You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below in respect of our business and the industry, before making an investment in the Offer Shares. You should pay particular attention to the fact that our principal operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects differs from that which prevails in other countries. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the Offer Shares in this Global Offering could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks involved in our operations, many of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting operations in the PRC; and (iii) risks relating to the dual primary listing and the Global Offering. Additional risks and uncertainties not presently known to us, not expressed or implied below or that we presently deem immaterial could also materially and adversely affect our business, financial condition and results of operations. You should consider carefully all the information set forth in this prospectus in connection with an investment in us.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Fluctuations in the market prices of gold and other non-ferrous metals that we produce could materially and adversely affect our business and results of operations.

Substantially all of our revenues and cash flows from operating activities are derived from the sale of gold dore bars. We expect that, following the completion of Skyland Acquisition, we will derive an increasing portion of our revenues and cash flows from sales of other non-ferrous metal concentrates produced at the Jiama Mine, including copper, molybdenum, gold, silver, lead and zinc as it has commenced commercial production since September 2010 and continues to ramp up its production capacity.

Historically, the market prices for gold, copper, molybdenum, silver lead and zinc have fluctuated widely and experienced periods of significant decline. Their prices are influenced by numerous factors and events which are beyond our control such as world demand and supply, forward selling activities, gold reserve movements at central banks, costs of production by other producers and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates (especially the strength of the U.S. dollar), as well as general global economic conditions and political trends. If market prices of gold and other non-ferrous metals that we produce should fall due to these and other factors and events, our business, results of operations and the price of our Shares could be materially and adversely affected.

We have a limited operating history and our future revenues and profits are subject to uncertainties.

We were primarily engaged in exploration activities and mine construction before we commenced commercial production at the CSH Mine and started to generate revenue in July 2008. We are also acquiring Skyland (including the Jiama Mine it owns) concurrently with the completion of the Global Offering. The Jiama Mine is a large-scale mining operation that has recently commenced commercial production. As of June 30, 2010, Skyland's total assets amounted to US$253.5 million, as compared to US$195.4 million for our Group. The Jiama Mine is still in the development stages. It commenced commercial production in September 2010 and expects to further increase its processing capacities over time as it continues the construction and development of the mine. Any delay in achieving the production rates or meeting the schedule for mine and processing facility construction and expansion will delay realization of anticipated revenues from the Jiama Mine. Therefore, our operating results for the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010 are not indicative of future operating results and prospects.

Our acquisition of Skyland may not yield the benefits we anticipate, which could materially and adversely affect our business and results of operations.

After we acquire Skyland, we expect to benefit from substantial synergies between our Company and the Skyland Group by building on the joint management experience in the mining industry and the combined research and development capacities. We also believe our increased mineral resources and enlarged production scale resulting from our acquisition of Skyland will present us with further growth opportunities in a broader spectrum of market sectors and allow us to reduce our overall exposures to volatility within any single mineral market.

However, 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, this acquisition will require our management to develop expertise in new areas, manage new business relationships and attract new types of customers. Failure to generate the synergies we anticipate from the combination of our current operations at the CSH Mine and Jiama Mine could materially and adversely affect our business and results of operations.

If our relationship with China National Gold materially changes, our growth prospects and results of operations may be materially and adversely affected.

China National Gold is, and will continue to be upon completion of the Global Offering, our Controlling Shareholder. We have historically benefited significantly from our relationship with China National Gold, and a key aspect of our strategy is to continue to capitalize on this relationship. However, we cannot assure you that our relationship will not change significantly in the future or that our strategy will be effectively implemented. For instance, China National Gold may determine to reduce resources on its international expansion efforts. It may also determine to conduct its overseas activities through another acquired overseas-listed company, another controlled entity listed overseas or in China, or by itself. In addition, we may not be able to effectively identify, complete or integrate acquisition targets overseas.

Furthermore, China National Gold has undertaken not to compete with us in the International Mining Business. As part of its undertaking, China National Gold has granted us preferential rights on future international gold and non-ferrous business opportunities as well as a right of first refusal and a call option right relating to such businesses. However, such non-competition undertaking will be terminated if, among other things, China National Gold ceases to be our Controlling Shareholder. We cannot assure you that China National Gold will not sell its shares upon expiration of its lockup period or that third parties will not acquire our shares, resulting in China National Gold ceasing to be our Controlling Shareholder.

Moreover, China National Gold has also undertaken to procure all Controlled Entities (including Zhongjin Gold Corporation) to abide by its non-competition undertaking to us. However, as none of the Controlled Entities (including Zhongjin Gold Corporation) is a party to, or otherwise legally bound by, China National Gold's non-competition undertaking to us, there can be no assurance that the Controlled Entities will not compete with us for International Mining Business opportunities in the future. In particular, as a publicly listed company in China, the directors and management of Zhongjin Gold Corporation are required to make business decisions in the interests of its shareholders as a whole and thus may decide to pursue an investment or acquisition opportunity that is inconsistent with China National Gold's non-competition undertaking to us.

China National Gold has, through three undertakings, undertaken not to compete with its other subsidiary, Zhongjin Gold Corporation, which is a public company listed on the Shanghai Stock Exchange in the PRC and primarily engaged in the exploration, mining and smelting of gold and related by-products in the PRC. On August 31, 2010, Zhongjin Gold Corporation issued an announcement confirming that the acquisitions by China National Gold, through China National Gold Hong Kong, of controlling interests in our Company in May 2008 and in Skyland in February 2009 do not fall within the scope of these three undertakings. Haiwen & Partners, our PRC legal advisers, is of the view that such public announcement, as approved by the board of directors of Zhongjin Gold Corporation, does not vary or amend the terms of the three undertakings, but the possibility that the public shareholders of Zhongjin Gold Corporation will dispute the validity and effect of such public announcement cannot be ruled out. In the case of an alleged breach by China National Gold of its non-competition undertakings to Zhongjin Gold Corporation, the public shareholders of Zhongjin Gold Corporation may bring legal action against China National Gold to seek, among other things, specific performance by China National Gold by demanding China National Gold to transfer the related mining business and assets to Zhongjin Gold Corporation. However, applicable PRC statute of limitation for public shareholders to bring such lawsuit is two years, starting from the date when the public shareholders first become aware, or should become aware, of the alleged breach.

Under China National Gold's non-competition undertaking to us, we will have priority in acquiring mining assets located outside of China but, with respect to any mineral assets located in China that are held directly or indirectly by an offshore company, we will have the right to take up the business opportunity after Zhongjin Gold Corporation has reviewed and decided not take up such business opportunity. We cannot assure you that the public shareholders of Zhongjin Gold Corporation will not dispute the validity and effect of our right to take up such business opportunity.

If any of the above events, or any other event that could materially affect our relationship with China National Gold, occurs in the future, our growth prospects, operations, revenue and profitability will be materially and adversely affected. The price of our Shares may also decline significantly.

We experienced net losses for certain years during the Track Record Period, and there is no assurance that we will be profitable in the future.

In 2007 and 2009, we experienced net losses of approximately US$30.4 million and US$8.4 million, respectively. Although we had net income of approximately US$14.9 million in 2008, it was primarily attributable to fair value gain on warrant liabilities of US$12.8 million and foreign exchange gain of US$8.1 million, which were non-recurring in nature. As a result of the significant historical losses, we had accumulated deficits of US$70.7 million, US$56.1 million, US$65.5 million and US$65.0 million as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. During the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, Skyland Group experienced net losses of approximately US$16.9 million, US$13.0 million and US$8.5 million, respectively. We expect to continue to incur increased costs and operating expenses as we continue to implement our development and expansion plans. If our net revenue do not increase to offset any expected increases in costs and operating expenses, we will not be profitable. You should not consider our revenue growth in recent periods as indicative of our future performance. Net revenue in the future periods could decline or grow more slowly than we expect.

We and Skyland Group had net current liabilities and significant net cash outflows from operating and investing activities during the Track Record Period.

We had net current liabilities of US$8.2 million and US$9.4 million as of December 31, 2008 and 2009, respectively, while we recorded net current assets of US$14.7 million and US$12.9 million as of December 31, 2007 and June 30, 2010, respectively. The principal reason for our net current liability position as of December 31, 2008 and 2009 was because we took on short-term bank borrowings to fund part of our capital expenditure and incurred accounts payable and accrued expenses in relation to the installation of the crushing facilities and mining services provided by third-party contractors for the CSH Mine. Skyland had net current liabilities of US$0.9 million, US$25.4 million, US$19.5 million and US$36.9 million as of December 31, 2007, 2008 and 2009 and June 30, 2010. Skyland's net current liabilities positions were mainly attributable to borrowings, construction costs and other payables and the fact that the Jiama Mine had not commenced production during the relevant periods.

In addition, during the Track Record Period, as we were in the early stages of mining development and commercial production, we had experienced significant cash outflows from operating and investing activities. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we had net cash outflows from operating activities of US$7.7 million and US$33.0 million, net cash inflows from operating activities of US$10.8 million and net cash outflows from operating activities of US$14.3 million, respectively, and net cash outflows from investing activities of US$22.5 million, US$11.1 million and US$31.4 million and net cash inflows from investing activities of US$1.5 million, respectively. For the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, Skyland Group had net cash outflows from operating activities of US$10.3 million and US$2.0 million, and net cash inflows from operating activities of US$21.4 million, respectively, and net cash outflows from investing activities of US$36.5 million, US$91.8 million and US$32.1 million, respectively. We had sought and obtained financial support from China National Gold to address various liquidity issues. See "Relationship with Controlling Shareholder — Independence from China National Gold — Financial Independence".

A net current liability or negative operating and other cash flow position may impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. If we are unable to meet our debt and interest repayment obligations, our creditor(s) could choose to demand immediate repayment, which could result in a complete loss of investment for our equity holders if we are not able to repay such obligations, the result of which could materially and adversely affect our business and results of operations.

We depend on our two operating mines, namely, the CSH Mine and the Jiama Mine, for substantially all of our revenue and cash flow from operating activities for the foreseeable future. Failure to obtain the expected economic benefits from these mines could materially and adversely affect our business, financial condition and results of operations.

Our operations are exposed to uncertainties in relation to our operating mines. The CSH Mine and the Jiama Mine will be our only operating mines immediately following the Global Offering and we will depend on them for substantially all of our operating revenue and cash flow for the foreseeable future. If we fail to derive the expected economic benefits from these mines due to a delay or difficulty encountered in the progress or development of these mines, an occurrence of any event that causes these two mines to operate at less than optimal capacity or for other results, our business, financial condition and results of operations could be materially and adversely affected.

We are relatively inexperienced in the acquisition and development of mining assets outside of China and we may not be able to acquire and operate any gold or other non-ferrous mine outside of China in the future.

Upon the effectiveness of China National Gold's non-competition undertaking to us, we will have a mandate from China National Gold to focus on International Mining Businesses. However, all of our current mining assets are located in China. We are relatively inexperienced in identifying, acquiring and integrating assets outside of China, and have no experience of developing assets outside of China. As a result, our future efforts to acquire and develop mining assets outside of China may not be successful and we may not be able to acquire and operate any gold or other non-ferrous mine outside of China in the future, which in turn may materially and adversely affect our growth prospects and results of operations.

Fluctuations in exchange rates could materially and adversely affect our financial position and results.

Although our functional currency is the U.S. dollar, we receive all of revenue and incur a large portion of our expenditure in RMB. During the Track Record Period, we have issued promissory notes denominated in Canadian dollars. As a result, our financial position and results are significantly impacted by the exchange rate fluctuations related to the U.S. dollar, the Canadian dollar and RMB.

For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we had US$3.3 million of foreign exchange loss, US$8.1 million of foreign exchange gain, US$5.9 million of foreign exchange loss and US$0.3 million of foreign exchange loss, respectively. These foreign exchange losses and gain are largely attributable to the Canadian dollar denominated promissory notes we issued. Foreign exchange rate fluctuation was also a principal factor leading to the significant variations in fair value change on our warrant liabilities. See "Financial Information — Factors Affecting Our Results of Operations — Fair Value Change on Warrant Liabilities." Such foreign exchange gain or loss and fair value change in turn could have a significant impact on our financial position and results. For example, for the year ended December 31, 2008, we had net income of approximately US$14.9 million primarily attributable to the foreign exchange gain of US$8.1 million and a fair value gain of US$12.8 million on warrant liabilities. Excluding such gains, we would incur a net loss in that fiscal year. For the year ended December 31, 2009, we had net loss of approximately US$8.4 million primarily attributable to the foreign exchange loss of US$5.9 million and a fair value loss of US$7.2 million on warrants liabilities. Absent such losses, we would result in a net income in that fiscal year.

In addition, we may acquire international mining assets to expand our business in the future. As a result, we may be subject to greater risk in foreign exchange fluctuations.

The interests of China National Gold, our Controlling Shareholder, may not be the same as, and may conflict with, those of our other shareholders.

China National Gold will hold approximately 38.98% of our outstanding Shares immediately upon completion of the Global Offering (after taking into account the acquisition of Skyland and assuming the Over-allotment Option is not exercised). China National Gold also owns an approximate 52.4% equity interest in Zhongjin Gold Corporation, a public company whose shares are listed on the Shanghai Stock Exchange and whose principal scope of business includes the exploration, mining, processing smelting and refining of gold in the PRC. See "Relationship with Controlling Shareholder" for further information.

The interests of China National Gold may conflict with those of our other shareholders. As the operations of Zhongjin Gold Corporation are substantially larger than those of the CSH Mine and the Jiama Mine in terms of resources, annual gold production and revenue generated from the sale of gold, China National Gold may, for business considerations or otherwise, take actions that favor itself or Zhongjin Gold Corporation instead of the interests of our other shareholders. For example, China National Gold may incorporate and list another overseas company to implement its international expansion strategy. China National Gold may choose to divert any potential acquisition opportunities to itself or Zhongjin Gold Corporation, frustrating our strategy to collaborate with China National Gold to identify acquisition opportunities. China National Gold may reject or delay the exercise of our call option with respect to the mineral properties held by China National Gold. In addition, China National Gold may exercise its influence over us as a controlling shareholder in manners inconsistent with the best interests of our other shareholders. If that occurs, we may lose some of our competitive advantages and our business and results of operations may be materially and adversely affected.

Our reserve and resource estimates are based on assumptions which may prove to be inaccurate, and we may produce less mineral than the current estimates.

Our ore reserves and mineral resources estimates are based on a number of assumptions. If those assumptions prove inaccurate, we could need lower our ore reserves and mineral resources. The accuracy of estimates is a function of the quantity and quality of available data and the assumptions made and judgments used in engineering and geological interpretation, which may prove to be unreliable. There is no assurance that our estimates will prove accurate or that such mineral resources can be mined or processed profitably.

Estimates of our resources and reserves may change significantly when new information becomes available or new factors arise, and interpretations and deductions on which resource and reserve estimates are based may prove to be inaccurate. Resource estimates indicate in-situ mineral occurrences from which valuable or useful minerals may be recovered, but do not take into account whether such resources could be mined or whether valuable or useful minerals could be recovered economically from them, nor do resource estimates incorporate mining dilution or allow for mining losses. The reserve estimates contained in this prospectus represent the amount of minerals that we believe can be mined and processed, based on the selling price that is not lower than our total estimated costs of production and anticipated additional capital expenditures, and are calculated based on estimates of future production costs and metal prices. In the future, we may need to revise our reserve estimates, if, for instance, our production costs increase or the sales prices of metals we produce decrease and as a result, a portion or all of our mineral reserves may become uneconomical to recover. This will result in the lowering of our estimated reserves as well as mine lives.

In addition, compared to "measured" and "indicated" mineral resource category, "inferred" resources have even a greater amount of uncertainty as to their existence and as to whether they can be mined legally or economically. You are cautioned that it cannot be assumed that all or any part of the "inferred resources" will ever be upgraded to a higher category.

The inclusion of reserve and resource estimates should not be regarded as a representation that all these amounts can or will be economically exploited or recovered. Nothing in this prospectus should be interpreted as an assurance of the economic viability of our mines or the profitability of our future operations.

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

Estimates of future production for our mining operations are subject to change. We cannot give any assurance that we will achieve our production estimates. Our failure to achieve our production estimates could have a material and adverse effect on our future cash flow, results of operations and financial condition. The production estimates are based on, among other things, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics) and estimated rates and costs of production. Actual production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed elsewhere in this prospectus, and as set out below:

- actual ore mined varying from estimates in grade, tonnage, and metallurgical and other characteristics;
- lower than estimated recovery rate;
- mining dilution;
- pit wall failures or cave-ins;
- industrial accidents;
- equipment failures;
- natural phenomena such as inclement weather conditions, floods, blizzards, droughts, rock slides and earthquakes;
- encountering of unusual or unexpected geological conditions;
- changes in power costs and potential power shortages;
- shortages of principal supplies needed for operation, including explosives, fuels, equipment parts and lubricating oil;
- litigation; and
- restrictions imposed by government authorities.

Such occurrences could result in damage to mineral properties, 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. New mining operations frequently experience unexpected problems during the initial development phase. Delays often can occur in the commencement of production. Estimates of production from properties not yet in production or from operations that are to be expanded are based on similar factors (including, in some instances, feasibility studies prepared by our personnel and/or outside consultants), but it is possible that actual cash operating costs and economic returns will differ significantly from those currently estimated. For example, the actual gold recovery rate of 42.3% from the uncrushed ore realized up to December 2009 at the CSH Mine was 8% lower than the estimated recovery rate of 51%. This resulted in the recognition of an impairment in the fair value of our inventory in the amount of approximately US$3.0 million, which in turn was included in our cost of sales for the year ended December 31, 2009. There is no assurance that we will be able to realize the estimated recovery rate at CSH Mine or any other mines operated by us. If we do not realize the estimated recovery rate, our future growth prospects and results of operations may be materially and adversely affected.

Failure to discover new reserves, maintain or enhance existing reserves, develop new operations or expand our current operations could negatively affect our business and results of operations.

Mining exploration is unpredictable in nature. The success of any mining exploration program depends on various factors including, among other things, (i) whether ore bodies can be located; (ii) whether the location of ore bodies are economically viable to mine; (iii) whether appropriate metallurgical processes can be developed and appropriate mining and processing facilities can be economically constructed; and (iv) whether necessary governmental permits, licenses and consents can be obtained.

In order to maintain gold and other non-ferrous metal production beyond the life of the current proved and probable reserves, we must identify further reserves capable of economical exploitation. However, due to the unpredictable and speculative nature of our industry, there is no assurance that any exploration program will result in the discovery of valuable resources. If a valuable resource is discovered, it could take several years and require significant capital expenditure to complete the initial phases of exploration before production commences, and during this period, the capital cost and economic feasibility may change. There is also no assurance that reported resources can be converted into reserves. Furthermore, actual results upon production may differ from those anticipated at the time of discovery.

To access additional reserves in explored areas, we will need to successfully complete development projects, including extending existing mines and developing new mines. We typically conduct feasibility studies to determine whether to undertake significant construction projects. Actual results may differ significantly from those anticipated by our feasibility studies. In addition, there are a number of uncertainties inherent in the development and construction of any new mine or an extension to an existing mine, including: (i) the availability and timing of necessary governmental approvals; (ii) the timing and cost necessary to construct mining and processing facilities, and the availability and cost of smelting and refining arrangements; (iii) the availability and cost of labor, utilities, auxiliary materials and other supplies and the accessibility of transportation and other infrastructure; and (iv) the availability of funds to finance construction and production activities.

Accordingly, there is no assurance that any future exploration activities or development projects will extend the life of our existing mining operations or result in any new economical mining operations.

A portion of our estimated resources and reserves for the CSH Mine falls outside of the scope of our current mining permit. We may not be able to obtain the relevant governmental confirmation if we plan to conduct mining activities on this portion of the CSH Mine.

According to the CSH Technical Report, a portion of the defined mineral resources and mineral reserves at the CSH Mine as of June 30, 2010 are located below the lower elevation limit of the current mining permit for the CSH Mine. We are applying for a confirmation from the relevant government authority in the form of the modification of the renewed exploration permit for the CSH Mine that such exploration permit will also cover the mineral resources and mineral reserves below this lower elevation limit. There is no assurance that we will be able to obtain such confirmation. If we do not obtain such confirmation, our future growth prospects and results of operations may be materially and adversely affected.

Operating costs of the CSH Mine and Jiama Mine may differ from our estimates.

The estimates regarding operating costs of the CSH Mine and the Jiama Mine are based on the Independent Technical Reports. Such estimates are based upon, among other things, (i) anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed; (ii) anticipated recovery rates of minerals from the ore; (iii) cash operating costs of comparable facilities and equipment; and (iv) anticipated geographic and climatic conditions. If any of those factors changes or any of the assumptions is inaccurate, actual operating costs, production and economic returns may differ significantly from those estimates.

Our failure to obtain and maintain required government approvals, permits and licenses for our exploration and mining activities or renewals thereof could materially and adversely affect our business and results of operations.

Under relevant PRC laws, we are required to obtain certain government approvals, permits and licenses for each of our mines, among which exploration permits, mining permits, production safety permits and gold operating permits are crucial to our business operations. There is no assurance that we will obtain such approvals, permits and licenses in a timely manner in the future or at all. Any failure to obtain or any delay in obtaining or retaining any required governmental approvals, permits or licenses could subject us to a variety of administrative penalties or other government actions and adversely impact our business operations. Specifically,

- under the "Mineral Resources Law" (礦產資源法) and the "Administrative Measures on Registration of Tenement of Mineral Resources Exploration and Survey" (礦產資源勘查區塊登記管理辦法), if we fail to obtain or renew the exploration permit and conduct exploration without valid exploration permits, we may be ordered to cease exploration and subjected to a fine of up to RMB100,000, and for failure to present the annual report of the exploration or pass annual verification, we may be ordered to cease the exploration and subjected to a warning or a fine of up to RMB50,000, and, in the worst case, the exploration permit may be suspended;

- under the "Mineral Resources Law" (礦產資源法) and "Administrative Measures on Registration of Mineral Resources Exploitation" (礦產資源開採登記管理辦法), if we fail to obtain or renew the mining permit and conduct mining without valid mining permits, we may be ordered to cease mining and pay for the damages caused, any mineral products and illicit gains may be confiscated, and we may also be fined; for failure to present the annual report or pass the annual verification, we may be ordered to cease mining activities and subjected to a warning or a fine of up to RMB50,000, and in the worst case, the mining permit may be suspended;

- under the "Regulations on Production Safety Permit" (安全生產許可證條例), if we fail to obtain the production safety permit, we may be subject to the confiscation of the illicit gains and a fine ranging from RMB100,000 to RMB500,000; if we continue production without duly renewing the production safety permit upon its expiration, we may be ordered to suspend production and take the corrective measures within a prescribed time period, and we may be subjected to the confiscation of the illicit gains and a fine ranging from RMB50,000 to RMB100,000. The Jiama Mine recently completed its construction of production facilities and started commercial production in September 2010, while it is still in the process of going through various post-construction formalities and obtaining the formal production safety permits. Safety assessments are expected to be conducted by the end of 2010, following which production safety permits for the mine are expected to be issued by the relevant government authority; and

- under the "Mineral Resources Law" (礦產資源法) and the "Regulations on Administration of the Permit for Gold Exploitation" (辦理開採黃金礦產批准書管理規定), if we fail to obtain or renew the permit for gold exploitation and engage in gold exploitation without valid permits, we may be ordered to stop the mining, and pay for the damages caused, any mineral products and illicit gains may be confiscated, and we may also be fined.

If any administrative penalties and other government actions are imposed on or taken against us due to our failure to obtain or delay in obtaining or retaining any required governmental approvals, permits or licenses, our business, financial condition and results of operations could be materially and adversely affected.

We may be unable to renew the mining permits or the exploration permits for the CSH Mine and Jiama Mine.

The exploration permits for the Jiama Mine expired in early October 2010. The renewal applications have been submitted and are currently in progress. If we are unable to renew such permits or the exploration permit for the CSH Mine upon its expiration in August 2012, our business and results of operations will be materially and adversely affected. Furthermore, our mining permit for the CSH Mine will expire in August 2013, the mining permit for Tongqianshan area of the Jiama Mine will expire in July 2013 and the mining permit for Niumatang area of the Jiama Mine will expire in July 2015. Under the PRC laws and regulations, if there are residual reserves in a property when the mining permit in respect of such property expires, the holder of the expiring mining permit will be entitled to apply for an extension for an additional term. Our PRC legal advisers are of the view that, if the current relevant PRC laws and regulations, as well as the current mining industry policy, remain unchanged and consistent at the time of our extension application and we have fulfilled all the substantive and procedural conditions required by the relevant PRC laws, rules and regulations and other request of the competent authorities at that time, there will be no material substantive obstacle in renewing such permits; nevertheless, there can be no assurance as to whether the current relevant PRC laws and regulations, as well as the current mining industry policy, will remain unchanged at the time of the extension application of such permits, nor can there be any assurance that the competent authorities will not use their discretions to deny or delay the renewal or the extension of our mining permits due to factors outside our control. Therefore, there can be no assurance that we will successfully renew our mining permits on favorable terms, or at all, once such permits expire.

We may not pass the annual verification of the mining rights to the CSH Mine and Jiama Mine.

Our mining rights for the CSH Mine and Jiama Mine are subject to annual verification by the Department of Land and Resources of Inner Mongolia and Tibet, respectively. In the annual verification, 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 verification for failing to meet the relevant requirements or materially breaching any laws or regulations, we may be penalized according to the relevant laws and regulations or given a deadline to rectify the situation, or our mining rights may be revoked. While we have passed the annual verifications in the past and have not been penalized in the past, we cannot assure you that we will be able to pass the annual verification of our mining rights in the future. Should these rights be suspended or revoked or we fail to pass the annual verification, our business and results of operations will be materially and adversely affected. See "— Our failure to obtain and maintain required government approvals, permits and licenses for our exploration and mining activities or renewals thereof could materially and adversely affect our business and results of operations."

Our future acquisitions may prove to be difficult to integrate and manage or may not be successful.

We intend to continue to acquire high-quality mineral resources as part of our strategy, but we may not identify suitable acquisition opportunities. Even if we do identify suitable opportunities, we may not be able to complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable acquisition targets or the inability to complete such transactions could materially and adversely affect our competitiveness and growth prospects. In the event we successfully complete an acquisition, we could face difficulties in integrating the acquisition with our operations or fail to achieve the strategic purpose of such an acquisition. Such difficulties or failures could disrupt our ongoing business, distract our management and employees, and increase our expenses, any of which could materially and adversely affect our business and results of operations.

We own the CSH Mine and the Dadiangou Project through CJV companies, which are established pursuant to CJV agreements. Therefore, we are subject to risks relating to operations through CJV companies.

We have entered into CJV agreements in relation to the CSH Mine and the Dadiangou Project. Although under the existing CJV agreements, we are entitled to appoint a majority of the directors of the CJV company and appoint the general manager of the CJV company (who is responsible for the day-to-day operation and management of the CJV company and implementing resolutions of the board), certain members of the management and boards of directors of the CJV companies are nominated by our CJV partners. Under the CJV Law and the CJV agreements, certain decisions require unanimous consent of the directors present at a meeting of the board, such as (i) amendment to the articles of association of the CJV company, (ii) increase or reduction of the registered capital of the CJV company; (iii) dissolution of the CJV company; (iv) mortgage of the assets of the CJV company; or (v) merger or division of the CJV company or a change in its form of organization; and to the extent unanimous consent cannot be obtained, there is a risk that we will not be able to effect these matters despite our desire to do so.

Furthermore, the exploration permit of CSH Mines currently held by the CSH CJV was injected to it by our CJV partner as its contribution, and to the extent that the exploration permit is subject to any claims by any party for reasons that occurred prior to the injection, the operation of our CSH CJV may be adversely affected.

Also, the exploration and mining permits of the CSH Mine is currently held by the CSH CJV and the operation of the CSH Mine is carried out by the CSH CJV. If our CJV partner makes an early termination of the CSH CJV agreement or materially breaches the CJV agreement, our business and results of operations could be materially and adversely affected.

In addition, our CJV agreements with our CJV partners involve a number of risks, including (i) disputes with our CJV partners as to the performance or scope of each party's obligations under the CJV agreements, (ii) financial difficulties encountered by a CJV partner affecting its ability to perform its obligations under the CJV agreements or other contracts with us, and (iii) conflicts between the policies or objectives adopted by our CJV partners and those adopted by us. For example, we and our CJV partner NINETC have been in a dispute concerning our obligations under the CJV agreement relating to the Dadiangou Project. We believe that we have fully performed our capital contribution obligations and upon making certain additional payments to NINETC, we will be entitled to the specified participating interest in the Dadiangou property. NINETC disagreed with our position and has delayed transfer of title to the relevant exploration permit as required under the relevant CJV agreement. On November 24, 2009, we and NINETC reached an agreement to discontinue the exploration work at the Dadiangou Project and on December 1, 2009, we and NINETC agreed to sell the Dadiangou Project to Shaanxi Taibai Gold Mine Co., Ltd. See "History and Corporate Structure — History and Development — Cooperative Joint Ventures — Dadiangou CJV". We cannot assure you that similar and other disputes will not arise in the future. If any of these disputes or disagreements arises between our CJV partners and us, it could be time-consuming, costly and distracting for us to resolve such dispute or any legal proceedings that develop from the dispute or disagreement. Furthermore, if we receive an adverse decision in any of such legal proceeding, we may be required to pay compensation or damages to our CJV partners. As a result, our business and results of operations could be materially and adversely affected.

Changes in PRC tax laws and regulations could materially and adversely affect our business and results of operations.

Our PRC subsidiaries are subject to, among other things, corporate income tax, resources tax, VAT, city maintenance and construction tax, education surcharge and property tax under PRC laws and regulations. The PRC government increased the resources tax rates of copper, lead and zinc effective August 1, 2007 and the resources tax rate of gold mine effective on May 1, 2006. There is no assurance that the PRC government will not increase the rates of resources tax or other taxes. Any increase in these tax rates could materially and adversely affect our results of operations. For further details, see "PRC Laws and Regulations Relating to the Industry — Laws and Regulations Relating to Taxation".

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

We intend to incur further capital expenditure to expand our production capabilities at the CSH Mine and the Jiama Mine. We have recently constructed an extension to the leach pad at the CSH Mine to double the leach pad loading capacity to approximately 71 million tonnes of ore. The capital expenditure for this extension is estimated to be approximately US$8.0 million. We also intend to commence the second phase development of the Jiama Mine at the end of 2010 and complete it at the beginning of 2012.

Our existing and future capital expenditure projects could be delayed or adversely affected by a variety of factors, including failure to obtain the necessary regulatory approvals or sufficient funding, construction difficulties, technical difficulties, and manpower or other resource constraints. In particular, recent disruptions, uncertainty or volatility in the capital and credit markets 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 expectation. Even if we are able to complete the projects without delay and within budget, as a consequence of changes in market circumstances or other factors, we may not be able to 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 circumstances or other factors, we may not derive the expected economic benefits from these capital expenditure projects, and our business and results of operations may be materially and adversely affected.

We may not be able to obtain further financing to fund the expansion and development of our business.

We are in a capital-intensive industry and have relied on a mixture of equity capital and debt financing to fund our operations. We have in the past funded our capital expenditures primarily by cash generated from our operations, the issuance of equity and debt securities and credit facilities. Following the Global Offering, we expect to use cash generated from our operations, net proceeds of the Global Offering and potentially further financing, if required, to meet our business growth objectives, including further development of our existing exploration, mining and processing operations, development of new properties and future acquisitions. Any required additional funding may be sought through the debt and equity markets or through project participation arrangements with third parties, but there is no assurance that we will be able to obtain sufficient funding or obtain funding at all when it is required and that such additional funding will be available on commercially acceptable terms. If any such additional funding is obtained, it may be on terms that are highly dilutive or otherwise adverse to our existing stockholders. Failure to obtain the funding or obtain the funding on commercially acceptable terms that we need when it is required could have a material and adverse effect on our business and results of operations.

Our indebtedness and the conditions and restrictive covenants imposed on us by our financing agreements could materially and adversely affect our business and results of operations.

During the Track Record Period, we had a high level of indebtedness. We may continue to incur significant debt to fund our daily operations and to pursue our expansion plans. Our ability to meet regularly scheduled interest and principal payments on our indebtedness will depend on our future operating performance and cash flow, which in turn will depend on prevailing economic and political conditions and other factors, many of which may be beyond our control. Furthermore, a high level of indebtedness will expose us to interest rate risks which could substantially affect our ability to generate cash or make a profit.

In addition, our financing agreements include various conditions and covenants that require us to obtain lenders' consents prior to carrying out certain activities and entering into certain transactions, such as incurring additional debt, creating additional charges on our assets, providing additional guarantees or disposing of certain assets. In connection with our borrowings and other financing arrangements, we have agreed to comply with various financial and other covenants. For example, under the indenture for the outstanding Series C Notes held by China National Gold, we are required to obtain China National Gold's consents prior to carrying out certain activities and entering into certain transactions, including but not limited to (i) incurring additional debt; (ii) creating additional charges on our assets; (iii) making guarantee in favor of any third party; (iv) dispose of material assets other than to an arm's length third party on arm's length commercial terms; (v) entering into commercial arrangements with any non-arm's length third party unless the arrangements are entered into in good faith and on arm's length commercial terms; (vi) changing the character of our main business; and (vii) distributing dividends. See "Financial Information — Historical Financial Information of Our Group — Selected Balance Sheet Items — Indebtedness — Restrictive Covenants." While we intend to repay the Series C Notes in full with a portion of the net proceeds from the Global Offering, we may be required to comply with similar or even more restrictive covenants or other terms under any new loan and other financing agreements.

Furthermore, Skyland Group, which we will acquire upon completion of the Global Offering, is also subject to various conditions and covenants under the terms of some of its financial agreements. For example, under the RMB750 million syndicate loan facility agreement with Bank of China and other two PRC banks, Huatailong is subject to a variety of conditions and restrictive covenants, including, among other things, (i) the requirements regarding its debt and equity ratio, its internal cash resources and the progress of and the investment of its internal cash resources on certain of its mining construction and production facility upgrading projects and (ii) the restrictions on its ability to create encumbrances on or dispose of its assets, provide guarantees and distribute dividends. See "Financial Information — Summary Historical Financial Information of Skyland Group — Indebtedness."

As a result of the restrictive covenants or other terms of any existing or new loan or other financing agreements, our ability to pay dividends or other distributions on the Shares may be limited. See "Financial Information — Dividend and Dividend Policies" for certain specific restrictions or other conditions on our and Skyland Group's ability to distribute dividends. In addition, we may also be significantly restricted in our ability to raise additional capital through bank borrowings and debt and equity issuances or to engage in some transactions that we expect to be of benefit to us. Our inability to meet these conditions and covenants or obtain lenders' consent to carry out restricted activities could materially and adversely affect our business and results of operations.

We rely on third-party contractors to conduct a substantial portion of our exploration, mine construction and mining activities.

We outsource all of our mining and exploration engineering work (such as drilling) and most of our mine construction work to third-party contractors. We maintain supervision over these contractors and amend the outsourcing agreements from time to time to better address cost and quality controls.

However, notwithstanding our efforts, our contractors may take actions contrary to our instructions or requests, or be unable or unwilling to fulfill their obligations. In such event, we may have disputes with our contractors, which could lead to additional expense, distractions and potentially loss of production time and additional costs, any of which could materially and adversely affect our business and results of operations.

In addition, under the relevant PRC laws and regulations, an owner of an exploration or mining permit has a statutory obligation to ensure safe production. In the event of any production safety-related accident involving a contractor, the Group may be held directly liable or liable for compensation to the extent of its fault regardless of any contractual provisions to the contrary. Any of such liabilities could have a material and adverse effect on our financial condition and results of operations. See "Business — Third Party Contractors".

Our operations may face material risk of liability, delays and increased production costs from design defects, environmental and industrial accidents and other factors such as severe weather conditions, natural disasters, community protests or civil unrest.

By its nature, the business of mineral exploration and development, mining and processing contains elements of significant risk and hazards. The continuous success of our business is dependent on many factors such as (i) successful design and construction of mining and processing facilities, and (ii) successful commissioning and operating of mining and processing facilities.

Our mines are subject to technical risks in that our infrastructure may not perform as designed. For example, according to the CSH Technical Report, the mine production at the CSH Mine is expected to depend mostly on the crushing production and heap leach gold recovery rate. However, the early trial runs of the crushing facility at the CSH Mine demonstrated design problems that did not allow the facility to function properly. The crushing facility was shut down to modify and correct the problems before October 2009. Since a single large crushing system is used at the CSH Mine, equipment breakdown at the crushing facility could cause delays in the crushing production. According to the CSH Technical Report, there are still uncertainties with respect to the heap leach gold recovery rate at the CSH Mine. According to the CSH Technical Report, the eventual total gold recovery rate during the total expected leach time of at least five years for the ROM ore extracted from 2007 to December 31, 2009 is expected to reach 53%, which is less than the 80% recovery rate originally expected. Increased development costs, lower output or higher operating costs may all combine to make a mine less profitable than expected at the time of the development decision. We cannot assure you that we will be adequately compensated by third-party mine design and construction companies in the event that a mine did not meet its expected design specifications.

Our business may also be disrupted by a variety of other risks and hazards, including environmental hazards, industrial accidents (including but not limited to mishandling of dangerous articles), technical or mechanical failures, processing deficiencies, labor disputes, community protests or civil unrest, unusual or unexpected geological occurrences, severe seismic activity, flooding, discharge of toxic chemicals, fire, explosions, and other delays. Accidents, technical difficulties, mechanical failures or plant breakdowns encountered in the exploration and development, mining and processing activities could result in disruptions to our operations and increases in our operating costs or personal injuries. Environmental events such as changes in the water table (man-made or naturally occurring), mud-slides and instability of the stopes could materially and adversely affect our underground and open-pit mining. Mishandling of dangerous articles such as explosives and toxic materials could result in material disruptions to our operations. The occurrence of any of these risks and hazards could result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, delay in production, increased production costs, monetary losses and possible legal liability (including compensatory claims, fines and penalties) to us, which could materially and adversely affect our business and results of operations. We may also be subject to actions by environmental protection groups or other interested parties who object to the actual or perceived environmental impact of our mines or other actual or perceived condition at our mines. These actions may delay or halt production or may create negative publicity related to our mines.

We may not be able to maintain an adequate and timely supply of electricity, water, auxiliary materials, equipment, spare parts and other critical supplies at reasonable prices or at all.

Cost effective operations of our mines depend, among other things, on the adequate and timely supply of electricity, water and auxiliary materials. Major auxiliary materials used in our production include forged steel grinding balls, chemical products, explosives, lubricating oil, electric wires and cables, rubber products and fuel. We source our auxiliary materials from domestic suppliers and our equipment from suppliers in the PRC and other countries. For further discussion on supply of auxiliary materials, see "Business — Infrastructure, Supplies and Equipment — Raw Materials and Auxiliary Materials". If our supplies of auxiliary materials, equipment or spare parts are interrupted or their prices increase, or our existing suppliers cease to supply us on acceptable terms, our business, financial condition and results of operations could be materially and adversely affected.

Electricity and water are the main utilities used in our exploration and mining. For further information on electricity and water supplies at our mines, see "Business — Infrastructure, Equipment, Supplies and Services — Electricity and Water". Because our mines are situated in remote locations in China, we face a relatively higher risk in the interruption or shortage in our electricity supply, which could materially and adversely affect our production and production safety by disrupting operations such as water pumping and ventilation. For example, according to the Jiama Technical Report, the Jiama Mine may experience power shortage until the central power grid of Tibet is connected to China's national power grid and shortage in electricity supply for mine and processing production during the winter dry season may affect the ability of the Jiama Mine in meeting production targets. Any increase in the prices of electricity or water could also materially and adversely affect our financial condition and results of operations.

We face operational and other risks relating to our operations in Tibet.

The Jiama Mine is located in a mountainous area in Tibet. The remote location, high altitude and tough terrain of the area may expose us to various operational difficulties, including those related to water and power supplies and the ability to maintain relationship with local community. Our operations in the Jiama Mine are also subject to the inclement weather conditions in Tibet, in particular, in winter. Winter conditions in the area prevail from October through March and the winters are generally dry and cold, which might adversely impact our production during the winter months. In addition, the PRC government may, from time to time, implement policies that aim to enhance environmental protection, resource conservation or community development in Tibet. To the extent such policies might limit our ability to further explore the mineral resources and increase production in the Jiama Mine, our business, financial condition and results of operations could be materially and adversely affected. In addition, Tibet has been historically subject to social instability. Such instability may adversely affect our business operations, which in turn could have a negative impact on our financial condition and results of operations.

We face certain risks relating to the real properties that we own, use or lease.

We have a number of title defects relating to the real properties that we own, use or lease. See "Business — Real Properties" for further information. As a result of these defects, we face a number of title related risks. 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 with which we or relevant lessors do not hold valid titles certificates. If any of the properties we owned or leased were successfully challenged, we may be forced to relocate the affected operations. If we fail to find suitable replacement sites on terms acceptable to us for a significant number of the affected operations, or if we are subject to any material liability resulting from third parties' challenges for our ownership usage or lease of properties with which we or our lessors do not hold valid titles, our business, financial condition and results of operations could be materially and adversely affected by any lawsuits or actions unfavorably decided or resolved against us.

Our operations are governed by extensive and increasingly stringent environmental and other laws and regulations.

Our operations are subject to extensive PRC environmental laws and regulations relating to air and water quality, waste management and public health and safety. To comply with these laws and regulations, we incur significant costs associated with our production facilities, production process and the installation of pollution control equipment. We must undergo inspections by relevant PRC environmental authorities and maintain various environmental permits. Failure to comply with relevant PRC environmental laws and regulations could materially and adversely affect our business and results of operations.

In addition, PRC environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed mines and a heightened degree of responsibility for companies and their officers, directors and employees. Amendments to current PRC laws and regulations governing operations and activities of mining companies or more stringent implementation thereof could have a material adverse impact on us and cause increases in capital expenditure, production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Our mining operations have a limited life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

Our existing mining operations have a limited life. The key costs and risks for mine closures are: (i) long-term management of permanent engineered structures (such as tailings dams) and acid drainage; (ii) achievement of environmental closure standards (such as rehabilitation requirements); (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the sites with associated permanent structures and community development infrastructure and programs to new owners. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing monitoring and environmental rehabilitation costs and damage to our reputation if desired outcomes cannot be achieved. In the event of a difficult closure, our business and results of operations could be materially and adversely affected.

In an effort to address mine closure and other geological environment issues, a mining company is required to submit rehabilitation undertakings and pay rehabilitation deposits to the relevant government authorities under applicable PRC laws and regulations. We and Skyland Group have submitted the rehabilitation undertakings and paid the installments of rehabilitation deposits that have become due with respect to the CSH Mine and the Jiama Mine, respectively. See "Business — Environmental Protection and Community Development — Rehabilitation". However, in the event of non-compliance of applicable rehabilitation undertakings or a default in paying required rehabilitation deposits in the future, we could be subject to a variety of penalties and other administrative actions, including inability to proceed with certain administrative procedures relating to mining permits (including annual inspection, renewal, alteration and mortgage registration), suspension of mining permits or ceasing of operations. See "PRC Laws and Regulations relating to the Industry — Other Relevant Laws and Regulations — Laws and Regulations relating to Geological Environmental Protection".

Dividends payable by our PRC subsidiaries to us, dividends payable by us to our shareholders and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Pursuant to the Enterprise Income Tax Law of the PRC ("EIT Law") and implementation regulations issued by the State Council, to the extent any dividends for earnings derived since January 1, 2008 are considered sourced within China, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business). Similarly, any gain realized on the transfer of the Shares by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. If we are considered to be a "resident enterprise", we would be subject to the enterprise income tax at the rate of 25% on our global income and the dividends we pay with respect to our Shares would be treated as income derived from sources within China and be subject to PRC income tax. It is uncertain whether we will be considered a PRC "resident enterprise". Accordingly, there is uncertainty as to whether the dividends payable to our foreign investors, or the gain our foreign investors may realize from the transfer of our Shares, would be treated as income sourced within China and be subject to PRC tax. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our foreign shareholders who are "non-resident enterprises," or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

Furthermore, in the event that we are considered as a non-resident enterprise under the EIT Law, we will not be subject to the enterprise income tax at the rate of 25% on our global income. In such case, however, dividends we receive from our PRC subsidiaries will be subject to a PRC withholding tax, the standard rate of which is 10% and can be reduced by an applicable tax treaty, under the EIT Law. Such withholding tax will reduce our profit.

Limitations on the ability of our PRC subsidiaries or CJVs to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and rely to a significant extent on dividends and other distributions to be paid by our PRC subsidiaries and CJVs for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, and to service any debt we may incur and pay our expenses. In addition, upon completion of the Global Offering, we will acquire Skyland Group, which also includes various PRC subsidiaries. If any of our PRC subsidiaries or CJVs incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Furthermore, relevant PRC laws, rules and regulations permit payments of dividends by each of our PRC subsidiaries only out of its retained earnings, if any, determined in accordance with PRC accounting standards and regulations. Under PRC laws, rules and regulations, each of the entities incorporated in the PRC is required to set aside a portion of its net income each year to fund certain reserves and to make up for previously accumulated losses before it can distribute dividends to its shareholders. These reserves, together with the registered equity of these entities, are not distributable as cash dividends. As a result of these PRC laws, rules and regulations, our PRC subsidiaries are restricted in their ability to distribute dividends to their shareholders.

In addition, the PRC subsidiaries or CJVs of our Group or the Skyland Group may be subject to the conditions and covenants under the existing or new loans or other financing agreements, which restrict their ability to declare and distribute dividends. See "— Our indebtedness and the conditions and restrictive covenants imposed on us by our financing agreements could materially and adversely affect our business and results of operations" and "Financial Information — Summary Historical Financial Information of Skyland Group — Indebtedness".

Limitations on the ability of our PRC subsidiaries to pay dividends to us could have a negative impact on our Share price.

The global financial markets have experienced significant volatility recently, which has had negative repercussions on the global economy. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general slow-down of economic growth in the U.S., China and globally, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, including increase in interest expenses on our bank borrowings, or reduction of the amount of banking facilities currently available to us. If the economic downturn continues, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal control systems may not be adequate or effective.

Our Directors together with our senior management are responsible for overseeing the Group's internal control policies and procedures. We have established risk management and internal control systems consisting of relevant organizational framework policies, procedures and risk management methods that we believe are appropriate for our business operations. In order to enhance our internal control and risk management system, we engaged a qualified consulting firm, which has adequate experience in providing enterprise risk services, to perform an internal control review on the Group.

We believe we have proper internal control and risk management system in place. However, due to the inherent limitations in the design and implementation of these systems, we cannot assure you that our systems will be sufficiently effective in identifying and preventing all such risks. In addition, as some of our risk management and internal control policies and procedures are relatively new, we may need to establish and implement additional policies and procedures to further improve our systems from time to time. Since our risk management and internal controls depend on the implementation by our employees, we cannot assure you that such implementation will not involve any human errors or mistakes. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, results of operations and financial condition could 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.

Recruiting and retaining qualified personnel is critical to our success. We depend on certain key qualified personnel, key senior management and other employees in our business. For further details, See "Business — Competitive Strengths — We are led by a distinguished integrated PRC and international management team". As our business grows, we may recruit additional management and other personnel. There is no assurance that the key qualified personnel we have or recruit in the future will continue to provide services to us or will honor the agreed terms and conditions of their employment or contracts. Any loss of key personnel or failure to recruit and retain personnel for our future operations and development could have a material adverse effect on our business and results of operations.

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

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological conditions, rock bursts or slides, fire, floods, earthquakes or other environmental occurrences and political and social instability. These risks can result in, among other things, damage to and destruction of mineral properties or production facilities, personal injury, environmental damage, delays in mining, monetary losses and legal liability.

We have maintained insurance within ranges of coverage consistent with industry practice in the PRC. However, in line with industry practice in the PRC, we have elected not to insure against certain risks as a result of high premiums or other reasons or has agreed to policy limits on certain coverage that may not cover all potential liabilities for similar reasons.

We cannot assure you that we will be able to maintain our current insurance coverage at economically reasonable premiums (or at all) in the future, or that any coverage we obtain will be adequate and available to cover the extent of any claims against us. In the event that we suffer a significant liability for which we are not insured or our insurance coverage is inadequate to cover the entire liability, our business and results of operation could be materially and adversely affected.

Some of our Directors and officers are directors and officers of other mineral resource companies. We cannot assure you that these directors and officers will not encounter conflicts of interests with us.

Some of our Directors and officers are directors or officers of other mineral resource companies. To the extent that such other companies may participate in ventures in which we may participate, these directors and officers may have a conflict of interest in negotiating and concluding terms with respect to the extent of such participation. Such other companies may also compete with us for the acquisition of mineral property rights.

In the event that any such conflict of interest arises, a director or officer who has such a conflict is required to disclose the conflict to a meeting of our Board. If the conflict involves a director, the director is required to abstain from voting for or against the approval of such participation or such terms. In appropriate cases, we will establish a special committee of independent Directors to review a matter in which several directors, or management, may have a conflict. In accordance with the provisions of the British Columbia Business Corporations Act, our directors and officers are required to act honestly in good faith, with a view to our best interests.

We face increasing domestic and foreign competition.

We face increasing competition from both domestic and international gold and other non-ferrous metal producers. Our major competitors are large international gold and non-ferrous metals producers. Our competitors may have certain advantages over us, including greater financial, technical and raw materials resources, greater economies of scale, broader name recognition and more established relationships in certain markets. In addition, we currently enjoy a competitive advantage over many of the metal and mining companies that are ultimately controlled by the PRC government as we are one of the few companies among them that is incorporated and listed overseas, which we believe affords us certain flexibility in developing overseas business opportunities and accessing international capital markets. We will lose such competitive advantage if the other metal and mining companies that are ultimately owned or controlled by the PRC government also incorporate and list their controlled companies overseas. Increased competition may prevent us from acquiring new properties and ultimately may have a material adverse impact on our business, results of operations and growth prospect.

Acts of God, acts of war and terrorism, riots, epidemics and other disasters could affect our business.

Our business is subject to general and social conditions. Natural disasters, epidemics, acts of God and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihoods of the people of the PRC. Some cities in the PRC are under the threat of flood, earthquake, sandstorm or drought. Our business, financial condition and operating results may be materially and adversely affected if natural disasters occur.

Epidemics threaten people's lives and may materially and adversely affect their livelihood as well as their living and consumption patterns. The occurrence of an epidemic is beyond our control, and there is no assurance that the outbreak of severe acute respiratory syndrome, the H5N1 strain of avian influenza, the H1N1 strain of swine flu or any other epidemics or pandemics will not happen. Any epidemic or pandemic occurring in areas in which we operate, or even in areas in which we do not operate, may materially and adversely affect our business, financial condition and operating results.

Acts of war and terrorism may cause damage or disruption to us or our employees, facilities, markets, suppliers or customers, any of which may materially and adversely impact our revenue, cost of sales, financial condition and operating results or our Share price. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Changes to the PRC regulatory regime for the mining industry may materially and adversely affect our business and results of operations.

The PRC local, provincial and central authorities exercise a substantial degree of control over the gold and other non-ferrous metal industries in the PRC. Our operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor standards, occupational health and safety, waste treatment and environmental protection, and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may increase our operating costs and thus adversely affect our results of operations.

Although we seek to comply with all new PRC laws, regulations, policies, standards and requirements applicable to the mining industry or all changes in existing laws, regulations, policies, standards and requirements, we cannot assure you that we will be able to comply with them economically or at all. Furthermore, any such new PRC laws, regulations, policies, standards and requirements or any such change in existing laws, regulations, policies, standards and requirements may also constrain our future expansion plans and adversely affect our profitability.

PRC political, economic and social conditions and government policies could affect our business.

China is, and for the foreseeable future is expected to remain, the country in which we concentrate most of our business activities and financial resources. Currently all of our operating assets are located in the PRC and all of our revenue is derived from our operations in the PRC. Our results of operations and prospects are subject, to a significant degree, to economic, political and social developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of governmental involvement, the level of development, the growth rate and government control of foreign exchange.

The PRC economy has traditionally been centrally planned. Since 1978, the PRC government has been promoting reforms of its economic and political systems. These reforms have brought about marked economic growth and social progress in the PRC, and the economy of the PRC has shifted gradually from a planned economy towards a market-oriented economy. We believe that we have benefited from the economic reforms implemented by the PRC government and its economic policies and measures. However, there is no assurance that the PRC government will continue to pursue economic reforms. In addition, while the PRC's economy has experienced significant growth in the last three decades, growth has been uneven across both geographic regions and the various sectors of the economy.

Our business could be negatively affected by changes and uncertainties in the PRC legal system.

The PRC legal system is based on civil law system. Unlike a common law system, prior legal decisions and judgments have limited significance for guidance. The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new. The implementation and interpretation of these laws and regulations remain uncertain in many areas and may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in the agreements that we are a party to or the legislation upon which these agreements are based, which are atypical of more developed legal systems and may affect the interpretation and enforcement of our rights and obligations. Furthermore, the PRC legal system is based in part on government policies and administrative rules that we may not be aware. Moreover, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action may be protracted and could result in substantial costs and diversion of resources and management attention.

In addition, there are several levels of government with influence over our mineral exploration, development and production activities. A loss of support for one or more of our mines by the government authority at any level could result in substantial disruption in our ability to continue operations. Such a loss of support could occur on a national level, including, for example, a change in government policy to discourage foreign investment. It may also occur at a provincial or local level. As a result, our ability to conduct operations could be hindered by aggressive or capricious application of jurisdiction within the control of a particular level of government.

We may be unable to enforce our legal rights in certain circumstances.

We are incorporated in British Columbia, Canada. In the event of a dispute arising from or in respect of our operations in the PRC, we may be subject to the exclusive jurisdiction of PRC courts or may not be successful in subjecting foreign persons to the courts in Canada, Hong Kong or other jurisdictions. We may also be hindered or be prevented from enforcing our rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Government control of currency conversion and changes in the exchange rate between the RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.

RMB currently is not a freely convertible currency. We receive all of our revenue in RMB and will need to repatriate our earnings outside of China and convert RMB to foreign currency for payment of dividends, if any, to our shareholders. Under the current foreign exchange regulations in the PRC, our PRC subsidiaries will be permitted, after completion of the Global Offering, to effect foreign exchange for current-account transactions (including the distribution of dividends) through accounts permitted by the PRC government. Under existing PRC foreign exchange regulations, profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. We cannot assure you that the PRC government will not in the future impose restrictions on foreign exchange transactions for current-account items, including the payment of dividends.

Since July 21, 2005, the value of the RMB has appreciated significantly against the U.S. dollar. In the event of an appreciation of the RMB in value against the U.S. dollar, RMB denominated prices of gold, copper, molybdenum, silver and lead may decrease. In addition, the majority of our operating costs are denominated in RMB, but our consolidated financial results are published in U.S. dollars. Therefore, if the RMB appreciates against the U.S. dollar, it could materially and adversely affect our consolidated financial results. Moreover, to the extent that we need to convert the proceeds from the Global Offering and future financing into the RMB for our operations, appreciation of the RMB against the relevant foreign currencies could have a material and adverse effect on the RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will likely be paid in Hong Kong dollars or U.S. dollars, any depreciation of the RMB against the Hong Kong dollar or U.S. dollar could materially and adversely affect the amount of any cash dividends on our Shares in such foreign currency terms.

Certain restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations.

In the PRC, foreign companies have in the past been, and are currently, required to operate within a framework that is different from that imposed on domestic PRC companies. The PRC government has been opening up opportunities for foreign investment in mining projects and this process is expected to continue, especially following the PRC's accession into the World Trade Organization. However, if the PRC government should reverse this trend, or impose greater restrictions on foreign companies, or seek to nationalize our PRC operations, our business and results of operations could be materially and adversely affected. For a description of the laws and regulations applicable to foreign mining companies, see the section entitled "PRC Laws and Regulations Relating to the Industry" in this prospectus.

RISKS RELATING TO THE DUAL PRIMARY LISTING AND THE GLOBAL OFFERING

The characteristics of the Canadian share market and Hong Kong share market are different.

Our Shares registered on the Canadian Share Registry (the "Canadian Shares"), have been listed and traded on the TSX since 2006. Following the Global Offering, the Canadian Shares and the Shares subject to the Global Offering to be registered by the Hong Kong Share Registrar (the "Hong Kong Shares") will be fungible with each other and be capable of trading between the two stock exchanges. The TSX and the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading price of the Canadian Shares and the Hong Kong Shares may not be the same. Furthermore, fluctuations in the Canadian Share price could materially and adversely affect the Hong Kong Share price, and vice versa. Moreover, fluctuations in the exchange rate between the Canadian dollar and the HK dollar could materially and adversely affect the Canadian Share and Hong Kong Share prices.

Because of the different characteristics of the Canadian share and Hong Kong share markets, the historical prices of the Canadian Shares may not be indicative of the performance of the Shares (including the Hong Kong Shares) after the listing of the Shares on the Stock Exchange. Investors should therefore not place undue reliance on the prior trading history of the Canadian Shares when evaluating an investment in the Global Offering.

We are a Canadian listed company principally governed by the laws and regulations of British Columbia. Except for the waivers that we have received, we are required to comply with the TSX Listing Rules, Canadian securities laws and the Listing Rules.

We are incorporated under the BCBCA and governed by the laws and regulations of British Columbia. As described in "Appendix VI — Summary of Articles, Canadian Corporate and Securities

Laws, Certain TSX Listing Policies and Shareholder Protection Matters" to this prospectus, British Columbia and Canadian laws and regulations may differ in some respects from comparable Hong Kong laws and regulations. Also, there are differences between the Canadian listing and securities regime (including securities laws and TSX Listing Rules) and the Listing Rules. As we are dually listed, we are required to comply with both the TSX Listing Rules and the Listing Rules. To the extent that we are required to comply with the Canadian listing and securities regime and the Listing Rules, we will need to allocate resources and incur costs in connection therewith. There could also be instances where the extensive compliance requirements of our dual primary listing inhibit our ability to act in a timely and efficient manner regarding relevant corporate and business matters, which may have an adverse effect on our business and results of operations. Furthermore, there could be additional risks associated with a company that has a dual primary listing in Hong Kong and Canada, which we have not anticipated.

Moreover, pursuant to the British Columbia Securities Transfer Act, a Shareholder who has lost a share certificate is required to provide us with an indemnity bond for any loss arising from the issuance of a new share certificate. The premium payable by the Shareholder to obtain that bond is generally based on the value of the Shares underlying the share certificate, which premium will typically amount to up to 3% or more of the aggregate share value.

In addition, the issuance of new Shares under the proposed Listing requires the approval of the Toronto Stock Exchange.

As we are a Canadian company, it could be difficult for investors to effect service of process on and recover against us or our Directors and officers. Our shareholders may face difficulties in protecting their interest.

We are a Canadian company and most of our officers and Directors are residents of various jurisdictions outside Hong Kong. A substantial portion of our assets and the assets of our officers and Directors, at any one time, are and may be located in jurisdictions outside Hong Kong. It could be difficult for investors to effect service of process within Hong Kong on our Directors and officers who reside outside Hong Kong or to recover against us or our Directors and officers on judgments of Hong Kong courts predicated upon the laws of Hong Kong.

Our corporate affairs are governed by our charter documents, consisting of our Notice of Articles and Articles, and by the BCBCA. The rights of our shareholders and the fiduciary responsibilities of our Directors are governed by the laws of Canada. The laws of Canada relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. You should be mindful about such differences. See "Appendix VI — Summary of Articles, Canadian Corporate and Securities Laws, Certain TSX Listing Policies and Shareholder Protection Matters" to this prospectus.

Investors should not place undue reliance on industry and market information and statistics derived from official government publications contained in this prospectus.

This prospectus contains information and statistics relating to the PRC and international mining industry and markets. With respect to information and statistics derived from various official government publications, while we have exercised reasonable care in compiling and reproducing such information and statistics, it has not been independently verified by us or any of our affiliates or advisers, nor by the Underwriters or any other parties involved in the Global Offering or their respective affiliates or advisers. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Further, there can be no assurance that such information and statistics are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other countries. We cannot ensure the accuracy of such information and statistics, and such information and statistics may not be consistent with other information prepared within or outside the PRC. You should not place undue reliance on any of such information and statistics contained in this prospectus.

The liquidity and market price of our Shares may be volatile.

Prior to the Global Offering, our Shares were not offered to the public in Hong Kong. The Offer Price will be determined by us and the Joint Bookrunners on behalf of the Underwriters. The financial markets in Hong Kong, Canada and other countries have experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors beyond our control and may be unrelated to our results of operations or financial position. The Offer Price may not be indicative of the trading price of our Shares in Hong Kong following the completion of the Global Offering. In addition, there can be no assurance that there will be an active trading market for the Shares, or if it exists, that it can be sustained following the completion of the Global Offering, or that the trading price of the Shares will not fall below the Offer Price. Accordingly, investors may not be able to resell their Shares at or above the price at which such Shares were purchased.

The market price of our Shares when trading begins could be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during the period from the Price Determination Date to the date trading commences. Accordingly, holders of the Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Purchasers of our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our Shares is higher than our net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. Please see "Appendix II — Unaudited Pro Forma Financial Information of Our Group" for our pro forma adjusted net tangible asset value per Share information. In order to expand our business, we may consider offering and issuing additional Shares in the future. We may also issue additional Shares pursuant to the exercise of outstanding options to purchase our Shares. Purchasers of our Shares may experience dilution in the net tangible asset value per Share if we issue additional Shares in the future at a price lower than our net tangible asset value per Share, and the market price of our Shares may also be adversely affected as a result.