The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PERSISTENCE RESOURCES GROUP LTD AND INNOVAX CAPITAL LIMITED

Introduction

We report on the historical financial information of Persistence Resources Group Ltd (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-75, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and 30 June 2023, and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4 to I-75] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "document") in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2020, 2021 and 2022 and 30 June 2023, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Certified Public Accountants
Hong Kong

[*Date*]

I HISTORICAL FINANCIAL INFORMATION

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	5	360,999	247,872	418,413	217,331	196,659
Cost of sales		(166,013)	(107,767)	(199,823)	(99,981)	(104,277)
GROSS PROFIT		194,986	140,105	218,590	117,350	92,382
Other income and gains	5	3,973	3,613	13,403	8,392	5,428
Administrative expenses		(21,480)	(22,490)	(33,711)	(14,569)	(16,655)
Other expenses	6	(2,930)	(30,194)	(10,419)	(1,036)	—
Finance costs	7	(5,236)	(3,824)	(2,955)	(1,428)	(1,657)
PROFIT BEFORE TAX	8	169,313	87,210	184,908	108,709	79,498
Income tax expense	11	(54,890)	(28,494)	(63,918)	(36,237)	(26,729)
PROFIT FOR THE YEAR/PERIOD		114,423	58,716	120,990	72,472	52,769
Profit attributable to:						
Owners of the parent		82,403	41,624	83,214	51,438	37,261
Non-controlling interests		32,020	17,092	37,776	21,034	15,508
		114,423	58,716	120,990	72,472	52,769

		Year ended 31 December			Six months ended 30 June	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Expressed in RMB per share)						
Basic and Diluted	13	1,030	520	1,040	643	466
OTHER COMPREHENSIVE INCOME/(LOSS)						
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of financial statements of subsidiaries		17,651	7,614	(19,407)	(13,437)	(9,266)
		17,651	7,614	(19,407)	(13,437)	(9,266)
Other comprehensive income/(loss) that may not be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of financial statements of the Company		(16,430)	(8,895)	29,543	13,500	10,459
		(16,430)	(8,895)	29,543	13,500	10,459
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/ PERIOD		1,221	(1,281)	10,136	63	1,193
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		115,644	57,435	131,126	72,535	53,962
Total comprehensive income attributable to:						
Owners of the parent		83,624	40,343	93,350	51,501	38,454
Non-controlling interests		32,020	17,092	37,776	21,034	15,508
		115,644	57,435	131,126	72,535	53,962

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
	Notes	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	14	262,409	282,083	296,929	320,578
Intangible assets	15	145,238	132,322	125,090	121,110
Right-of-use assets	16(a)	134,998	128,627	119,720	115,243
Deferred tax assets	17	5,432	5,408	5,906	6,321
Other long-term assets	18	12,100	3,954	6,526	7,538
Total non-current assets		560,177	552,394	554,171	570,790
CURRENT ASSETS					
Inventories	19	28,989	19,788	18,652	11,310
Prepayments, other receivables and other assets	20	2,786	4,364	5,845	8,632
Due from related parties	35	1	—	7,200	7,200
Restricted and pledged deposits	21	14,290	15,645	17,594	19,212
Cash and cash equivalents	21	202,907	182,398	282,187	350,001
Current portion of other long-term assets	18	—	1,000	400	400
Total current assets		248,973	223,195	331,878	396,755
CURRENT LIABILITIES					
Trade payables	22	13,839	15,871	12,426	9,576
Other payables and accruals	23	92,965	20,455	20,897	33,106
Due to related parties	35	59,649	60,255	447	456
Provisions	24	1,912	1,351	1,305	1,305
Deferred income	25	680	510	340	255
Tax payable		25,911	45,484	73,647	87,305
Interest-bearing bank borrowings	26	30,000	30,000	30,000	30,000
Lease liabilities	16(b)	—	—	—	—
Current portion of other long-term liabilities	27	1,065	7,369	7,369	7,369
Total current liabilities		226,021	181,295	146,431	169,372

		As at 31 December			As at 30 June
	Notes	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NET CURRENT ASSETS		22,952	41,900	185,447	227,383
TOTAL ASSETS LESS CURRENT LIABILITIES		583,129	594,294	739,618	798,173
NON-CURRENT LIABILITIES					
Provisions	24	21,971	23,316	23,913	24,258
Other long-term liabilities	27	8,693	36,158	30,066	30,127
Deferred tax liabilities	17	6,464	5,275	9,535	13,722
Total non-current liabilities		37,128	64,749	63,514	68,107
NET ASSETS		546,001	529,545	676,104	730,066
EQUITY					
Equity attributable to owners of the parent					
Share capital	28	1	1	1	1
Reserves	29	482,184	488,636	553,870	592,324
		482,185	488,637	553,871	592,325
Non-controlling interests		63,816	40,908	122,233	137,741
TOTAL EQUITY		546,001	529,545	676,104	730,066

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Statutory surplus reserve*	Special reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 29)*	*(note 29)*	*(note 29)*	*(note 29)*				
As at 1 January 2020	1	50,875	—	2,839	2,160	19,839	75,714	31,796	107,510
Profit for the year	—	—	—	—	—	82,403	82,403	32,020	114,423
Other comprehensive income for the year:									
Exchange differences on translation of financial statements of group companies	—	—	—	—	1,221	—	1,221	—	1,221
Total comprehensive income for the year	—	—	—	—	1,221	82,403	83,624	32,020	115,644
Contribution from a shareholder	—	322,847	—	—	—	—	322,847	—	322,847
Transfer from retained profits	—	—	12,808	—	—	(12,808)	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	(5,000)	(5,000)
Contribution from non-controlling shareholders	—	—	—	—	—	—	—	5,000	5,000
Provision of safety fund surplus reserve	—	—	—	573	—	(573)	—	—	—
As at 31 December 2020	1	373,722	12,808	3,412	3,381	88,861	482,185	63,816	546,001

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Statutory surplus reserve*	Special reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 29)*	*(note 29)*	*(note 29)*	*(note 29)*				
As at 1 January 2021	1	373,722	12,808	3,412	3,381	88,861	482,185	63,816	546,001
Profit for the year	—	—	—	—	—	41,624	41,624	17,092	58,716
Other comprehensive income for the year:									
Exchange differences on translation of financial statements of group companies	—	—	—	—	(1,281)	—	(1,281)	—	(1,281)
Total comprehensive income/(loss) for the year	—	—	—	—	(1,281)	41,624	40,343	17,092	57,435
Transfer from retained profits	—	—	6,837	—	—	(6,837)	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	(40,000)	(40,000)
Dividend declared	—	—	—	—	—	(33,891)	(33,891)	—	(33,891)
Provision of safety fund surplus reserve	—	—	—	741	—	(741)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	(3,357)	—	3,357	—	—	—
As at 31 December 2021	1	373,722	19,645	796	2,100	92,373	488,637	40,908	529,545

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Statutory surplus reserve*	Special reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 29)*	*(note 29)*	*(note 29)*	*(note 29)*				
As at 1 January 2022	1	373,722	19,645	796	2,100	92,373	488,637	40,908	529,545
Profit for the year	—	—	—	—	—	83,214	83,214	37,776	120,990
Other comprehensive income for the year:									
Exchange differences on translation of financial statements of group companies	—	—	—	—	10,136	—	10,136	—	10,136
Total comprehensive income for the year	—	—	—	—	10,136	83,214	93,350	37,776	131,126
Contribution from shareholders	—	10,770	—	—	—	—	10,770	36,349	47,119
Transfer from retained profits	—	—	15,110	—	—	(15,110)	—	—	—
Dividend declared	—	—	—	—	—	(38,886)	(38,886)	—	(38,886)
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	7,200	7,200
Provision of safety fund surplus reserve	—	—	—	1,698	—	(1,698)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	(2,494)	—	2,494	—	—	—
As at 31 December 2022	1	384,492	34,755	—	12,236	122,387	553,871	122,233	676,104

	Attributable to owners of the parent								
	Share capital	**Capital reserve***	**Statutory surplus reserve***	**Special reserve***	**Exchange fluctuation reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 29)*	*(note 29)*	*(note 29)*	*(note 29)*				
As at 1 January 2022	1	373,722	19,645	796	2,100	92,373	488,637	40,908	529,545
Profit for the period	—	—	—	—	—	51,438	51,438	21,034	72,472
Other comprehensive income for the period:									
Exchange differences on translation of financial statements of group companies	—	—	—	—	63	—	63	—	63
Total comprehensive income for the period	—	—	—	—	63	51,438	51,501	21,034	72,535
Transfer from retained profits	—	—	8,414	—	—	(8,414)	—	—	—
Provision of safety fund surplus reserve	—	—	—	768	—	(768)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	(870)	—	870	—	—	—
As at 30 June 2022 (unaudited)	1	373,722	28,059	694	2,163	135,499	540,138	61,942	602,080

	Attributable to owners of the parent								
	Share capital RMB'000 (note 28)	Capital reserve* RMB'000 (note 29)	Statutory surplus reserve* RMB'000 (note 29)	Special reserve* RMB'000 (note 29)	Exchange fluctuation reserve* RMB'000 (note 29)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2023	1	384,492	34,755	—	12,236	122,387	553,871	122,233	676,104
Profit for the period	—	—	—	—	—	37,261	37,261	15,508	52,769
Other comprehensive income for the period:									
Exchange differences on translation of financial statements of group companies	—	—	—	—	1,193	—	1,193	—	1,193
Total comprehensive income for the period	—	—	—	—	1,193	37,261	38,454	15,508	53,962
Transfer from retained profits	—	—	6,203	—	—	(6,203)	—	—	—
Provision of safety fund surplus reserve	—	—	—	804	—	(804)	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	(804)	—	804	—	—	—
As at 30 June 2023	1	384,492	40,958	—	13,429	153,445	592,325	137,741	730,066

* These reserve accounts represent the total consolidated reserves of RMB482,184,000, RMB488,636,000 and RMB553,870,000 and RMB592,324,000 in the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, 30 June 2023, respectively.

Issued capital amounted to HKD800, HKD800, HKD800 and HKD800 as at 31 December 2020, 2021 and 2022, 30 June 2023, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		169,313	87,210	184,908	108,709	79,498
Adjustments for:						
Depreciation of items of property, plant and equipment	8	28,652	14,678	29,582	14,834	15,998
Depreciation of right-of-use assets	8	8,822	8,840	8,947	4,474	4,477
Amortisation of intangible assets	8	2,543	3,334	8,508	4,321	3,980
Loss/(gain) on disposal of items of property, plant and equipment	8	(35)	975	(12)	(12)	(59)
Investment income	5	(2,673)	—	—	—	—
Finance costs	7	5,236	3,824	2,955	1,428	1,657
		211,858	118,861	234,888	133,754	105,551
(Increase)/decrease in inventories		1,395	9,201	1,136	991	7,342
(Increase)/decrease in prepayments, other receivables and other assets		8,165	(1,525)	(1,481)	(2,236)	(2,787)
(Decrease)/increase in trade payables		5,711	2,032	(3,445)	(3,551)	(2,850)
Decrease/(increase) in restricted and pledged bank deposits		(4,964)	(1,355)	(1,949)	(1,333)	(1,618)
Increase/(decrease) in other payables and accruals		2,504	(3,957)	1,583	(1,197)	(464)
Increase/(decrease) in provisions		(1,510)	784	551	332	345
Cash generated from operations		223,159	124,041	231,283	126,760	105,519
Tax paid		(36,403)	(10,086)	(31,993)	(9,138)	(9,299)
Net cash flows from operating activities		186,756	113,955	199,290	117,622	96,220

	Notes	Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income		2,673	—	—	—	—
Advances of loans to third parties		(12,100)	—	—	—	—
Cash received from repayment of loan		—	8,100	—	—	—
Advances of loans to related parties		—	(31,857)	—	—	—
Purchases of items of property, plant and equipment		(17,455)	(34,619)	(48,379)	(15,240)	(28,412)
Proceeds from disposal of property, plant and equipment		232	—	12	12	59
Additions to intangible assets		(30,180)	(26,952)	(7,653)	(1,353)	—
Additions to right-of-use assets	16	(4,076)	(2,469)	(40)	—	—
Net cash flows used in investing activities		(60,906)	(87,797)	(56,060)	(16,581)	(28,353)
CASH FLOWS FROM FINANCING ACTIVITIES						
Advanced from related parties		6,936	862	918	451	456
Repayment of advance from related parties		—	—	(14,823)	—	(461)
Issuance of shares		—	1	—	—	—
Repayment of other long-term liabilities		(839)	(1,300)	(1,069)	(535)	(534)
New bank loans		30,000	30,000	30,000	—	—
Interest paid		(4,152)	(2,659)	(933)	(466)	(721)
Dividends paid		—	(2,034)	(38,886)	—	—
Dividends paid to non-controlling interests		(5,000)	(40,000)	—	—	—
Contribution from non-controlling shareholders		5,000	—	—	—	—
Repayment of bank loans		(90,000)	(30,000)	(30,000)	(30,000)	—
Net cash flows used in financing activities		(58,055)	(45,130)	(54,793)	(30,550)	(1,260)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		67,795	(18,972)	88,437	70,491	66,607

		Year ended 31 December			Six months ended 30 June	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash and cash equivalents at beginning of year/period		134,696	202,907	182,398	182,398	282,187
Effects of exchange rate changes on cash and cash equivalents		416	(1,537)	11,352	667	1,207
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		202,907	182,398	282,187	253,556	350,001
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents	21	202,907	182,398	282,187	253,556	350,001
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		202,907	182,398	282,187	253,556	350,001

STATEMENT OF FINANCIAL POSITION

		As at 31 December			30 June
	Notes	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Investment in a subsidiary		1	1	1	1
Property, plant and equipment		—	—	21	19
Total non-current assets		1	1	22	20
CURRENT ASSETS					
Prepayments, other receivables and other assets	20	2,161	3,152	4,050	5,382
Due from a subsidiary	34	305,831	316,897	310,866	320,854
Cash and cash equivalents	21	538	325	38,735	34,015
Total current assets		308,530	320,374	353,651	360,251
CURRENT LIABILITIES					
Due to related parties	34	14,324	22,886	20,966	21,634
Other payables and accruals		21	123	1,274	1,789
Total current liabilities		14,345	23,009	22,240	23,423
NET CURRENT ASSETS		294,185	297,365	331,411	336,828
NET ASSETS		294,186	297,366	331,433	336,848
EQUITY					
Share capital	28	1	1	1	1
Reserves	29	294,185	297,365	331,432	336,847
TOTAL EQUITY		294,186	297,366	331,433	336,848

The Company was incorporated in the Cayman Islands on 21 May 2019. On its date of incorporation, 100 ordinary shares of USD1 were issued and allotted (note 28).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The address of the registered office of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the subsidiaries now comprising the Group were involved in the mining, processing and sale of gold bullion (the "[REDACTED] Business") in the People's Republic of China (the "PRC").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, the subsidiaries have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	*Notes*	Place and date of incorporation/ registration and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held:					
Majestic Yantai Gold Ltd.*	(1)	British Virgin Islands/ 1 July 2004	USD50,000	100%	Investment holding
Indirectly held:					
煙台中嘉礦業有限公司 Yantai Zhongjia Mining Co., Ltd. ("Yantai Zhongjia")**	(2)	PRC/Mainland China/ 17 March 2005	RMB168,705,500	75%	Mining, processing and sale of gold

* This company is a wholly-owned subsidiary of the Company.

** This company is a subsidiary indirectly owned by the Company.

The English name of the subsidiary registered in the PRC represents the best efforts made by management of the Company to translate the Chinese name of this company as it does not have an official English name.

(1) No audited financial statements have been prepared and issued for the entity for the years ended 31 December 2020, 2021 and 2022 as this company is not subject to any statutory audit requirement under the relevant rules and regulations.

(2) The statutory financial statements for the years ended 31 December 2020, 2021 and 2022 prepared in accordance with PRC accounting principles and regulations have been audited by Shandong Tianluxin Certified Public Accountants Firm (山東天陸新會計師事務所有限公司), a certified public accounting firm registered in the PRC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2022 Amendments")*[1,3]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1]

1 Effective for annual periods beginning on or after 1 January 2024

2 No mandatory effective date yet determined but available for adoption

3 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that, these new and revised IFRSs are unlikely to have a significant impact on the Group's result of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the beginning of the Relevant Periods or the date on which a subsidiary was incorporated, whichever is the later, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life or it is calculated using the units of production ("UOP") basis to write off the cost of the asset proportionately to the value obtained from the extraction of the proven and probable mineral reserves.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Plant and machinery	5 to 20 years
Office equipment, and electronic and other devices	5 years
Motor vehicles	5 years
Mining infrastructure	Respective lives of mines
Leasehold improvements	Over the shorter of the lease terms and 5%

Included in property, plant and equipment is mining infrastructure located at the mining sites. Depreciation is provided to write off the cost of the mining infrastructure using the UOP method based on the indicated mineral resources.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mineral reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entity concerned and the indicated resources of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Research and development expenses

All research costs are charged to the statement of profit or loss as incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 50 years
Buildings	20 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include financial assets included in other long-term assets, financial assets included in prepayments, deposits and other receivables, restricted and pledged deposits, amounts due from related parties and cash and cash equivalents.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are [90 days] past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not at fair value through profit or loss, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, amounts due to related parties, other long-term liabilities, interest-bearing bank borrowings and lease liabilities.

Subsequent measurement

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which is not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the rules and regulations of the PRC. The obligation generally arises when an asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for the final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in the present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) *Sale of products*

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

Foreign currencies

The Historical Financial Information is presented in RMB. The Company's functional currency is Hong Kong dollars because the Company's funds obtained from shareholders and expenditures are mainly denominated in Hong Kong dollars. The Group's operation is mainly carried out in Mainland China and it is more appropriate to present the financial information in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the weighted average exchange rates for the year of the cash flows. Frequently recurring cash flows of Mainland China and overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Environment rehabilitation obligations

Environment rehabilitation obligations are inherently imprecise and only represent approximate amounts because of subjective judgements involved in the estimation of the costs. Environment rehabilitation obligations are subject to considerable uncertainty which affects the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, mines and land development areas, whether operating, closed or sold, (ii) the extent of required clean-up efforts, (iii) varying cost of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. In addition, as prices and cost levels change from year to year, the estimation of environment rehabilitation obligations also changes. Despite the inherent imprecision in these estimates, these estimates are used in assessing the provision for rehabilitation. The carrying amounts of provision for rehabilitation at 31 December 2020, 2021 and 2022 and 30 June 2023 were RMB21,971,000, RMB23,316,000, RMB23,913,000 and RMB24,258,000, respectively. Further details are included in note 24.

Useful lives of property, plant and equipment

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. Useful lives are determined based on management's past experience with similar assets, estimated changes in technologies and, in the case of mining related property, plant and equipment, estimated lives of mines. If the estimated useful lives change significantly, adjustments to depreciation will be provided in the future year. The carrying amounts of property, plant and equipment at 31 December 2020, 2021 and 2022 and 30 June 2023 were RMB262,409,000, RMB282,083,000, RMB296,929,000 and RMB 320,578,000, respectively. Further details are included in note 14.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 17 to the Historical Financial Information.

Mineral reserves

Engineering estimates of the Group's mineral reserves are inherently imprecise and only represent approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimates for accounting purposes and is reflected on a prospective basis at related depreciation rates.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group has one reportable operating segment which is mining and processing gold that is ultimately sold as gold bullion. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

Revenue from each of the major customers which amounted to 10% or more of the Group's revenue during the Relevant Periods is set out below:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	25,221	—	—	—	—
Customer B	335,778	247,872	418,413	217,331	196,659
	360,999	247,872	418,413	217,331	196,659

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of gold bullion.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contracts with customers					
Sale of gold bullion	360,999	247,872	418,413	217,331	196,659
	360,999	247,872	418,413	217,331	196,659

Represented by:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from sale of gold bullion					
Recognised at a point in time	360,999	247,872	418,413	217,331	196,659

All sales of gold bullion are expected to be recognised as revenue within one year.

Other income and gains

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Investment income	2,673	—	—	—	—
Sales of sulfuric acid	—	1,408	10,503	7,202	2,381
Government grants*	281	292	237	—	92
Interest income	928	1,664	2,243	929	1,976
Gains on disposal of property, plant and equipment	35	—	12	—	59
Gains on foreign exchange	56	—	—	55	920
Others	—	249	408	206	—
Total	3,973	3,613	13,403	8,392	5,428

* Various government grants have been received from the PRC local government authorities to support the daily operation of a subsidiary. There are no unfulfilled conditions related to these government grants.

6. OTHER EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Suspension cost*	—	28,728	—	—	—
Donation	2,090	83	1,000	1,000	—
Losses on disposal of property, plant and equipment	—	975	—	—	—
Exchange loss	807	30	9,399	—	—
Others	33	378	20	36	—
Total	2,930	30,194	10,419	1,036	—

* The operations of Yantai Zhongjia were suspended from February 2021 to November 2021 as required by the government in order to carry out safety inspection. Suspension cost primarily represents labour costs, depreciation and amortisation charges, expenses on spare parts and utilities incurred during the suspension period.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on bank borrowings	4,059	2,643	937	430	717
Increase in discounted amounts of provisions and other long-term liabilities arising from the passage of time	1,177	1,181	2,018	998	940
	5,236	3,824	2,955	1,428	1,657

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Six months ended 30 June	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cost of inventories sold		166,013	107,767	199,823	99,981	104,277
Employee benefit expense (including directors' and chief executive's remuneration):						
Wages, salaries and other benefits		21,343	24,250	31,672	15,708	23,871
Pension scheme contributions		773	4,252	5,598	2,958	6,113
		22,116	28,502	37,270	18,666	29,984
Depreciation of items of property, plant and equipment	14	28,652	14,678	29,582	14,834	15,998
Depreciation of right-of-use assets	16	8,822	8,840	8,947	4,474	4,477
Amortisation of intangible assets*	15	2,543	3,334	8,508	4,321	3,980
[REDACTED]				[REDACTED]		
Research and development costs		4,921	4,960	9,156	2,246	3,229
Loss/(gain) on disposal of items of property, plant and equipment		(35)	975	(12)	(12)	(59)
Auditor's remuneration		3	5	3	3	3

* The amortisation of intangible assets for the year/period are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Dr. SHAO Xuxin and Mr. MACKIE James Thomas were appointed as executive directors of the Company on 21 May 2019. Mr. LO Cheuk Kwong and Mr. CHEN Shaohui were appointed as the executive directors of the Company on 8 May 2020.

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	1,859	1,696	2,090	999	1,168
Performance-related bonuses	100	—	—	—	—
Pension scheme contributions and social welfare	16	21	26	13	13
Total	1,975	1,717	2,116	1,012	1,181

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

Year ended 31 December 2020

	Fees	**Salaries, allowances and benefits in kind**	**Performance-related bonuses**	**Pension scheme contributions and social welfare**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
— Mr. CHEN Shaohui	—	480	100	—	580
— Dr. SHAO Xuxin	—	485	—	—	485
— Mr. MACKIE James Thomas	—	396	—	—	396
— Mr. LO Cheuk Kwong	—	498	—	16	514
	—	1,859	100	16	1,975

Year ended 31 December 2021

	Fees	**Salaries, allowances and benefits in kind**	**Performance-related bonuses**	**Pension scheme contributions and social welfare**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
— Mr. CHEN Shaohui	—	324	—	6	330
— Dr. SHAO Xuxin	—	481	—	—	481
— Mr. MACKIE James Thomas	—	393	—	—	393
— Mr. LO Cheuk Kwong	—	498	—	15	513
	—	1,696	—	21	1,717

Year ended 31 December 2022

	Fees	**Salaries, allowances and benefits in kind**	**Performance-related bonuses**	**Pension scheme contributions and social welfare**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
— Mr. CHEN Shaohui	—	207	—	10	217
— Dr. SHAO Xuxin	—	488	—	—	488
— Mr. MACKIE James Thomas	—	399	—	—	399
— Mr. LO Cheuk Kwong	—	996	—	16	1,012
	—	2,090	—	26	2,116

Six months ended 30 June 2022 (unaudited)

	Fees	**Salaries, allowances and benefits in kind**	**Performance-related bonuses**	**Pension scheme contributions and social welfare**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
— Mr. CHEN Shaohui	—	100	—	5	105
— Dr. SHAO Xuxin	—	241	—	—	241
— Mr. MACKIE James Thomas	—	197	—	—	197
— Mr. LO Cheuk Kwong	—	461	—	8	469
	—	999	—	13	1,012

Six months ended 30 June 2023

	Fees	**Salaries, allowances and benefits in kind**	**Performance-related bonuses**	**Pension scheme contributions and social welfare**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
— Mr. CHEN Shaohui	—	107	—	5	112
— Dr. SHAO Xuxin	—	242	—	—	242
— Mr. MACKIE James Thomas	—	198	—	—	198
— Mr. LO Cheuk Kwong	—	621	—	8	629
	—	1,168	—	13	1,181

Dr. SHAO Xuxin is the chief executive officer and an executive director of the Company. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 June 2022.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2022 and 2023 included three, two, three, three and three directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration for the Relevant Periods of the remaining highest paid employees who are neither a director nor chief executive of the Company for the years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2022 and 2023 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowances and benefits in kind	878	1,305	900	446	449
Performance-related bonuses	100	50	150	50	50
Pension scheme contributions and social welfare	31	150	92	48	42
Total	1,009	1,505	1,142	544	541

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
				(unaudited)	
Nil to HKD500,000	—	—	—	2	2
HKD500,001 to HKD1,000,000	2	3	2	—	—
Total	2	3	2	2	2

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company and its subsidiary incorporated in the Cayman Islands and British Virgin Islands, respectively, are not subject to any income tax.

In December 2020, Yantai Zhongjia was identified as a "High and New Technology Enterprise" and thus was granted a preferential rate of 15% from 1 January 2020 to 31 December 2022, if certain conditions are met. The new "High and New Technology Enterprise" certificate is being applied for and has not been issued yet. In arriving at the current tax provision for Yantai Zhongjia during the years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2022 and 2023, the Group adopted the statutory income tax rate of 25% after considering that the tax authority may hold a different view about the preferential tax rate.

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax:					
PRC corporate income tax	48,887	29,659	60,156	30,781	22,957
Deferred tax *(note 17)*	6,003	(1,165)	3,762	5,456	3,772
Total tax charge for the year/period	54,890	28,494	63,918	36,237	26,729

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax	169,313	87,210	184,908	108,709	79,498
At the statutory income tax rate of 25%	42,328	21,803	46,227	27,177	19,875
Effect of tax rate differences in other jurisdictions	1,799	1,210	4,963	1,494	1,268
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	6,464	4,811	10,260	5,687	4,187
Expenses not deductible for tax	4,299	670	2,468	1,879	1,399
Total	54,890	28,494	63,918	36,237	26,729

12. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Dividends	—	33,891*	38,886**	—	—

* The dividends declared to Majestic Gold Corp. amounted to RMB31,857,000 had been offset against the loan granted by the Company to Majestic Gold Corp., in June 2021.

** All the dividends declared in 2022 had been paid in October 2022.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2022 and 2023.

The calculations of basic earnings per share are based on:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
				(unaudited)	
Earnings					
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation: (RMB'000)	82,403	41,624	83,214	51,438	37,261
Shares					
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation: ('000)	80	80	80	80	80
Earnings per share (RMB per share)	1,030	520	1,040	643	466

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment and electronic and other devices	Motor vehicles	Mining infrastructure	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020							
Cost							
As at 31 December 2019	2,082	167,276	3,374	4,115	223,493	—	400,340
Additions	—	1,983	801	430	13,372	—	16,586
Disposals	—	(620)	—	—	—	—	(620)
As at 31 December 2020	2,082	168,639	4,175	4,545	236,865	—	416,306
Accumulated depreciation							
As at 31 December 2019	(519)	(71,856)	(2,808)	(3,529)	(46,960)	—	(125,672)
Charge for the year	(269)	(9,100)	(281)	(207)	(18,795)	—	(28,652)
Disposals	—	427	—	—	—	—	427
As at 31 December 2020	(788)	(80,529)	(3,089)	(3,736)	(65,755)	—	(153,897)
Net carrying amount							
As at 31 December 2020	1,294	88,110	1,086	809	171,110	—	262,409
As at 31 December 2019	1,563	95,420	566	586	176,533	—	274,668
31 December 2021							
Cost							
As at 31 December 2020	2,082	168,639	4,175	4,545	236,865	—	416,306
Additions	1,147	20,521	502	584	8,530	4,094	35,378
Disposals	—	(1,478)	(111)	(355)	—	—	(1,944)
As at 31 December 2021	3,229	187,682	4,566	4,774	245,395	4,094	449,740
Accumulated depreciation							
As at 31 December 2020	(788)	(80,529)	(3,089)	(3,736)	(65,755)	—	(153,897)
Charge for the year	(27)	(10,124)	(446)	(240)	(3,801)	(40)	(14,678)
Disposals	—	679	103	136	—	—	918
As at 31 December 2021	(815)	(89,974)	(3,432)	(3,840)	(69,556)	(40)	(167,657)
Net carrying amount							
As at 31 December 2021	2,414	97,708	1,134	934	175,839	4,054	282,083
As at 31 December 2020	1,294	88,110	1,086	809	171,110	—	262,409

	Buildings	Plant and machinery	Office equipment and electronic and other devices	Motor vehicles	Mining infrastructure	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
Cost							
As at 31 December 2021	3,229	187,682	4,566	4,774	245,395	4,094	449,740
Additions	—	12,175	21	2,013	30,219	—	44,428
Disposals	—	—	—	(82)	—	—	(82)
As at 31 December 2022	3,229	199,857	4,587	6,705	275,614	4,094	494,086
Accumulated depreciation							
As at 31 December 2021	(815)	(89,974)	(3,432)	(3,840)	(69,556)	(40)	(167,657)
Charge for the year	(161)	(12,543)	(437)	(416)	(15,821)	(204)	(29,582)
Disposals	—	—	—	82	—	—	82
As at 31 December 2022	(976)	(102,517)	(3,869)	(4,174)	(85,377)	(244)	(197,157)
Net carrying amount							
As at 31 December 2022	2,253	97,340	718	2,531	190,237	3,850	296,929
As at 31 December 2021	2,414	97,708	1,134	934	175,839	4,054	282,083
30 June 2023							
Cost							
As at 31 December 2022	3,229	199,857	4,587	6,705	275,614	4,094	494,086
Additions	—	4,275	—	604	34,768	—	39,647
Disposals	—	—	—	(82)	—	—	(82)
As at 30 June 2023	3,229	204,132	4,587	7,227	310,382	4,094	533,651
Accumulated depreciation							
As at 31 December 2022	(976)	(102,517)	(3,869)	(4,174)	(85,377)	(244)	(197,157)
Charge for the period	(81)	(6,750)	(178)	(381)	(8,403)	(205)	(15,998)
Disposals	—	—	—	82	—	—	82
As at 30 June 2023	(1,057)	(109,267)	(4,047)	(4,473)	(93,780)	(449)	(213,073)
Net carrying amount							
As at 30 June 2023	2,172	94,865	540	2,754	216,602	3,645	320,578
As at 31 December 2022	2,253	97,340	718	2,531	190,237	3,850	296,929

The ownership certificates of certain property, plant and equipment with an aggregate net carrying value of RMB1,294,000, RMB2,414,000 and RMB2,253,000, and RMB2,172,000, have not yet been obtained as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively.

15. INTANGIBLE ASSETS

	Mining rights	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2020			
Cost			
As at 31 December 2019	62,665	—	62,665
Additions	101,316	—	101,316
As at 31 December 2020	163,981	—	163,981
Accumulated depreciation			
As at 31 December 2019	(16,200)	—	(16,200)
Amortisation provided during the year	(2,543)	—	(2,543)
As at 31 December 2020	(18,743)	—	(18,743)
Net carrying amount			
As at 31 December 2020	145,238	—	145,238
As at 31 December 2019	46,465	—	46,465

	Mining rights	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2021			
Cost			
As at 31 December 2020	163,981	—	163,981
Additions	20,632	—	20,632
Price Adjustment*	(30,214)	—	(30,214)
As at 31 December 2021	154,399	—	154,399
Accumulated depreciation			
As at 31 December 2020	(18,743)	—	(18,743)
Amortisation provided during the year	(3,334)	—	(3,334)
As at 31 December 2021	(22,077)	—	(22,077)
Net carrying amount			
As at 31 December 2021	132,322	—	132,322
As at 31 December 2020	145,238	—	145,238
31 December 2022			
Cost			
As at 31 December 2021	154,399	—	154,399
Additions	—	1,276	1,276
As at 31 December 2022	154,399	1,276	155,675
Accumulated depreciation			
As at 31 December 2021	(22,077)	—	(22,077)
Amortisation provided during the year	(8,328)	(180)	(8,508)
As at 31 December 2022	(30,405)	(180)	(30,585)
Net carrying amount			
As at 31 December 2022	123,994	1,096	125,090
As at 31 December 2021	132,322	—	132,322

	Mining rights *RMB'000*	Software *RMB'000*	Total *RMB'000*
30 June 2023			
Cost			
As at 31 December 2022	154,399	1,276	155,675
Additions	—	—	—
As at 30 June 2023	154,399	1,276	155,675
Accumulated depreciation			
As at 31 December 2022	(30,405)	(180)	(30,585)
Amortisation provided during the year	(3,844)	(136)	(3,980)
As at 30 June 2023	(34,249)	(316)	(34,565)
Net carrying amount			
As at 30 June 2023	120,150	960	121,110
As at 31 December 2022	123,994	1,096	125,090

* In 2020, Yantai Zhongjia obtained a mining right from Yantai Natural Resources and Planning Bureau at an initial consideration of RMB101,136,000 (the "Initial Consideration"). The final purchase price of RMB74,120,800 (the "Final Consideration") was determined in 2021 based on the final evaluation results executed by Yantai Natural Resources and Planning Bureau. The present value (the "PV") of final consideration was RMB70,922,000, after considering the instalment payment. The difference between the Initial Consideration and the PV of Final Consideration was adjusted against the cost of the mining right in 2021.

16. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

The Group as a lessee

The Group has lease contracts for leasehold land and buildings used in its operations. Lump sum payments were made upfront to acquire the leasehold land with lease periods from 30 to 50 years and buildings with lease periods of 20 years, and no ongoing payments will be made under the terms of the lease.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Leasehold land	**Buildings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2020	85,922	55,395	141,317
Additions	—	2,503	2,503
Depreciation charge	(4,211)	(4,611)	(8,822)
As at 31 December 2020 and 1 January 2021	81,711	53,287	134,998
Additions	—	2,469	2,469
Depreciation charge	(4,190)	(4,650)	(8,840)
As at 31 December 2021 and 1 January 2022	77,521	51,106	128,627
Additions	40	—	40
Depreciation charge	(4,211)	(4,736)	(8,947)
As at 31 December 2022 and 1 January 2023	73,350	46,370	119,720
Additions			
Depreciation charge	(2,112)	(2,365)	(4,477)
As at 30 June 2023	71,238	44,005	115,243

The leasehold land are all situated in Shandong Province, the PRC.

The net carrying value of land with land use right certificates amounts to RMB897,000, RMB877,000 and RMB857,000 and RMB847,000 as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively.

(b) ***Lease liabilities***

The carrying amounts of the Group's lease liabilities and the movements during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Carrying amount at 1 January	(1,573)	—	—	—	—
Payments	1,573	—	—	—	—
Carrying amount at end of the year/period	—	—	—	—	—

The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Depreciation charge of right-of-use assets	8,822	8,840	8,947	4,474	4,477
Expenses relating to short-term leases	152	131	111	51	72
Total amount recognised in profit or loss	8,974	8,971	9,058	4,525	4,549

17. DEFERRED TAX

Deferred tax liabilities

	Changes in rehabilitation assets	Withholding taxes	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2020	3,193	—	3,193
Deferred tax charged/(credited) to profit or loss during the year	(365)	6,464	6,099
Gross deferred tax liabilities at 31 December 2020	2,828	6,464	9,292

Deferred tax assets

	Provision for rehabilitation	Other long-term liabilities	Depreciation in excess of related depreciation allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	5,326	2,525	313	8,164
Deferred tax credited/(charged) to profit or loss during the year	167	(143)	72	96
Gross deferred tax assets at 31 December 2020	5,493	2,382	385	8,260

Deferred tax liabilities

	Changes in rehabilitation assets	Withholding taxes	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	2,828	6,464	9,292
Deferred tax charged/(credited) to profit or loss during the year	95	(1,189)	(1,094)
Gross deferred tax liabilities at 31 December 2021	2,923	5,275	8,198

Deferred tax assets

	Provision for rehabilitation	Other long-term liabilities	Depreciation in excess of related depreciation allowance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	5,493	2,382	385	8,260
Deferred tax credited/(charged) to profit or loss during the year	336	(150)	(115)	71
Gross deferred tax assets at 31 December 2021	5,829	2,232	270	8,331

Deferred tax liabilities

	Changes in rehabilitation assets	Withholding taxes	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	2,923	5,275	8,198
Deferred tax charged/(credited) to profit or loss during the year	(248)	4,260	4,012
Gross deferred tax liabilities at 31 December 2022	2,675	9,535	12,210

Deferred tax assets

	Provision for rehabilitation	**Other long-term liabilities**	**Depreciation in excess of related depreciation allowance**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	5,829	2,232	270	8,331
Deferred tax credited/(charged) to profit or loss during the year	149	(158)	259	250
Gross deferred tax assets at 31 December 2022	5,978	2,074	529	8,581

Deferred tax liabilities

	Changes in rehabilitation assets	**Withholding taxes**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	2,675	9,535	12,210
Deferred tax charged/(credited) to profit or loss during the period	(98)	4,187	4,089
Gross deferred tax liabilities at 30 June 2023	2,577	13,722	16,299

Deferred tax assets

	Provision for rehabilitation	**Other long-term liabilities**	**Depreciation in excess of related depreciation allowance**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	5,978	2,074	529	8,581
Deferred tax credited/ (charged) to profit or loss during the period	86	(83)	314	317
Gross deferred tax assets at 30 June 2023	6,064	1,991	843	8,898

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position as at 31 December 2020, 2021 and 2022 and 30 June 2023. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			**As at 30 June**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	5,432	5,408	5,906	6,321
Net deferred tax liabilities recognised in the consolidated statement of financial position	6,464	5,275	9,535	13,722

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. OTHER LONG-TERM ASSETS

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans receivable*	12,100	4,000	4,000	4,000
Advance payments for purchases of property, plant and equipment	—	954	2,926	3,938
	12,100	4,954	6,926	7,938

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Current portion	—	1,000	400	400
Non-current portion	12,100	3,954	6,526	7,538
	12,100	4,954	6,926	7,938

* The loans receivables are non-trade in nature, unsecured and interest-free. The loans receivable of RMB12,100,000 as at 31 December 2020 were partially repaid in November 2021 and the remaining loans receivable of RMB4,000,000 as at 31 December 2021 were repayable in 4 years from 2022 to 2025. According to the supplementary agreement in September 2022, RMB4,000,000 as at 31 December 2022 was repayable in ten years from 2023 to 2032.

19. INVENTORIES

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gold concentrate	11,916	2,565	836	1,268
Ore stockpile	11,068	9,899	9,868	2,285
Raw materials	6,005	7,324	7,948	7,757
Total	28,989	19,788	18,652	11,310

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	2,786	3,672	5,362	8,190
Deposits and other receivables	—	682	483	442
Interest receivables	—	10	—	—
	2,786	4,364	5,845	8,632

The Company

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	2,161	3,152	4,050	5,382
	2,161	3,152	4,050	5,382

Other receivables are unsecured, non-interest-bearing and repayable on demand.

The Group has applied the general approach in calculating the expected credit loss for deposits and other receivables under IFRS 9. The Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group estimated that the expected loss rate for deposits and other receivables was insignificant.

21. CASH AND CASH EQUIVALENTS, RESTRICTED AND PLEDGED DEPOSITS

The Group

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	217,197	198,043	299,781	369,213
Less: Restricted and pledged deposits	(14,290)	(15,645)	(17,594)	(19,212)
Cash and cash equivalents	202,907	182,398	282,187	350,001

The Company

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	538	325	38,735	34,015

At 31 December 2020, 2021 and 2022 and 30 June 2023 the cash and cash equivalents of the Group denominated in Hong Kong dollars ("HK$") amounted to approximately RMB50,000, RMB329,000, RMB2,768,000, and RMB411,000, those denominated in Canadian dollars amounted to approximately RMB1,101,000, RMB578,000, RMB596,000 and RMB639,000 and those denominated in United States dollars ("USD") amounted to approximately RMB15,000, RMB13,541,000, RMB57,340,000 and RMB56,065,000, respectively. All other cash and cash equivalents held by the Group are denominated in RMB.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

At 31 December 2020, 2021 and 2022 and 30 June 2023 the cash and cash equivalents of the Company denominated in Hong Kong dollars ("HK$") amounted to approximately RMB26,000, RMB319,000, RMB2,761,000 and RMB406,000, those denominated in Canadian dollars amounted to approximately RMB512,000, nil, nil and nil and those denominated in United States dollars ("USD") amounted to approximately nil, RMB6,000, RMB35,974,000 and RMB33,609,000, respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

The restricted and pledged deposits amounting to RMB14,290,000, RMB15,645,000, RMB17,594,000, and RMB19,212,000 as at 31 December 2020, 2021, 2022 and 30 June 2023 were placed as environmental rehabilitation deposits which are restricted to use.

22. TRADE PAYABLES

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	13,839	15,871	12,426	9,576

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	7,774	9,022	9,152	6,207
1 to 2 months	2,889	3,764	2,174	2,074
2 to 3 months	676	2,272	357	339
Over 3 months	2,500	813	743	956
Total	13,839	15,871	12,426	9,576

The trade payables are non-interest-bearing and normally settled on 30 to 90 days.

23. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mining rights payables	71,136	—	—	—
Other payables	7,998	8,840	9,115	21,267
Other tax payables	9,900	7,671	7,618	7,844
Accrued salaries	3,879	3,908	4,124	3,959
Interest payable	52	36	40	36
Total	92,965	20,455	20,897	33,106

Other payables are repayable on demand.

24. PROVISIONS

		As at 31 December			As at 30 June
	Notes	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for relocation	*(a)*	1,662	981	935	935
Provision for penalties	*(a)*	250	370	370	370
Provision for rehabilitation	*(b)*	21,971	23,316	23,913	24,258
Less: Current portion		(1,912)	(1,351)	(1,305)	(1,305)
Non-current portion		21,971	23,316	23,913	24,258

(a) The provision for relocation is related to the relocation of villages surrounding the mine and the provision for penalties arising from the late application for construction project planning permit.

	Provision for relocation	Provision for penalties	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2020	3,840	250	4,090
Utilised during the year	(2,178)	—	(2,178)
At 31 December 2020 and 1 January 2021	1,662	250	1,912
Charged to profit or loss during the year	—	120	120
Utilised during the year	(681)	—	(681)
At 31 December 2021 and 1 January 2022	981	370	1,351
Utilised during the year	(46)	—	(46)
At 31 December 2022 and 1 January 2023	935	370	1,305
Utilised during the year	—	—	—
At 30 June 2023	935	370	1,305

(b) The provision for rehabilitation is related to the estimated costs of complying with the Group's obligations for land reclamation. These costs are expected to be incurred on mine closure, which, based on current mineral reserve estimates, will last for periods ranging from 6 to 12 years.

The movements in the present value of the provision for rehabilitation are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
As at the beginning of the year/period	21,303	21,971	23,316	23,316	23,913
Interest increments	681	714	664	332	345
Change in discount rate	(187)	631	(67)	—	—
Change in estimated rehabilitation cost	174	—	—	—	—
As at the end of the year/period	21,971	23,316	23,913	23,648	24,258

25. DEFERRED INCOME

	Government grants
	RMB'000
As at 1 January 2020	850
Recognised in profit or loss during the year	(170)
As at 31 December 2020 and 1 January 2021	680
Recognised in profit or loss during the year	(170)
As at 31 December 2021 and 1 January 2022	510
Recognised in profit or loss during the period	(170)
As at 31 December 2022 and 1 January 2023	340
Recognised in profit or loss during the period	(85)
As at 30 June 2023	255

The deferred income represents government subsidies granted to the Group in relation to its daily operation.

26. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2020			As at 31 December 2021		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank borrowings — secured	4.80 to 7.70	2021	30,000	4.35	2022	30,000

	As at 31 December 2022			As at 30 June 2023		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank borrowings — secured	4.80	2023	30,000	4.80	2023	30,000

The Group's bank borrowings amounting to RMB10,000,000, nil, nil and nil as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively, were guaranteed by Yantai Dahedong Processing Co. Ltd. ("Dahedong"), the non-controlling shareholder of a subsidiary, Kong Fanzhong, a director of a subsidiary, and his spouse. Such guarantee has been released after full repayment of amount outstanding in 2021.

The Group's bank borrowings amounting to nil, RMB30,000,000, nil and nil as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively, were guaranteed by Dahedong, Kong Fanzhong and his spouse, and Yantai Baiheng Gold Mine Co. Ltd. ("Baiheng"). Such guarantee has been released after full repayment of amount outstanding in April 2022.

The Group's bank borrowings amounting to RMB10,000,000, nil, nil and nil as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively, were guaranteed by Dahedong, Kong Fanzhong and other independent third parties. Such guarantee has been released after full repayment of amount outstanding in 2021.

The Group's bank borrowings amounting to RMB10,000,000, nil, nil and nil as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively, were guaranteed by Dahedong, Kong Fanzhong, Kong Fanbo and Baiheng and an independent third party. Such guarantee has been released after full repayment of amount outstanding in 2021.

The Group's bank borrowings amounting to nil, nil, RMB30,000,000 and RMB30,000,000 as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively, were guaranteed by Dahedong, Zhou Shufeng, chairman of the board and general manager of Yantai Zhongjia, and his spouse, and Baiheng.

Bank borrowings

				As at
	As at 31 December			**30 June**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Repayable within one year	30,000	30,000	30,000	30,000

The Group's borrowings are all denominated in RMB with fixed interest rates.

The Group's bank borrowings amounted to RMB30,000,000 as at 30 June 2023 was repaid on 25 August 2023.

27. OTHER LONG-TERM LIABILITIES

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Instalment of the purchase of mining rights*	—	34,602	29,142	29,534
Village distribution payables**	9,527	8,925	8,293	7,962
Retention money	231	—	—	—
	9,758	43,527	37,435	37,496
Analysed into:				
Current portion	1,065	7,369	7,369	7,369
Non-current portion	8,693	36,158	30,066	30,127
	9,758	43,527	37,435	37,496

* Yantai Zhongjia obtained a mining right from Yantai Natural Resources and Planning Bureau in 2020 and the final purchase price of RMB74,120,800 was determined in 2021. According to the mining rights transfer agreement, excluding the down payment of RMB30,000,000, the remaining payments amounted to RMB44,120,800 shall be paid in 7 years from 2021 to 2027, which was interest free and unsecured.

** According to agreement with villagers, Yantai Zhongjia gave additional compensation to villagers for occupying land within 20 years from 2012 to 2032. The compensation amounted to RMB22,654,800 in total, which is interest free and unsecured.

28. SHARE CAPITAL

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Authorised:				
50,000 ordinary shares of USD1 each	—	—	—	—
37,000,000 ordinary shares of HKD0.01 each	370	370	370	370

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid:				
1 ordinary share of USD1	—	—	—	—
1 ordinary share of HKD0.01	1	1	1	1

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital**
		RMB'000
At 21 May 2019 (date of incorporation) *(Note (a))*	100	1
At 1 January 2020	100	1
New shares issued *(Note (b))*	80,000	1
Shares repurchased *(Note (c))*	(100)	(1)
At 31 December 2020, 2021, 2022 and 30 June 2023	80,000	1

(a) The Company was incorporated in the Cayman Islands on 21 May 2019 with authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1 each. The Company issued 94 ordinary shares to Majestic Gold Corp. and 6 ordinary shares to Richard's Resources Technologies Inc. on the same day.

(b) On 23 April 2020, the Company (i) increased its authorised share capital of HKD370,000 divided into 37,000,000 shares of a par value of HKD0.01 each; and (ii) issued 75,200 ordinary shares to Majestic Gold Corp. and 4,800 ordinary shares to Richard's Resources Technologies Inc. with a par value of HKD0.01 each.

(c) On 23 April 2020, the Company (i) repurchased 94 shares from Majestic Gold Corp. and 6 ordinary shares from Richard's Resources Technologies Inc. with a par value of USD1 each; and (ii) reduced its authorised but unissued share capital by the cancellation of USD50,000 divided into 50,000 shares with a par value of USD1 each such that the authorised share capital of the Company is HKD370,000 divided into 37,000,000 shares of a par value of HKD0.01 each.

29. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 are presented in the consolidated statements of changes in equity.

Capital reserve

Capital reserve represents (i) contributions from shareholders; and (ii) the difference between the consideration paid for acquiring the non-controlling interest and the carrying value of net assets attributed to the non-controlling interest.

Statutory surplus reserve

In accordance with the Company Law of the PRC and the Articles of Association of Yantai Zhongjia, Yantai Zhongjia is required to allocate 10% of its profit after tax determined under PRC accounting standards to the statutory surplus reserve until such reserve reaches 50% of the authorised share capital of Yantai Zhongjia. Subject to certain restrictions set out in the Company Law of the PRC, part of this reserve may be converted to increase the share capital, provided that the remaining balance after the capitalisation is not less than 25% of the authorised share capital.

Special reserve

Pursuant to a notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish a safety fund surplus reserve based on the volume of mine extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment maintenance as well as safety production inspection, consultation and training.

Exchange fluctuation reserve

The foreign exchange reserve comprises all exchange differences arising from the translation of the financial statements of entities whose functional currency is not RMB.

The Company

	Capital reserve	Exchange fluctuation reserve	Retained profits/ (Accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	—	(104)	(5,802)	(5,906)
Loss for the period	—	—	(6,326)	(6,326)
Other comprehensive expense for the year: Exchange differences on translation of financial statements of the Company	—	(16,430)	—	(16,430)
Total comprehensive loss for the period	—	(16,430)	(6,326)	(22,756)
Contribution from a shareholder	322,847	—	—	322,847
As at 31 December 2020 and 1 January 2021	322,847	(16,534)	(12,128)	294,185
Profit for the period	—	—	45,966	45,966
Other comprehensive expense for the period: Exchange differences on translation of financial statements of the Company	—	(8,895)	—	(8,895)
Total comprehensive income/(loss) for the period	—	(8,895)	45,966	37,071
Dividend declared	—	—	(33,891)	(33,891)
As at 31 December 2021 and 1 January 2022	322,847	(25,429)	(53)	297,365

	Capital reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits/ (Accumulated losses) *RMB'000*	Total *RMB'000*
Profit for the period	—	—	43,412	43,412
Other comprehensive expense for the year:				
Exchange differences on translation of financial statements of the Company	—	29,543	—	29,543
Total comprehensive income/(loss) for the period	—	29,543	43,412	72,955
Dividend declared	—	—	(38,888)	(38,888)
As at 31 December 2022	322,847	4,114	4,471	331,432
As 1 January 2022	322,847	(25,429)	(53)	297,365
Loss for the period	—	—	(5,999)	(5,999)
Other comprehensive expense for the period:				
Exchange differences on translation of financial statements of the Company	—	13,500	—	13,500
Total comprehensive income/(loss) for the period	—	13,500	(5,999)	7,501
As at 30 June 2022 (unaudited)	322,847	(11,929)	(6,052)	304,866
As 1 January 2023	322,847	4,114	4,471	331,432
Loss for the period	—	—	(5,044)	(5,044)
Other comprehensive expense for the period:				
Exchange differences on translation of financial statements of the Company	—	10,459	—	10,459
Total comprehensive income/(loss) for the period	—	10,459	(5,044)	5,415
As at 30 June 2023 (unaudited)	322,847	14,573	(573)	336,847

30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interest are set out below:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Percentage of equity interest held by non-controlling interests:				
Yantai Zhongjia Mining Co., Ltd.	25%	25%	25%	25%
Profit for the year/period allocated to non-controlling interests:				
Yantai Zhongjia Mining Co., Ltd.	32,020	17,092	37,776	15,508
Accumulated balances of non-controlling interests at the end of each of the Relevant Periods:				
Yantai Zhongjia Mining Co., Ltd.	63,816	40,908	122,233	137,741

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	360,999	247,872	418,413	217,331	196,659
Other income and gains	3,916	3,556	13,128	8,392	3,782
Total expenses	(236,835)	(183,059)	(280,439)	(141,588)	(138,410)
Profit for the year/period	128,080	68,369	151,102	84,135	62,031
Total comprehensive income for the year/period	128,080	68,369	151,102	84,135	62,031
Net cash flows from operating activities	190,993	126,202	218,889	124,768	102,581
Net cash flows used in investing activities	(60,906)	(55,940)	(56,060)	(16,581)	(28,353)
Net cash flows used in financing activities	(59,102)	(104,051)	(88,402)	(31,001)	(1,716)
Net increase/(decrease) in cash and cash equivalents	70,985	(33,789)	74,427	77,186	72,512

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	245,649	205,590	280,834	349,218
Non-current assets	560,177	637,906	554,150	570,271
Current liabilities	(588,454)	(688,946)	(480,508)	(502,425)
Non-current liabilities	(30,664)	(59,474)	(53,979)	(54,385)

31. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

On 5 June 2020, the Group signed an agreement with its shareholder, Majestic Gold Corp., to waive the debt due from the Group amounting to CAD62,073,000 (equivalent to RMB322,847,000) and the amount was credited to capital reserve in 2020.

In June 2021, the Group granted an interest-free loan of HK$38,798,238.80 (equivalent to RMB31,857,000) to its shareholder, Majestic Gold Corp., for working capital purpose. On 27 October 2021, it is resolved that dividend of HK$38,798,238.80 (equivalent to RMB31,857,000) was declared to its shareholders, Majestic Gold Corp., and the dividend payable to Majestic Gold Corp., for the sum of HK$38,798,238.80 (equivalent to RMB31,857,000) would be offset against the loan granted by the Company in June 2021.

On 25 October 2022, the Group signed an agreement with its shareholder, Majestic Gold Corp., to waive the debt due from the Group amounting to RMB10,770,000 and the amount was credited to capital reserve in 2022.

On 25 October 2022, the Group signed an agreement with its shareholder, Dahedong, to waive the debt due from the Group amounting to RMB36,349,431.83 and the amount was credited to non-controlling interests in 2022.

In November 2022, the registered capital of Yantai Zhongjia was increased from RMB139,905,500 to RMB168,705,500, of which the shareholder Majestic Yantai Gold Ltd. increased its capital by RMB21,600,000 and Dahedong increased its capital by RMB7,200,000. As of 31 December 2022, the capital increase of Dahedong to Yantai Zhongjia had not been paid. On 13 November 2023, Yantai Zhonjia received the full amount of capital increase of RMB7,200,000 from Dahedong.

(b) Changes in liabilities arising from financing activities

	Interest payable	**Interest-bearing bank borrowings**	**Due to shareholders**	**Included in other payables and accruals/other long-term liabilities**	**Total liabilities from financing activities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	145	90,000	376,365	10,101	476,611
Cash flows from financing activities	(4,152)	(60,000)	6,936	(839)	(58,055)
Interest expense	4,059	—	—	—	4,059
Incremental interest on provisions and other long-term liabilities	—	—	—	496	496
Debt exemption with a shareholder	—	—	(322,847)	—	(322,847)
Currency translation differences	—	—	(805)	—	(805)
At 31 December 2020 and 1 January 2021	52	30,000	59,649	9,758	99,459
Cash flows from financing activities	(2,659)	—	862	(1,300)	(3,097)
Interest expense	2,643	—	—	—	2,643
Incremental interest on provisions and other long-term liabilities	—	—	—	467	467
Currency translation differences	—	—	(256)	—	(256)
At 31 December 2021 and 1 January 2022	36	30,000	60,255	8,925	99,216

	Interest payable *RMB'000*	Interest-bearing bank borrowings *RMB'000*	Due to shareholders *RMB'000*	Included in other payables and accruals/other long-term liabilities *RMB'000*	Total liabilities from financing activities *RMB'000*
Cash flows from financing activities (unaudited)	(466)	(30,000)	451	(535)	(30,550)
Interest expense (unaudited)	430	—	—	—	430
Incremental interest on provisions and other long-term liabilities (unaudited)	—	—	—	219	219
Currency translation differences (unaudited)	—	—	604	—	604
At 30 June 2022 (unaudited)	—	—	61,310	8,609	69,919
At 1 January 2022	36	30,000	60,255	8,925	99,216
Cash flows from financing activities	(933)	—	(13,905)	(1,069)	(15,907)
Interest expense	937	—	—	—	937
Incremental interest on provisions and other long-term liabilities	—	—	—	437	437
Debt exemption with shareholder	—	—	(47,119)	—	(47,119)
Currency translation differences	—	—	1,216	—	1,216
At 31 December 2022 and 1 January 2023	40	30,000	447	8,293	38,780
Cash flows from financing activities	(721)	—	(5)	(534)	(1,260)
Interest expense	717	—	—	—	717
Incremental interest on provisions and other long-term liabilities	—	—	—	203	203
Currency translation differences	—	—	14	—	14
At 30 June 2023	36	30,000	456	7,962	38,454

32. CONTINGENT LIABILITIES

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees provided to:				
Baiheng*	50,000	—	—	—
Shandong Eastern Ocean Group Co., Ltd ("Shandong Eastern")**	50,000	—	—	—
	100,000	—	—	—

* At 31 December 2020, the Group, together with certain related parties had provided a joint guarantee for the bank borrowing of RMB50,000,000 to Baiheng (note 34). As at 31 December 2021, Baiheng has settled the bank borrowing of RMB50,000,000.

At 31 December 2020, the fair value of the financial guarantees was insignificant.

** At 31 December 2020, the Group had provided joint and several guarantees for Shandong Eastern's debt of RMB50,000,000 (excluding relevant financing interest and other fees incurred). The debt was also secured by a pledge of shares of a listed company owned by Shandong Eastern and a pledge of RMB50,000,000 certificate of deposit provided by an independent third party. As at 31 December 2021, the Group's guarantee liability has been relieved.

At 31 December 2020, the fair value of the financial guarantee was insignificant.

At 31 December 2021, 2022, and 30 June 2023, all guarantees provided to related parties and third parties had been released.

33. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Mining infrastructure	670	320	5,289	6,498
	670	320	5,289	6,498

34. RELATED PARTY TRANSACTIONS

(1) *Name and relationship*

Name of related parties	Relationship with the Group
Majestic Gold Corp.	Controlling shareholder of the Company
Yantai Dahedong Processing Co. Ltd. ("Dahedong")	Non-controlling shareholder of Yantai Zhongjia
Kong Fanzhong	A director of Yantai Zhongjia and shareholder of Majestic Gold Corp.
Kong Fanbo	A director of Yantai Zhongjia and a close family member of Kong Fanzhong's family
Yantai Baiheng Gold Mine Co. Ltd. ("Baiheng")	An entity controlled by Kong Fanzhong and significantly influenced by Kong Fanbo
Yantai Qingjia Construction Materials Co., Ltd ("Qingjia")	An entity controlled by a close family member of Kong Fanzhong's family

(2) *Significant related parties' transactions*

The following transactions were carried out with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Payment made by a related party on behalf of the group:					
Majestic Gold Corp.	881	874	887	451	456
Funds borrowed from a related party:					
Majestic Gold Corp.	3,334	103	—	—	—
Funds advance to a related party:					
Majestic Gold Corp.	—	31,857	—	—	—
Purchase bank acceptance bills from related parties:					
Dahedong	10,000	—	—	—	—
Qingjia	200	—	—	—	—
Repayment of amounts due to a related party:					
Majestic Gold Corp.	—	—	14,317	—	461

(3) *Other transactions with related parties*

Dahedong, Kong Fanzhong, Kong Fanbo and Baiheng with other independent third party, have guaranteed certain bank borrowings made to the Group of RMB30,000,000, RMB30,000,000, RMB30,000,000, and RMB30,000,000 as at 31 December 2020, 2021, 2022 and 30 June 2023, as further detailed in note 26 to the Historical Financial Information.

Yantai Zhongjia guaranteed a bank borrowing of RMB20,000,000 to Dahedong from November 2018 to November 2020.

Yantai Zhongjia guaranteed a bank borrowing of RMB50,000,000 to Baiheng from December 2016 to December 2021, a bank borrowing of RMB20,000,000 of Baiheng from January 2019 to October 2020.

On 5 June 2020, the Group signed an agreement with its shareholder, Majestic Gold Corp., to waive the debt due from the Group amounting to CAD62,073,000 (equivalent to RMB322,847,000) and the amount was credited to capital reserve in 2020.

On 25 October 2022, the Group signed an agreement with its shareholder, Majestic Gold Corp., to waive the debt due from the Group amounting to RMB10,770,000 and the amount was credited to capital reserve in 2022.

On 25 October 2022, the Group signed an agreement with its shareholder, Dahedong, to waive the debt due from the Group amounting to RMB36,349,431.83 and the amount was credited to capital reserve in 2022.

In November 2022, the registered capital of Yantai Zhongjia was increased from RMB139,905,500 to RMB168,705,500, of which the shareholder Majestic Yantai Gold Ltd. increased its capital by RMB21,600,000 and Dahedong increased its capital by RMB7,200,000. In December 2022, Yantai Zhongjia received the full amount of capital increase of RMB21,600,000 from Majestic Yantai Gold Ltd. On 13 November 2023, Yantai Zhonjia received the full amount of capital increase of RMB7,200,000 from Dahedong.

(4) ***Outstanding balances with related parties***

Balances relating to non-trade activities

The Group

Due from related parties:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dahedong	—	—	7,200	7,200
Majestic Gold Corp.	1	—	—	—
	1	—	7,200	7,200

Due to related parties:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dahedong	36,349	36,349	—	—
Majestic Gold Corp.	23,300	23,906	447	456
	59,649	60,255	447	456

The balances with the above related parties were non-trade, unsecured, interest-free and repayable on demand.

As at 31 December 2022 and 30 June 2023, the balance due from Dahedong amounting to RMB7,200,000 was relating to unpaid capital contribution by Dahedong to Yantai Zhongjia. On 13 November 2023, Yantai Zhonjia received the full amount of capital increase of RMB7,200,000 from Dahedong.

For the remaining amount due to Majestic Gold Corp. amounting to RMB456,000, the Group has fully settled the outstanding balance in July 2023.

The Company

Due from related parties

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Majestic Yantai Gold Ltd.	305,831	316,897	310,866	320,854

Due to related parties

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Majestic Gold Corp.	12,530	13,136	447	456
Yantai Zhongjia Mining Co., Ltd.	1,037	—	—	—
Majestic Yantai Gold Ltd.	757	9,750	20,519	21,178
	14,324	22,886	20,966	21,634

The balances with the above related parties were unsecured, interest-free and repayable on demand.

(5) ***Compensation of key management personnel of the Group***

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits	3,212	2,956	3,974	1,785	2,191
Pension scheme contributions	56	205	247	118	94
Total compensation paid to key management personnel	3,268	3,161	4,221	1,903	2,285

Further details of directors' emoluments are included in note 9 to the Historical Financial Information.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

Financial assets at amortised cost

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other long-term assets	12,100	4,000	4,000	4,000
Financial assets included in prepayments, other receivables and other assets	—	692	483	442
Restricted and pledged deposits	14,290	15,645	17,594	19,212
Due from related parties	1	—	7,200	7,200
Cash and cash equivalents	202,907	182,398	282,187	350,001
	229,298	202,735	311,464	380,855

Financial liabilities

Financial liabilities at amortised cost

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	13,839	15,871	12,426	9,576
Financial liabilities included in other payables and accruals	79,186	8,876	9,155	21,791
Interest-bearing bank borrowings	30,000	30,000	30,000	30,000
Other long-term liabilities	9,758	43,527	37,435	37,496
Due to related parties	59,649	60,255	447	456
	192,432	158,529	89,463	99,319

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted and pledged deposits, amounts due from related parties, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, amounts due to related parties, other long-term liabilities and the interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of other long-term assets and other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's corporate finance team headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At the end of each of the Relevant Periods, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors once a year for annual financial reporting.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include financial assets included in other long-term assets, financial assets included in prepayments, deposits and other receivables, restricted and pledged deposits, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, other long-term liabilities, which arise directly from its operations. The Group has other financial assets and liabilities such as amounts due from related parties, interest-bearing bank borrowings, lease liabilities and amounts due to related parties. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings set out in note 26. The Group does not use derivative financial instruments to hedge interest rate risk, and obtains all bank borrowings with a fixed rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *RMB'000*	**Increase/ (decrease) in equity*** *RMB'000*
30 June 2023			
If interest rate increases	50	75	—
If interest rate decreases	(50)	(75)	—
2022			
If interest rate increases	50	(101)	—
If interest rate decreases	(50)	101	—
2021			
If interest rate increases	50	(244)	—
If interest rate decreases	(50)	244	—
2020			
If interest rate increases	50	(340)	—
If interest rate decreases	(50)	340	—

* Excluding retained profits

(b) Credit risk

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade receivable periodically and management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. The balances of trade receivables were nil as at 31 December 2020, 2021 and 2022 and 30 June 2023. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020, 2021 and 2022 and 30 June 2023.

The amounts presented are gross carrying amounts for financial assets.

30 June 2023

	12-month ECLs	Lifetime ECLs		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other long-term assets				
— Not yet past due	4,000	—	—	4,000
Financial assets included in prepayments, other receivables and other assets				
— Normal*	442	—	—	442
Restricted and pledged deposits				
— Not yet past due	19,212	—	—	19,212
Due from related parties	7,200	—	—	7,200
Cash and cash equivalents				
— Not yet past due	350,001	—	—	350,001
	380,855	—	—	380,855

31 December 2022

	12-month ECLs	Lifetime ECLs		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other long-term assets				
— Not yet past due	4,000	—	—	4,000
Financial assets included in prepayments, other receivables and other assets				
— Normal*	483	—	—	483
Restricted and pledged deposits				
— Not yet past due	17,594	—	—	17,594
Due from related parties	7,200	—	—	7,200
Cash and cash equivalents				
— Not yet past due	282,187	—	—	282,187
	311,464	—	—	311,464

31 December 2021

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other long-term assets				
— Not yet past due	4,000	—	—	4,000
Financial assets included in prepayments, other receivables and other assets				
— Normal*	692	—	—	692
Restricted and pledged deposits				
— Not yet past due	15,645	—	—	15,645
Cash and cash equivalents				
— Not yet past due	182,398	—	—	182,398
	202,735	—	—	202,735

31 December 2020

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other long-term assets				
— Not yet past due	12,100	—	—	12,100
Restricted and pledged deposits				
— Not yet past due	14,290	—	—	14,290
Due from related parties	1	—	—	1
Cash and cash equivalents				
— Not yet past due	202,907	—	—	202,907
	229,298	—	—	229,298

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2023					
Interest-bearing bank borrowings	—	30,256	—	—	30,256
Trade payables	9,576	—	—	—	9,576
Other payables and accruals	21,791	—	—	—	21,791
Other long-term liabilities	—	—	7,369	34,285	41,654
Due to related parties	456	—	—	—	456
	31,823	30,256	7,369	34,285	103,733
31 December 2022					
Interest-bearing bank borrowings	—	356	30,628	—	30,984
Trade payables	12,426	—	—	—	12,426
Other payables and accruals	9,155	—	—	—	9,155
Other long-term liabilities	—	—	7,369	34,819	42,188
Due to related parties	447	—	—	—	447
	22,028	356	37,997	34,819	95,200

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021					
Interest-bearing bank borrowings	—	323	30,141	—	30,464
Trade payables	15,871	—	—	—	15,871
Other payables and accruals	8,876	—	—	—	8,876
Other long-term liabilities	—	—	7,369	42,188	49,557
Due to related parties	60,255	—	—	—	60,255
	85,002	323	37,510	42,188	165,023
31 December 2020					
Interest-bearing bank borrowings	—	465	31,194	—	31,659
Trade payables	13,839	—	—	—	13,839
Other payables and accruals	79,186	—	—	—	79,186
Other long-term liabilities	—	—	1,065	11,761	12,826
Due to related parties	59,649	—	—	—	59,649
Financial guarantees*	100,000	—	—	—	100,000
	252,674	465	32,259	11,761	297,159

* The Group is exposed to liquidity risk that arises from financial guarantees given by the subsidiary of the Group. The guarantees are callable if the respective subsidiary is unable to meet its obligations (note 32).

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank borrowings, lease liabilities, amounts due to related parties, trade payables, financial liabilities included in other payables and accruals, and other long-term liabilities, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	30,000	30,000	30,000	30,000
Due to related parties	59,649	60,255	447	456
Trade payables	13,839	15,871	12,426	9,576
Financial liabilities included in other payables and accruals	79,186	8,876	9,155	21,791
Other long-term liabilities	9,758	43,527	37,435	37,496
Less: Cash and cash equivalents	(202,907)	(182,398)	(282,187)	(350,001)
Net debt	(10,475)	(23,869)	(192,724)	(250,682)
Equity attributable to owners of the parent	482,185	488,637	553,871	592,325
Capital and net debt	471,710	464,768	361,147	341,643
Gearing ratio	N/A	N/A	N/A	N/A

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group's cash, cash equivalents exceeded the financial liabilities. As such, no gearing ratio as at 31 December 2020, 2021 and 2022 and 30 June 2023 was presented.

38. EVENTS AFTER THE RELEVANT PERIODS

In September 2023, the Group obtained a 1-year bank borrowing with a principal amount of RMB30,000,000 which bears an interest at the rate of 3.77% per annum and is guaranteed by Dahedong, Baiheng, Zhou Shufeng, the chairman of the board and the general manager of Yantai Zhongjia, and his spouse.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2023.