assure you that we will be able to identify attractive acquisition targets, negotiate acquisitions on favorable terms, obtain necessary government approvals (if applicable), accurately estimate resources and reserves of these acquisition targets, or obtain the necessary funding to complete such acquisitions on commercially acceptable terms in a timely manner, or at all. In addition, operating a silver polymetallic mine is different from our current business focus. We have never operated a mine and do not have relevant expertise. Potential changes or complications involving smelting reduction and other production processes arising during the life of a silver polymetallic mine may result in cost overruns that may render the project not economically feasible. We also face risks in relation to any change to applicable laws and regulations, compliance with which may make extraction of ore more expensive than we had previously estimated.

Moreover, we cannot assure you that any business acquired by us and their personnel will be integrated successfully into our operations or that we will be able to operate it profitably. Further, acquisitions may require the utilization of debt, equity or other capital resources, and such use may represent a diversion of financial resources from our main business operations. These challenges associated with acquisitions may disrupt our business and divert resources and management's attention from our other business concerns.

In addition, the presence of acquired business may have one or more material liabilities that are unknown to us at time of acquisition, which may have a material adverse effect on our business. Acquisitions may not be successful, and we may not realize any anticipated benefits from acquisitions or recover any costs incurred in pursuing such acquisitions. If we are unable to carry out our acquisition strategy successfully, our business, financial condition and results of operations may be materially and adversely affected.

Our future success depends in part on our ability to retain our executive Directors and senior management

Our future success depends significantly on the continuing services of our executive Directors and senior management of our Group, in particular, Mr. Chen Wantian, a co-founder of Longtianyong Nonferrous Metals and the chairman and chief executive officer of our Company. Mr. Chen is critical to the development of our business and strategic direction. If any of our executive Directors or key members of our senior management are unable or unwilling to continue in their present positions, we may not be able to replace such members in a timely manner or at all, or we may incur additional expenses to recruit, train and retain new personnel. Moreover, if any of these key personnel joins a competitor, we may lose customers, suppliers and know-how as well as other key professionals and staff members. The loss of any key personnel by our Group could have a material adverse effect on our business, financial condition and results of operations.

Any failure to maintain an effective quality control system at our production facilities could have a material adverse effect on our business and operations

The quality and consistency of our products are critical to our ability to maintain an existing customer base and acquire and retain new customers. We have established and maintained restrictive quality assurance standards and inspection procedures. See the section headed "Business — Quality Control" in this prospectus for further details. The effectiveness of our quality control system is determined by various factors, including design and technology employed by the manufacturing process, implementation of quality standards, quality of training programs and enforcement of our quality control policies and guidelines. If we fail to maintain an effective and adequate quality control system, we may produce defective products that expose us to quality dispute with customers. Any such dispute could cause us to incur additional costs, harm our business reputation and corporate image, and result in disruption to our operations.

We may not be able to adequately protect our intellectual property rights

We have self-developed our comprehensive recycling production process and advanced silver production technology and techniques. Our success depends in part upon our intellectual property rights and proprietary know-how on production technology and techniques. However, we may not be able to adequately protect such intellectual property rights. In addition, any attempt to enforce our intellectual property rights, even if successful, could result in costly and prolonged litigation, divert our management's attention and adversely affect our financial performance. Failure to adequately protect our intellectual property may materially and adversely affect our results of operations, as our competitors would be able to exploit and utilize such property right without having to incur any cost of developing it, thus potentially reducing our relative profitability. In addition, if we fail to effectively protect our "Longtianyong" brand from inappropriate use by third parties in ways that adversely affect our brand name, our reputation could suffer damage. Furthermore, we may be subject to claims that our production technology infringes the intellectual property rights of a third party. Any of these could in turn have a material adverse effect on our business, financial condition and results of operations.

We may be unable to pay any dividend on our Shares

All of our operating assets are held by, and most of our earnings and cash flow are attributable to, our sole operating subsidiary in China, Longtianyong Nonferrous Metals. If the earnings from our sole operating subsidiary decline, our earnings and cash flow will be materially and adversely affected. Under PRC law and the articles of association of our PRC subsidiaries, any of our PRC subsidiaries may only pay dividends after 10% of the net profit of such PRC subsidiary has been set aside as a statutory reserve fund until such reserve fund reaches 50% of such PRC subsidiary's registered capital. These restrictions on dividend payments may prevent our PRC subsidiaries from paying dividends to us.

Furthermore, under PRC Company Law, shareholders of a PRC company shall receive dividends in accordance with the proportion of actual capital contribution to the registered capital of the company. As we have only made 20% capital contribution to Zhejiang Fuyin, we can only receive dividend payment of no more than 20% of our distributable profit.

We cannot assure you that we will declare dividends or at all in the future. The declaration of future dividends will be proposed at the discretion of our Board and subject to the approval of our Shareholders and will depend upon our future results of operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as our Board may deem relevant at such time.

We may be subject to disputes with employees or other third parties

We manage our employees and deal with numerous third party suppliers and customers in our daily operations. We may be subject to labor disputes with our employees, or claims under supply or sales contracts with suppliers or customers from time to time, the occurrence of which could interfere with our normal business operation and cause unnecessary expenditures for us to look for replacements of our employees, suppliers and customers. We may not be able to find acceptable replacements at all. When we carry out our production activities, some conflicts against local communities might also arise, which may result in community protests, blocking of access to our operations and third party claims, all of which would materially and adversely affect our business. We cannot assure you that any such disputes will not arise in the future and that any occurrence of dispute, claim or litigation will not have a material adverse effect on our business and financial condition.

RISKS RELATING TO OUR INDUSTRY

We operate in a highly fragmented industry and if we are unable to compete successfully against the other players, our business, financial condition and results of operations may be adversely affected

China's silver industry in which we operate is highly fragmented. According to CRU, there are a large number of silver producers in China and there are four major silver producers that are in operation in Jiangxi Province. Some of these silver producers are state-owned enterprises and have been in operations for a long period of time. Silver producers compete against each other, among other things, for customers, suppliers of raw materials, skilled workers and technologies. Some of our competitors may have longer track records, larger operation scale, greater financial resources and more established market reputation than us. We cannot assure you that we can compete successfully in the future. In the event that we are unable to compete with other market players effectively, our business, financial condition, results of operations and prospects will be materially and adversely affected.

Future changes in laws, regulations or enforcement policies in China could adversely affect our business

Laws, regulations and enforcement policies in China, including those regulating the silver industry, are evolving and are subject to future changes. See the section headed "Regulations" in this prospectus for further information. Different regulatory authorities may have different interpretations and enforcement practices of the silver industry policies. Manufacturers like us are required to meet the policy requirements issued by relevant regulatory authorities from time to time, and obtain approvals and complete filings in accordance with the relevant regulatory authorities' interpretations and enforcements of such policies. Changes in laws, regulations, enforcement policies or government attitude towards the silver industry could have adverse effects on the development and sustainability of silver producers in China and hinder our current or future business, growth strategies, financial condition and results of operations.

If there is any future change in applicable laws, regulations, administrative interpretations or regulatory documents, or if the relevant PRC regulatory authorities impose more stringent requirements on the silver industry for enforcement, we may be required to obtain further approvals or to meet other additional regulatory requirements. Compliance with the requirements could impose substantial additional costs on us which could have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to meet new requirements relating to approval, construction, compliance with respect to environmental protection and work safety of our operations, we may be ordered by the relevant PRC regulatory authorities to change, suspend construction of, or shut down, the relevant production facilities. On the other hand, the relevant PRC regulatory authorities may also relax some requirements, which could be beneficial to our competitors, or lower market entry barriers of the industry that subsequently increases competition. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to safety and health laws and regulations in the PRC, and any failure to comply could adversely affect our operations

We are required to comply with the applicable occupational safety and health standards and requirements in relation to our production processes. Our production plants and facilities are subject to regular inspections by the relevant regulatory authorities for compliance with the Production Safety Law of the PRC (中華人民共和國安全生產法) and other relevant PRC laws and regulations. Furthermore, under the Labor Law of the PRC (中華人民共和國勞動法) and the Law of the PRC on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法), we must ensure that our facilities comply with the work safety and health standards and requirements for employees. Any failure to meet the relevant standards and requirements on production safety and labor safety could subject us to warnings from the relevant regulatory authorities, governmental orders to rectify such non-compliance within a specified period of time and maximum fines of up to RMB500,000. We may also be required to suspend our production temporarily or cease our operations permanently for significant non-compliance, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The slowdown of the Chinese economy may have a material and adverse effect on our results of operations and financial condition

We conduct all of our operations in China and derive all of our revenue from our operations in China. We rely on domestic demand for our products for our revenue growth. Accordingly, our business, financial condition, results of operations and prospects are materially affected by economic, political and social conditions in China. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. The PRC economy has grown significantly in recent years; however, as a result of the global economic weakness and the debt crisis in Europe, the Chinese economy has slowed down in 2012. The PRC government has taken cautious measures not to repeat another massive fiscal stimulus package after the 2008 global financial crisis and to avoid causing inflation of the PRC economy. Any adverse change in the economic, political and social conditions or government policies in China could have a material adverse effect on overall economic growth, which in turn could lead to a reduction in demand for our silver ingot and consequently have a material adverse effect on our business financial condition and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us

We conduct all of our manufacturing operations through our operating subsidiary in China, which is generally subject to laws and regulations applicable to foreign investment in China. The PRC legal system is based on the PRC Constitution Law (中華人民共和國憲法) and consists of written laws, regulations, circulars and directives. The PRC government is still in the process of developing its legal system so as to meet investors' needs and to encourage foreign investment. As China's economy is developing at a faster pace than that of its legal system, some uncertainty arises regarding whether and how existing laws and regulations would apply to certain new events or circumstances.

Some laws and regulations, and relevant interpretation, implementation and enforcement thereof, are still subject to policy changes. There is no assurance that introduction of new laws, changes to existing laws and relevant interpretation and application, or delays in obtaining approvals from relevant government authorities would not have an adverse impact on our business or prospects.

Further, precedents on interpretation, implementation and enforcement of the PRC laws and regulations are limited. Unlike common law jurisdictions such as Hong Kong, decisions of precedent cases are not binding. Therefore, outcome of dispute resolutions in China may not be as consistent or predictable as in other more developed jurisdictions. It may be even difficult to obtain timely enforcement of relevant laws and regulations in China. Additionally, it is generally impossible to obtain enforcement of a judgment by a court of another jurisdiction except for those which have treaties with the PRC, such as Hong Kong.

Based on the above, the legal system in the PRC is still in a state of development and we may not be able to rely on legal protections available in the PRC. Therefore, in the event our rights are infringed, our business may be adversely affected. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

PRC regulation of loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds we receive from the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

In utilizing the proceeds from the Global Offering, as an offshore holding company of our PRC subsidiaries, we may make loans or additional capital contributions to our PRC subsidiaries. Any loans or additional capital contributions to our subsidiaries in the PRC are subject to PRC regulations, registrations and approvals. For example, loans by us to our PRC subsidiaries cannot exceed statutory limits on amount of the loans and must be registered with SAFE's local branch.

We may also need to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by MOFCOM or its local counterpart and be registered with SAFE's local branch. We cannot assure you that we can obtain the required government registrations or approvals on a timely basis, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to obtain such registrations or approvals, our ability to use the proceeds from the Global Offering in order to fund our operations in the PRC would be negatively affected, which would adversely and materially affect our liquidity and our ability to expand our business.

Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits and could expose us and our PRC resident shareholders to liability under the PRC laws

The Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the "Circular 75") promulgated by SAFE on October 21, 2005, which became effective on November 1, 2005, requires PRC residents with direct or indirect offshore investments, including overseas special purpose vehicles, to file a Registration Form of Overseas Investments Contributed by Domestic Individual Residents and register with SAFE, and to update SAFE's records within 30 days of any major changes in capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions. Failure to register may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations, from PRC entities to the relevant offshore entity in which the PRC resident has a direct or indirect investment.

Due to the uncertainty concerning the reconciliation of the notices with other approval requirements, it is unclear how the Circular 75 and any future legislation concerning offshore or cross-border transactions will be interpreted, amended and implemented by the relevant PRC Government authorities. We have been advised by our Shareholders resident in the PRC that they have applied for registration with SAFE and we have been advised by our PRC legal advisors, Jingtian & Gongcheng, that subsequent to the completion of the Global Offering, these Shareholders will be required to update their registration with SAFE. Any failure by our Shareholders resident in the PRC to make the registrations or amendments with SAFE may affect our ability to make dividend payments to our Shareholders or to conduct other foreign exchange activity, and punishments could be imposed upon for any non-compliance, which could adversely affect our business, prospects, financial condition and results of operations.

Recent PRC regulations relating to acquisition of PRC companies by foreign entities may limit our ability to acquire PRC companies

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, the CSRC and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者並購境內企業的規定) (the "New M&A Rule"), which became effective on September 8, 2006 and was amended on June 22, 2009. These provisions provide the rules with which foreign investors must comply when they seek to purchase the equities in a domestic company or subscribe for the increased share capital of a domestic company. If we decide to acquire a domestic non-foreign-invested enterprise in the future, we cannot assure you that we or the owners of such entity can successfully complete all necessary approval requirements and procedures under the New M&A Rule. This may restrict our ability to implement our expansion plan and acquisition strategy and could materially and adversely affect our future growth.

Governmental control of currency conversion, conversion risks and fluctuations in the value of the RMB may affect the value of your investment

The PRC government imposes controls on currency conversion between RMB and foreign currencies and, in certain cases, remittance of currency out of and into China. We receive all of our revenue in RMB, which is currently not a freely convertible currency. Under our current corporate structure, income of our Company will be primarily derived from dividend payments from Longtianyong Nonferrous Metals. Shortages in foreign currency may restrict the ability of Longtianyong Nonferrous Metals to remit dividends in foreign currency to us. We also plan to transfer a portion of the proceeds from the Global Offering as well as proceeds from our future fund raising activities into China to fund our business operations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, in most cases, particularly payments of capital account items, approval from appropriate PRC governmental authority is required where (i) RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as repayment of offshore bank loans denominated in foreign currencies, and (ii) any foreign currency is to be converted into RMB for investment in China. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from converting RMB into foreign currencies or vice versa, or obtaining sufficient RMB or foreign currency to satisfy our currency demands, our ability to transfer RMB to fund our business operations in China or to pay dividends in foreign currencies to our Shareholders may be adversely affected.

On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. According to the SAFE official website, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Between July 21, 2005 and April 30, 2012, the RMB appreciated by approximately 31.8% against the U.S. dollar, although the pace of appreciation was uneven during this period. It is difficult to predict how the RMB exchange rates may change in the future. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant adjustment of the RMB against the U.S. dollar, which the Hong Kong dollar is pegged to. Accordingly, to the extent that we need to convert Hong Kong dollars we receive from the Global Offering into RMB for our operations, appreciation of RMB against the Hong Kong dollar could have a material adverse effect on the value of the net proceeds we will receive from the Global Offering in Hong Kong dollars, our business, financial condition and results of operations. Conversely, as we rely entirely on dividends paid to us by Longtianyong Nonferrous Metals, any depreciation of RMB may materially and adversely affect the value of, and any dividends payable on, our Shares in foreign currency terms.

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

Substantially all of our operating assets, officers and Directors are located in the PRC. The PRC does not currently have treaties providing for reciprocal recognition or enforcement of judgments of courts located in the United States, the United Kingdom and most other Western countries. "An Arrangement between the Mainland and Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of judgments of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned" (關於內地與香港特別行政區法院相互承認和執行當事人協議管轄的民商事案件判決的安排) was executed on July 3, 2008 and became effective on August 1, 2008. However, there are many restrictions on the arrangement. As a result, you may not be able to effect service of process pursuant to the authority of non-PRC courts upon our subsidiaries or our Directors. Further, the recognition and enforcement in the PRC of judgments of courts outside the PRC may be difficult or impossible.

We face uncertainty with respect to indirect transfers of equity interests in PRC subsidiaries through their non-PRC holding companies

On December 10, 2009, the SAT promulgated the Circular of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Incomes from Equity Transfers of Non-Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) ("Circular 698") to regulate the administration of enterprise income tax on equity transfer from non-resident enterprise, with retroactive effect from January 1, 2008. Under Circular 698, if a foreign investor transfers its indirect equity interest in a PRC resident enterprise by means of disposal of its equity interests in an overseas holding company (the "Indirect Transfer") and the overseas holding company is located in a tax jurisdiction which levies tax at an effective tax rate of less than 12.5% or does no levy tax, the foreign investor shall report the Indirect Transfer to the competent tax authorities. The competent taxation authorities may disregard the existence of the overseas holding company, if the foreign investor conducts Indirect Transfer without reasonable commercial purpose and establishes the overseas holding company for tax avoidance purposes. As a result, gains derived from the Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10% and the foreign investor may be subject to penalty for any late tax payment.

Currently it is unclear how the relevant PRC tax authorities will implement or enforce Circular 698. We cannot assure you that none of the acquisitions in connection with our Reorganization will be regarded as Indirect Transfers. In the event that we are required to settle any relevant withholding tax under Circular 698, our cash flow and results of operations during the related period may be materially and adversely affected.

Dividends payable to us by our PRC subsidiary and gains on sales of our Shares may be subject to PRC withholding taxes, and we may be subject to PRC taxation on our worldwide income

The PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "EIT Law") and its implementation rules (中華人民共和國企業所得稅法實施條例) were enacted on March 16, 2007 and December 6, 2007, respectively, both of which became effective on January 1, 2008. Under these law and regulations, if we are deemed a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid by our PRC subsidiary to our Company, unless we are entitled to reduction or elimination of such tax by tax treaties. If legal requirements on distribution of dividends become more stringent in the PRC in the future, payment of dividends from our PRC subsidiaries to our Company may be affected.

Moreover, the EIT Law provides that, if an enterprise incorporated outside the PRC has its "de facto management organization" located within the PRC, the enterprise may be recognized as a PRC resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on its worldwide income. Currently, most of our Group's management team members reside in the PRC. Accordingly, our Company may be deemed to be a PRC resident enterprise and therefore we would be subject to PRC enterprise income tax at a rate of 25% on our worldwide income. This would materially and adversely affect our results of operations and profitability.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business

Natural disasters, acts of war, political unrest and epidemics, all of which are beyond our control, may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are particularly susceptible to floods, earthquakes, sandstorms and droughts. Political unrest, acts of war and terrorist attacks may cause damage or disruption to us, our employees or our production facilities. In addition, certain Asian countries, including the PRC, have encountered epidemics such as severe acute respiratory syndrome ("SARS"), or incidents of the avian flu. Past occurrences of epidemics have caused different degrees of damage to the national and local economies in the PRC. A recurrence of an outbreak of SARS, avian flu or any other similar epidemic could cause a slowdown in the levels of economic activity generally. If any of such natural disasters occurs, our business, results of operations and financial condition may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between the Sole Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder) and may differ from the market prices for our Shares after the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile. We cannot assure you that our Shareholders will be able to sell their Shares or achieve their desired price. As a result, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the Global Offering. Factors that may affect the volume and price at which our Shares will be traded include variations in our sales, earnings, cash flows and costs, announcements of new investments and changes in laws and regulations in China. We cannot assure you that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price of our Shares not directly related to our performance.

The trading price of our Shares may be volatile

The trading price and trading volume of our Shares following the Global Offering may be volatile and can fluctuate significantly and rapidly in response to the following factors, some of which are beyond our control:

- our financial results;
- history of, current development and prospects for, our business and China's silver industry in which we compete;
- changes in securities analysts' estimates (if any) of our financial performance;
- an assessment of our management, our past and present operations, and prospects for, and timing of, our future revenues and cost structures from independent research analysts (if any);
- valuations of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding our industry.

The Stock Exchange has from time to time experienced significant price and trading volume fluctuations which are not related to operating performance of the relevant company. As a result, investors in our Shares may experience volatility in the market price of the Shares and a decrease in the value of our Shares regardless of our operating performance or prospects.

Our Directors, officers or existing Shareholders may sell our Shares in the future and this may adversely affect the value of your investment

Prior to the Global Offering, there has not been a public market for our Shares. Future sale by our existing Shareholders after the Global Offering could adversely affect market prices prevailing from time to time. Only a limited number of the Shares currently outstanding will be available for sale or issue immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issue. Nevertheless, after these restrictions lapse or if they are waived or breached, future sales of our Shares in substantial amounts in the public market or the perception that any of such sale may occur could negatively impact the prevailing market price for our Shares and our ability to raise equity capital in the future.

Certain facts and other statistics with respect to China, the PRC economy and the global and PRC silver industries in this prospectus are derived from various official government sources and may not be reliable

Certain facts and other statistics in this prospectus relating to China, the PRC economy and the global and PRC silver industries and related markets have been derived from the reports we commissioned from CRU and various official government publications. However, we cannot guarantee the quality or reliability of such source materials. We believe that sources of the information extracted from the CRU report are appropriate sources for these statistics and we have taken reasonable care in extracting and reproducing such information. 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. They have not been prepared or independently verified by us, the Selling Shareholder, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, you should not rely on the statistics in this prospectus which may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, you should give consideration as to how much weight or importance you should attach to or place on such facts or statistics.

You may face difficulties in protecting your interests under Cayman Islands law

Our corporate affairs are governed by the Articles of Association, the Cayman Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and our Articles of Association. The common law of the Cayman Islands is derived in part from relatively limited judicial precedents in the Cayman Islands as well as those from English common law, which have persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to protection of interests of shareholders (including minority shareholders) differ in some material respects from those in Hong Kong and other jurisdictions. The remedies available to the Shareholders (including minority shareholders) may be limited compared to the laws of other jurisdictions.