PERSISTENCE RESOURCES GROUP LTD
集海資源集團有限公司
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2489

2023
ANNUAL REPORT

CONTENTS

Corporate Information

CHINESE NAME OF THE COMPANY

集海資源集團有限公司

ENGLISH NAME OF THE COMPANY

Persistence Resources Group Ltd

EXECUTIVE DIRECTORS

Dr. Shao Xuxin
(Chairman and Chief Executive Officer)
Mr. Mackie James Thomas
Mr. Lo Cheuk Kwong Raymond
Mr. Chen Shaohui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Malaihollo Jeffrey Francis A
Mr. Chan Ngai Fan
Dr. Zeng Ming
Ms. Liu Li

COMPANY SECRETARY

Mr. Lo Cheuk Kwong Raymond

AUTHORISED REPRESENTATIVES

Dr. Shao Xuxin
Mr. Lo Cheuk Kwong Raymond

AUDIT COMMITTEE MEMBERS

Mr. Chan Ngai Fan
(Chairman of the Audit Committee)
Dr. Malaihollo Jeffrey Francis A
Dr. Zeng Ming

REMUNERATION COMMITTEE MEMBERS

Dr. Zeng Ming
(Chairman of the Remuneration Committee)
Dr. Malaihollo Jeffrey Francis A
Mr. Chan Ngai Fan

NOMINATION COMMITTEE MEMBERS

Dr. Shao Xuxin
(Chairman of Nomination Committee)
Dr. Malaihollo Jeffrey Francis A
Mr. Chan Ngai Fan
Dr. Zeng Ming

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

COMPLIANCE ADVISER

Innovax Capital Limited
Room B, 13/F, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

Corporate Information

HONG KONG LEGAL ADVISERS

Li & Partners
Suite 3304–3309, 33/F
22nd Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 20, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
20/F, CCB Centre
18 Wang Chiu Road
Kowloon Bay
Kowloon
Hong Kong

Huaxia Bank Co., Ltd.
Yantai Branch
No. 123 South Street
Zhifu District
Yantai
Shandong
PRC

Yantai Bank Co., Ltd.
Muping Branch
No. 608 Ninghai Street
Muping District
Yantai
Shandong
PRC

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

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

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

COMPANY WEBSITE

http://www.persistenceresource.com/

STOCK CODE

2489

Four-Year Financial Summary

SUMMARY OF OPERATING RESULTS

	For the year ended 31 December			
	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**383,463**	418,413	247,872	360,999
Gross profit	**183,253**	218,590	140,105	194,986
Profit before tax	**146,257**	184,908	87,210	169,313
Profit attributable to owners of the parent	**65,025**	83,214	41,624	82,403
Earnings per share (RMB)	**0.04**	0.06	0.03	0.05
		(Restated)	(Restated)	(Restated)

SUMMARY OF ASSETS

	As at 31 December			
	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**581,707**	554,171	552,394	560,177
Current Assets	**636,194**	331,878	223,195	248,973
Current liabilities	**178,086**	146,431	181,295	226,021
Non-current liabilities	**63,880**	63,514	64,749	37,128
Net assets	**975,935**	676,104	529,545	546,001
Equity attributable to owners of the parent	**827,788**	553,871	488,637	482,185
Non-controlling interests	**148,147**	122,233	40,908	63,816

Note: Four-year financial summary is presented as the Company has been newly listed since 22 December 2023 and it is not practicable for the Company to present the financial summary of the Group prior to 2020.

Four-Year Sales and Production Summary

The following table sets forth our ore mined volume, ore processed volume, gold production volume, gold sales volume, processing plant gold recovery rate and feed grade for the period indicated:

	For the year ended 31 December			
	2023	2022	2021	2020
Ore mined volume				
Songjiagou Open-Pit Mine (kt)	**1,740.70**	1,899.20	960	1499.2
Songjiagou Underground Mine (kt)	**90.00**	90.00	10.7	89.9
Total (kt)	**1,830.70**	1,989.20	970.70	1,589.10
Ore processed volume				
Songjiagou Open-Pit Mine (kt)	**1,835.70**	1,900.90	1013.1	1500.2
Songjiagou Underground Mine (kt)	**90.00**	90.00	10.7	89.9
Total (kt)	**1,925.70**	1,990.90	1,023.80	1,590.10
Gold production volume (kg)	**882.3**	1,072.5	576.9	991.4
Gold sales volume (kg)	**872.2**	1,084.9	645.5	987.4
Processing plant gold recovery rate	**94.46%**	95.31%	95.33%	95.82%
Feed grade (g/t)	**0.53**	0.62	0.62	0.7

Notes:

1. "kt" means thousand tonnes, a metric unit of weight, being equivalent to 1.0 million kg.

2. "kg" means kilogram(s), the basic unit of mass in the international system of units.

3. "g/t" means grams per metric tonne – metal concentration.

CHAIRMAN'S STATEMENT

To Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Persistence Resources Group Ltd (the "**Company**"), I am pleased to present to the shareholders of the Company (the "**Shareholders**") the annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023 (the "**Year**"). I would also like to express our kind regards to all Shareholders on behalf of the Board and all staff members.

LISTING STATUS

On 22 December 2023 (the "**Listing Date**"), the shares (the "**Shares**") of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**"), marking an important milestone of the Group.

RESULTS

The revenue of the Group for the year ended 31 December 2023 and 2022 was approximately RMB383,463,000 and approximately RMB418,413,000 respectively, representing a decrease of approximately 8.4%. The net profit of the Group for the year ended 31 December 2023 and 2022 was approximately RMB94,939,000 and approximately RMB120,990,000 respectively, representing a decrease of approximately 21.5%. Details of the Group's results and prospects will be discussed under the section of "Management Discussion and Analysis" in this 2023 annual report of the Group.

Chairman's Statement

BUSINESS PROSPECT

The Company will strive to achieve sustainable growth to strengthen the Group's position in the Shandong Province by exploiting the Group's operational efficiencies and growth opportunities, further developing existing assets of the Group and acquiring value-accretive assets in the PRC to substantially scale up mining operations of the Group, improve gold concentrate processing operations and increase gold reserves.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our Shareholders, investors and business partners for their continuous support, as well as our management team and staff for their hard work and contributions during the year.

Shao Xuxin
Chairman

Hong Kong, 28 March 2024

Management Discussion and Analysis

I. RESULTS FOR THE YEAR

GOLD PRODUCTION

For the Year, the Group's total gold production volume was approximately 882.3 kg (or approximately 28,366.4 ounces), representing a decrease of approximately 18.7% as compared to the previous year. The decrease in total gold output was mainly due to temporary pause of mining activities during May to mid-July 2023 to facilitate the safety inspection on our newly constructed benches.

REVENUE

For the Year, the Group's revenue was approximately RMB383,463,000 (2022: RMB418,413,000), representing a decrease of approximately 8.4% as compared to the previous year. The decrease was mainly due to the decrease in sales volume by 19.6% mainly due to temporary pause of mining activities during May to mid-July 2023 while there was an increase in average selling price of 14% as compared to the previous year.

NET PROFIT

For the Year, the Group's net profit was approximately RMB94,939,000 (2022: RMB120,990,000), representing a decrease of approximately 21.5% as compared to the previous year. The decrease in net profit was primarily due to the decrease in gold sales caused by the temporary pause of mining activities during May to mid-July 2023.

EARNINGS PER SHARE

For the Year, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.04, (2022 restated basic and diluted earnings per share: RMB0.06), representing a decrease of approximately 33.3% as compared to the previous year.

DIVIDEND

In November 2023, our Company declared and paid dividends of approximately RMB23,428,000 to our shareholders, which were fully settled. No other dividends have been declared and paid by the companies to their shareholders. After the listing of the Company in December 2023, the Board does not recommend any further payment of annual dividend for the Year.

II. MARKET OVERVIEW

During the Year, the complex and volatile domestic and external environment has become more complicated and severe, bringing many uncertain impacts to the global economy. The increase in gold demand as compared with 2022 is mainly attributed to the increase in gold reserve demand by central banks. The Russia-Ukraine tensions, the climb of global crude oil price leading to expensive energy consumption, and worries on potential global economy recession, result in raising gold reserve for hedging risks by the central banks. The risk aversion sentiment caused by international events such as ongoing conflict between Russia and Ukraine have prompted investors to switch to the gold market, triggering a sharp rise in the gold prices.

In the first half of 2023, the global gold spot price continued to rise, reaching US$1,975.9 per ounce in the second quarter and the average global gold spot price was US$1,931.5 per ounce in the first half of 2023. In the second half of 2023, the global gold spot price has reached to US$2,062.4 per ounce in the fourth quarter, and the average global gold spot price has further increased to US$1,967.2 per ounce in the second half of 2023. The rise in gold spot price was primarily driven by increasing market risk aversion, particularly against the backdrop of weak US economic data and unresolved banking crises in Europe and America. As a traditional safe-haven asset, the gold spot price has further increased in China, with the gradual receding of the impact of the epidemic and a series of policies promoting consumption to take effect, as well as the increase in demand for safe-haven assets, China's gold spot price continued to rise in the first half of 2023, reaching RMB447.0 per gram in the second quarter and the average gold spot price in the PRC was RMB433.8 per gram in the first half of 2023. In the second half of 2023, the China gold spot price has reached RMB480.38 per gram in the fourth quarter and the average gold spot price in the PRC has further increased to RMB463.62 per gram in the second half of 2023.

III. BUSINESS REVIEW

In the Year, the gold production volume of the Group was approximately 882.3 kg (equivalent to approximately 28,366.4 ounces), representing a decrease of approximately 190.2 kg (equivalent to approximately 6,114.7 ounces) or 17.7% as compared with the previous year. The decrease in gold production volume was primarily due to temporary pause of production during May to mid-July 2023 to facilitate the safety inspection on our newly constructed benches. Due to the drop in the gold production leading to the decrease in the sales of gold bullion, the Group's revenue decreased by approximately 8.4% to approximately RMB383,463,000 (2022: RMB418,413,000) as compared with previous year. The net profit of the Group was approximately RMB94,939,000 (2022: RMB120,990,000). The basic and diluted earnings per share amounted to approximately RMB0.04 (2022: RMB0.06 (restated)).

Management Discussion and Analysis

IV. RESOURCES AND RESERVES

MINERAL RESOURCES AND RESERVES STATEMENT FOR SJG OPEN-PIT AND UNDERGROUND MINE AS AT 31 DECEMBER 2023[1,2]

		Resources		Reserves	
		Indicated	Inferred	Proved	Probable
Open pit	Cut-off grade (g/t)	0.3	0.3	–	0.3
	Ore (kt)	33,200	36,300	–	21,700
	Gold Grade (g/t)	1.10	0.94	–	1.17
	Gold Content (kg)	36,400	34,200	–	25,300
	Gold Content (koz)	1,170	1,100	–	813
Underground	Cut-off grade (g/t)	0.7	0.7	–	0.7
	Ore (kt)	1,620	3,000	–	499
	Gold Grade (g/t)	1.38	1.24	–	1.42
	Gold Content (kg)	2,250	3,720	–	708
	Gold Content (koz)	72	120	–	23

Notes:

1. The resources and reserves figures stated as above are based on the Qualified Person's Memo provided by SRK Consulting China Ltd. (in compliance with the requirements of NI 43-101) dated 29 February 2024.

2. All figures are rounded to reflect the relative accuracy of the estimate.

3. "koz" means thousand ounces, a unit of weight.

ASSUMPTIONS ADOPTED FOR THE ANNUAL UPDATE OF RESOURCES AND RESERVES

Relevant updates were made according to the Group's new exploration work and based on the historical data used by technical consultants. As confirmed by the Company's internal experts, there has been no material change to the level of resources and reserves and the changes were mainly attributable to adjustment for production consumption. Assumptions adopted for the update of resources and reserves are set out as below:

1. Mineral resources estimates

1.1 All figures are rounded to reflect the relative accuracy of the estimate.

1.2 The information with regard to Mineral Resource estimates is based on information compiled by employees of SRK Consulting China Ltd. They have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Qualified Persons as defined in the NI 43-101.

2. Mineral reserve estimates

2.1 All figures are rounded to reflect the relative accuracy of the estimate.

2.2 Both the mining dilution and loss are set to 5%.

2.3 The Mineral Reserves are included in the Mineral Resources.

2.4 The information which relates to Mineral Reserve conversion is based on information compiled by employees of SRK Consulting China Ltd. They have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Qualified Persons as defined in the NI 43-101.

V. FINANCIAL ANALYSIS

REVENUE

For the Year, the Group's revenue was approximately RMB383,463,000 (2022: RMB418,413,000), representing a decrease of approximately 8.4% as compared to the previous year. The decrease was mainly due to the decrease in the gold production volume mainly attributable to temporary pause of mining activities during May to mid-July 2023 despite there was an increase in average selling price of 14% as compared to the previous year.

Management Discussion and Analysis

COST OF SALES

For the Year, the Group's cost of sales was approximately RMB200,210,000 (2022: RMB199,823,000), representing an increase of approximately 0.2% as compared to the previous year.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Year, the Group's gross profit was approximately RMB183,253,000 (2022: RMB218,590,000), representing a decrease in gross profit of approximately 16.2%. The decrease in gross profit was primarily due to the decrease in the gold sales volume caused by the temporary suspension of mining activities of the Group during May to mid-July 2023.

During the Year, the Group's gross profit margin was approximately 47.8% (2022: 52.2%), representing a decrease in gross profit margin of approximately 4.5% as compared to the previous year. The decrease was mainly attributable to an increase in cost of sales while there was a decrease in gold production and sales volume during the year primarily due to the fact that (i) certain components in the cost of sales were semi-variable costs which did not decrease proportionally to the decrease in gold production and sales volume; and (ii) our ore processed volume remained relatively stable during the period notwithstanding the decrease in gold production and sales volume.

OTHER INCOME AND GAINS

During the Year, the Group's other income and gains were approximately RMB9,851,000 (2022: RMB13,403,000), representing a decrease of approximately 26.5% as compared to the previous year. The decrease in other income and gains was mainly due to the decrease in the sales of sulfuric acid mainly attributable to the drop in the market price of the sulfuric acid.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses were approximately RMB43,239,000 during the Year (2022: RMB33,711,000), representing an increase of approximately 28.3% as compared to the previous year. The increase of administrative expenses was mainly due to the increase in listing expenses.

OTHER EXPENSES

For the Year, the Group's other expenses were approximately RMB17,000 (2022: RMB10,419,000), representing a decrease of approximately 99.8% as compared to the previous year. The decrease was mainly attributable to the decrease in loss on foreign exchange.

Management Discussion and Analysis

FINANCE COSTS

For the Year, the Group's finance costs were approximately RMB3,170,000 (2022: RMB2,955,000), representing an increase of approximately 7.3% as compared to the previous year. The increase was mainly due to the increase in the effective interest rate.

INCOME TAX EXPENSES

For the Year, the Group's income tax expenses were approximately RMB51,318,000 (2022: RMB63,918,000), representing a decrease of approximately RMB12,600,000 as compared to the previous year. The decrease was primarily due to the decrease in profit before tax of the Group. During the Year, the corporate income tax within the territory of the PRC has been provided at a rate of 25% (2022: 25%) on the taxable income. The effective tax rate of the Group is approximately 35.1% during the Year (2022: approximately 34.6%).

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the Year, the Group's profit attributable to the owners of the parent was approximately RMB65,025,000, representing a decrease of approximately 21.9% from approximately RMB83,214,000 in 2022. The decrease was mainly due to the decrease in the profit after tax as a result of the decrease in the sales volume mainly due to temporary pause of mining activities during May to mid-July 2023. The liquidity of the Group and its working capital and finance requirements was closely monitored by the Board on a regular basis.

LIQUIDITY AND CAPITAL RESOURCES

The working capital and funds required by the Group are mainly derived from its cash flows generated from operations, bank borrowings and capital injection from shareholders, while the Group's capital for operating activities is mainly utilized to provide funding for purchase of raw materials, various operating expenses and capital expenditure. The cash and cash equivalents of the Group were RMB 586,840,000 as at 31 December 2023.

CASH FLOWS AND WORKING CAPITAL

The Group's cash and cash equivalents have increased from approximately RMB282,187,000 as at 31 December 2022 to approximately RMB586,840,000 as at 31 December 2023. The increase was mainly due to net proceeds received upon our successful IPO.

As at 31 December 2023, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to approximately RMB213,556,000 (2022: RMB2,768,000), those denominated in Canadian dollars amounted to approximately RMB634,000 (2022: RMB596,000), those denominated in United States dollars amounted to approximately RMB64,955,000 (2022: RMB57,340,000). All other cash and cash equivalents held by the Group are denominated in RMB.

Management Discussion and Analysis

BORROWINGS

As at 31 December 2023, the Group had outstanding bank borrowings of approximately RMB30,000,000 (2022: RMB30,000,000 and was repaid on 25 August 2023), all of which were denominated in RMB. As at 31 December 2023, 100% of the interest-bearing bank loans and other borrowings held by the Group were at fixed rates.

GEARING RATIO

The Group monitors capital using gross gearing ratio which is total debt divided by total equity and net gearing ratio which is net debt divided by total capital plus net debt. Total debt includes interest-bearing bank borrowings. Net debt includes 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.

MARKET RISKS

The Group is exposed to a variety of financial risks such as interest rates risk, credit risk, foreign currency risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. 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.

GOLD PRICES AND OTHER COMMODITIES PRICES RISKS

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

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. The Group had not used any derivative financial instruments to hedge interest rate risk during the year, and obtains all bank borrowings with a fixed rate.

Management Discussion and Analysis

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 2023 and 2022. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

FOREIGN EXCHANGE RISK

The Group's transactions are mainly denominated in Renminbi. As such, the fluctuations in exchange rates may affect international and domestic gold prices, which may therefore affect the Group's operating results. The Group has currency exposures mainly arising from cash at banks denominated in USD and CAD. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. The Group constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

RISK OF CHANGE IN INDUSTRY POLICIES

An array of laws, regulations and rules on the gold mining and refining industry in China constitutes the external regulatory and legal environment for the Company's ordinary and continuous operation and have great influence on the Company's business development, production and operation (including licences and permits), etc. Changes in relevant industry policies may have corresponding effects on the Company's production and operation.

PLEDGE

As at 31 December 2023, except RMB19,232,000 of pledged deposits represented environmental rehabilitation deposits placed in banks for environmental rehabilitation of land the Group developed for the mine as required under the relevant PRC laws and regulations, the Group has not pledged any assets.

CONTRACTUAL OBLIGATIONS

As at 31 December 2023, the Group's total capital commitments in respect of the contracted costs which were not provided for in the financial statements were nil. (31 December 2022: RMB5,289,000).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities.

VI. BUSINESS PROSPECTS

With the gradual receding of the impact of the epidemic and a series of policies to promote consumption to take effect, as well as the increase in demand for safe-haven assets, China's gold spot price is expected to rise in the year of 2024. Going forward, global gold spot price is expected to go up steadily during 2022 to 2027 at CAGR of 3.6%, from USD1,801.3 per ounce in 2022 to USD2,148.4 per ounce in 2027, considering the robust demand of gold. Furthermore, worries of economic downturn under the context of high inflation and high fuel cost is to last in the forecast time period, plus the existing geopolitical uncertainties (e.g. Russia-Ukraine tensions). Additionally, markets are also concerned on the over-aggressiveness of the Fed on rising interest rate, which may cause possible economic recession soon afterwards. Therefore, gold is needed for investment portfolio diversification to hedge risks and value preservation.

The Company will also strive to achieve sustainable growth to strengthen the Group's position in the Shandong Province by exploiting the Group's operational efficiencies and growth opportunities, further developing existing assets of the Group and acquiring value-accretive assets in the PRC to substantially scale up mining operations of the Group, gold concentrate processing operations and increase gold reserves.

On 25 March 2024, the Company's wholly-owned subsidiary PRG Res Holding 2 Ltd. entered into a letter of intent with a potential vendor (the "**Vendor**") and a target company incorporated in the PRC (the "**Target Company**"), pursuant to which PRG Res Holding 2 Ltd. may acquire and the Vendor may sell, 70% of the issued share capital of the Target Company. The Target Company is principally engaged in gold mining and processing, emergency rescue for mine accidents, preventive safety inspection, property leasing and investment with its own fund. The Target Company owns mining licenses of three gold mines located in Yantai city of the Shandong Province in the PRC. For details, please refer to the announcement of the Company dated 25 March 2024.

VII. USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company were listed on the Hong Kong Stock Exchange on 22 December 2023 and the Company obtained net proceeds of approximately HK$218.3 million (after deducting the underwriting commissions and other expenses in connection with the exercise of the Global Offering) (as defined in the prospectus of the Company dated 14 December 2023 (the "**Prospectus**")).

For the period from the Listing Date up to 31 December 2023, the Company has utilized approximately HK$3.0 million of the net proceeds raised from the Global Offering. The Company intends to use the net proceeds in the same manner and proportion as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds".

Details of the use of the net proceeds as at 31 December 2023 are listed as below:

	Net Proceeds and utilization				
Business objective as stated in the Prospectus	Percentage of the Net Proceeds	Actual amount available for utilization *HK$ million*	Utilized amount as of 31 December 2023 *HK$ million*	Remaining amount as of 31 December 2023 *HK$ million*	Expected timeline for utilization
Further construction of mining infrastructure in accordance with our mine optimisation plan	20.4%	44.5	0	44.5	By June 2025
Upgrade gold reserves to increase LoM through additional exploration activities at our existing mine area	2.0%	4.4	0	4.4	By December 2024
Expand our business through selective acquisitions of gold mining assets	55.0%	120.1	0	120.1	By February 2025
Repayment of existing bank loans guarantees	12.6%	27.5	0	27.5	By September 2024
Working Capital	10.0%	21.8	3.0	18.8	By December 2025
Total	100.0%	218.3	3.0	215.3	

Management Discussion and Analysis

Notes:

1. The Company remains committed to the original allocation of the net proceeds from the Global Offering as disclosed in the Prospectus.

2. The net proceeds from the Global Offering, after deducting the underwriting fees and expenses paid by the Company in connection with the Global Offering were approximately HK$218.3 million. The Company has allocated the difference between the estimated and actual net proceeds to each business objective in the same proportion as the original fund applied as shown in the Prospectus.

3. As at 31 December 2023, net proceeds not yet utilized were deposited with a licensed bank in Hong Kong.

4. With reference to the announcement dated 25 March 2024, the Group is still in the process of carrying out legal due diligence on a potential gold mine in Yantai. A Letter of Intent was signed on 25 March 2024. Once all the legal and financial due diligence have been completed, the Group will then enter into a formal definitive agreement with the owner of the potential target. The Group expect that the timeline for full utilization of the remaining net proceeds from the Global Offering allocated to expanding business of the Group through selective acquisitions of gold mining assets will be delayed from September 2024 to February 2025.

5. The expected timeline for utilising the unutilised net proceeds for the business objectives is based on the best estimation of the future market conditions made by the Group. It is subject to change based on the current and future development of the market conditions. The Company was of the view that it would be beneficial to adopt a more prudent strategy to the use of proceeds and should be appropriately adjusted to maintain flexibility for better accommodation of the changing market conditions, industry environment and the actual condition of the Company.

Directors, Supervisors and Senior Management Profile

Details of personnel currently serving as Directors of the Company during the Year and as of the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Dr. Shao Xuxin, aged 61, born in July 1963. He obtained a bachelor's degree in mineral processing from Wuhan Institute of Technology (formerly known as Wuhan Institute of Chemical Technology* (武漢化工學院)), and a doctor of philosophy degree in mineral processing from China University of Mining & Technology Beijing. He was appointed as a Director of the Company in May 2019 and was subsequently re-designated as an executive Director of the Company and appointed as the Chairman of the Board and the chief executive officer in March 2022. He has also been serving as a director of Majestic Yantai BVI since July 2004, and an adviser of Majestic Gold since 2004. From July 1990 to September 1996, he has served as a lecturer, associate professor and deputy department head of the Department of Mineral Processing at China University of Mining & Technology-Beijing, a research scientist for the Centre for Applied Energy Research at the University of Kentucky, the United States from October 1996 to December 1997, a process metallurgist at Process Research Associates Ltd. from February 1998 to April 1998, the project manager at Atlantic Gold Corporation (formerly known as Spur Ventures Inc.) (previously listed on the TSX Venture Exchange, stock symbol: AGB) from July 1998 to March 2003, the director, president and chief financial officer at Sterling Group Ventures, Inc. (previously quoted on OTC Link in the United States, stock symbol: SGGV) from January 2004 to April 2016, the adviser at Bullabulling Gold (UK) Limited (formerly known as GGG Resources PLC and Central China Goldfields plc) (previously listed on the London Stock Exchange and Australian Securities Exchange, stock symbols: GGG and GGB, respectively) from March 2004 to August 2008, the director at Delta 9 Cannabis Inc. (formerly known as Verona Development Corp.) (listed on the Toronto Stock Exchange, stock symbols: DN, DN.WT, DN.WT.A, DN.DB) ("Delta 9 Cannabis Inc.") from September 2006 to April 2008, and the director of a subsidiary of Goldrea Resources Corp. (listed on the Canadian Securities Exchange, Frankfurt Stock Exchange and OTC Pink Open Market, stock symbols: GOR, GOJ1 and GORAF, respectively) from April 2010 to March 2014.

Mr. MACKIE James Thomas, aged 56, born in May 1968. He obtained a secondary school graduation diploma from Earl of March Secondary School. He is a Certified General Accountant of The Certified General Accountants Association of British Columbia and the Certified General Accountants Association of Canada since August 2007 and October 2007, respectively. He was appointed as a Director of the Company in May 2019 and was subsequently re-designated as an executive Director of the Company in March 2022. He has also been serving as a director of Majestic Yantai BVI since October 2018, the chief financial officer and the corporate secretary of Majestic Gold since March and November 2013 respectively. From September 2005 to September 2012, he has served as a corporate controller for companies listed on the TSX Venture Exchange at Golden Oak Corporate Services Ltd., the chief financial officer and the corporate secretary of Global Hunter Corp. (previously listed on the TSX Venture Exchange, stock symbol: BOB.H) from September 2012 to July 2014, the chief financial officer and the corporate secretary of Delta 9 Cannabis Inc. from September 2012 to July 2014, and a director of Majestic Gold from March to November 2013.

Directors, Supervisors and Senior Management Profile

Mr. LO Cheuk Kwong Raymond, aged 61, born in September 1963. He obtained a bachelor of commerce in accountancy degree from The University of Wollongong, Australia and a master of business administration degree from The Hong Kong Polytechnic University. He was admitted as a Certified Practising Accountant of The Australian Society of Certified Practising Accountants in October 1992 and a fellow member of the Hong Kong Institute of Certified Public Accountants in December 1998. He was appointed as a Director of the Company in May 2020, was appointed a director of Majestic Yantai BVI in May 2020 and was subsequently re-designated as an executive Director, chief financial officer and company secretary of the Company in March 2022, and he has also been serving as the sole shareholder and sole director of Perfect Team Consultants Limited since August 2006. From October 1984 to August 1987, he has served as a senior accountant at KPMG (formerly known as Peat, Marwick, Mitchell & Co.), an assistant general manager at Bowden Industries Limited, a subsidiary of Gold Peak Industries (Holdings) Limited (listed on the Stock Exchange, stock code: 40.HK) from September 1991 to April 2000, chief officer – finance, personnel and administration division at Chen Hsong Machinery Company, Limited, a subsidiary of Chen Hsong Holdings Limited (listed on the Stock Exchange, stock code: 57.HK) from April 2000 to August 2001, Limited, group chief financial officer at GMT Shipping (HK) Limited from September 2001 to February 2003, financial controller at Chen Chien Holdings Limited from February 2004 to June 2005, group chief executive officer at GMT Shipping (HK) Limited from October 2009 to May 2011, and group chief financial officer at Chung Ming Metal Resources Holdings Limited from January 2012 to July 2016.

Mr. CHEN Shaohui, aged 66, born in June 1958. He obtained a bachelor's degree in mineral processing from Wuhan Institute of Technology (formerly known as Wuhan Institute of Chemical Technology* (武漢化工學院)). He was qualified as a senior engineer in the PRC in July 1993. He joined the Group in June 2008 as the general manager of Yantai Zhongjia, was appointed a director of Yantai Zhongjia in May 2010 and was appointed as a Director in May 2020. He was subsequently re-designated as an executive Director of the Company in March 2022. From August 1983 to November 1997, he has served as the president of Hebei Huanqiu Contracting & Engineering Co., Ltd* (河北寰球工程有限公司) (formerly known as Chemical Mine Planning and Design Institute of Ministry of Chemical Industry of China* (化學工業部化學礦山規劃設計院)), the chief engineer of Tus Environmental Science and Technology Co., Ltd. (formerly known as SDIC Yuanyi Industry Co., Ltd) (listed on the Shenzhen Stock Exchange, stock code: 0826.SZ) from December 1997 to October 2000, the chief engineer of Hubei Yichang Phosphorus Chemical Industry Corporation Limited* (湖北宜昌磷化工業集團公司) from October 2000 to November 2011, the vice president of Micro Express Ltd., a wholly-owned subsidiary of Sterling Group Ventures, Inc. (previously quoted on OTC Link in the United States, stock symbol: SGGV) from January 2004 to May 2006, and the general manager and chairman of the board of Xinjiang Mejes Mining Co. Inc.* (新疆瑪嘉斯礦業有限公司) from June 2006 to June 2012.

Directors, Supervisors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. MALAIHOLLO Jeffrey Francis A, aged 58, born in June 1966. He obtained a bachelor's degree in arts with a major in geological sciences from University of California, Santa Barbara and a doctor of philosophy degree from the University of London. He is currently a fellow of each of the Australasian Institute of Mining and Metallurgy (FAusIMM) and Geological Society of London, a member of each of the Geological Society of America and the Association of Mining Analysts. He was appointed as an independent non-executive Director of the Company in November 2023, and he has also been serving as a non-executive director of Copper Lake Resources Ltd. (listed on the TSX Venture Exchange and Frankfurt Stock Exchange, stock symbols: CPL and WOI, respectively) since July 2016. From June 2000 to August 2010, he has served as a director and the head of research of Loeb Aron & Company Ltd, managing director and director of Bullabulling Gold (UK) Limited (formerly known as GGG Resources Plc and Central China Goldfields plc) (previously listed on the London Stock Exchange and Australian Securities Exchange, stock symbols: GGG and GGB, respectively) from November 2004 to June 2012, a director of Bullabulling Gold Limited (previously listed on the London Stock Exchange and Australian Securities Exchange, stock symbols: BBG and BAB, respectively) from September 2011 to July 2012, managing director and chief executive director of Cyprium Metals Limited (formerly known as ARC Exploration Limited) (listed on the Australian Securities Exchange, stock symbol: CYM) from October 2013 to October 2016, and non-executive chairman of Shuka Minerals PLC (formerly known as Edenville Energy plc) (listed on the London Stock Exchange, stock symbol: EDL) from September 2016 to July 2022.

Mr. CHAN Ngai Fan, aged 44, born in January 1980. He obtained a higher diploma in accountancy, a bachelor of arts degree in accountancy and a master of corporate governance degree from The Hong Kong Polytechnic University. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in February 2011 and is currently registered as a certified public accountant (practising). He was admitted to graduateship of The Institute of Chartered Secretaries & Administrators in December 2016 and was admitted as an associate of The Hong Kong Institute of Chartered Secretaries (now known as The Hong Kong Chartered Governance Institute) in November 2019. He was appointed as an independent non-executive Director of the Company in November 2023. He has also been serving as a joint company secretary of Centenary United Holdings Limited (listed on the Stock Exchange, stock code: 1959.HK) since January 2019, an independent non-executive director of Leader Education Limited (listed on the Stock Exchange, stock code: 1449.HK) and Capital Finance Holdings Limited (listed on the Stock Exchange, stock code: 8239.HK) since July 2020 and January 2022 respectively, and company secretary, authorised representative and process agent of China Bozza Development Holdings Limited (listed on the Stock Exchange, stock code 1069.hk) since May 2022. He has served as an assistant accountant of New Universe Holdings Limited and Oriental Resource Enterprises Limited from November 2004 to June 2006 and from June 2006 to July 2007 respectively, an assistant manager in assurance at JBPP & Company (formerly known as Grant-Thornton and later merged with BDO Limited) from August 2007 to February 2011, the financial controller of Naigai Mining (China) Company Limited* (內外礦業(中國)有限公司) and KPa-BM Holdings Limited (listed on the Stock Exchange, stock code: 2663.HK) from March 2011 to April 2015 and May 2015 to April 2018 respectively, an independent non-executive director of Sino Vision Worldwide Holdings Limited (formerly known as DX.com Holdings Limited) (listed on the Stock Exchange, stock code: 8086.HK) from August 2017 to September 2018, an executive director and the chief financial officer (April 2018 to January 2019), and a non-executive director (September 2016 to April 2018; and January 2019

Directors, Supervisors and Senior Management Profile

to March 2019) of Shenzhen Mingwah Aohan High Technology Corporation Limited (listed on the Stock Exchange, stock code: 8301.HK), the company secretary of Sino Vision from January 2019 to May 2019, the chief financial officer and the company secretary of Heysea Yachts Holdings Company Limited from May 2019 to April 2020, an independent non-executive director of Sanxun Holdings Group Limited (listed on the Stock Exchange, stock code: 6611.HK) from September 2019 to September 2023, and an independent non-executive director of Contel Technology Company Limited (listed on the Stock Exchange, stock code: 1912.HK) from March 2022 to 30 June 2023.

Dr. ZENG Ming, aged 67, born in October 1957. He obtained a bachelor's degree in coal mining machinery from Chongqing University, a master's degree in mining machinery and a doctor of philosophy degree in mineral processing engineering from China University of Mining & Technology – Beijing. He qualified as a senior engineer in the PRC in August 1998. He was appointed as an independent non-executive Director of the Company in November 2023, and he has also been serving as a professor of mineral processing engineering of China University of Mining & Technology – Beijing since July 1988. From February 1982 to August 1985, he has served as an assistant engineer of Bluestar Lehigh Engineering Institute Co., Ltd.* (中藍連海設計研究院有限公司) (formerly known as Chemical Mines Design and Research Institute of the Ministry of Chemical Industry* (化學工業部化工礦山設計研究院)).

Ms. LIU Li, aged 47, born in May 1977. She obtained a bachelor's degree in accounting from the Chongqing University of Technology (formerly known as Chongqing Industry College* (重慶工學院)), a Master's degree in international journalism from the City University of London and a Master's degree in business administration from the Hong Kong University of Science and Technology. She was admitted as a certified public accountant of the Chinese Institute of Certified Public Accountants in June 2008. She obtained the qualification certificate of secretary to the board of directors issued by the Shenzhen Stock Exchange in October 2016 and obtained the qualification certificate of board secretary from the National Equities Exchange and Quotations (NEEQ) in April 2017. She was appointed as an independent non-executive Director of the Company in November 2023, and she has also been serving as the chief operating officer of Chant Heat Energy Science & Technology (Zhongshan) Co., Ltd* (長青熱能科技(中山)有限公司) since September 2023. From May 2008 to November 2012, she has served as the financial controller of Zhongguan Agricultural Holdings (Shenzhen) Co., Ltd.* (中冠農業控股(深圳)有限公司) formerly known as Huaao Brothers Life Sciences Technology (Shenzhen) Co., Ltd.* (華奧兄弟生物科技(深圳)有限公司), the chief financial officer of Shenzhen Zhangzhong Information Technology Co., Ltd.* (深圳市掌眾信息技術有限公司), a subsidiary of Shenzhen Zhangzhong Intelligent Co., Ltd. (深圳掌眾智能科技股份有限公司) (listed on the NEEQ, stock code: 430217) from May 2016 to September 2020, and an executive director and general manager of Shenzhen Mao San Innovation Technology Co., Ltd.* (深圳市貓仨創新科技有限公司) from September 2022 to November 2023.

COMPANY SECRETARY

Mr. LO Cheuk Kwong Raymond, whose biographical details are set out on page 20 of this annual report.

Directors, Supervisors and Senior Management Profile

SENIOR MANAGEMENT

Mr. HUANG Yong, aged 67, was born in November 1957. He obtained a bachelor's degree in mining engineering from Central South University (formerly known as Central-South Institute of Mining and Metallurgy) and subsequently obtained a Diploma in Geostatistics from École Nationale Supérieure des Mines de Paris, France. He was also a recipient of China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) in February 2006. He was qualified as a mineral resources/reserves appraiser in the PRC by the Ministry of Land and Resources of the PRC in December 2002 and a member of the Australasian Institute of Mining & Metallurgy since February 2012. He was also appointed as the vice-chairman and member of the Information Academic Committee (Second Session) (信息學術委員會(第二屆)) of the Nonferrous Metals Society of China in September 2000. He joined Majestic Gold as an on-site consultant at Yantai Zhongjia in December 2014, and he has been serving as the head of mine operations of the Company since August 2020. He has served as an engineer and deputy chief engineer of Dexing Copper Mine (德興銅礦), Jiangxi from January 1982 to November 1994 and from February 1996 to September 1998 respectively, deputy chief engineer at Jiangxi Copper Corporation Limited from October 1998 to February 2001, a professor at Jiangxi University of Science and Technology (formerly known as Southern Institute of Metallurgy* (南方冶金學院) from December 2002 to August 2007, and the principal consultant (mining) and the general manager of the Nanchang office of SRK Consulting China Ltd from December 2007 to November 2014.

Mr. ZHOU Shufeng, aged 42, born in September 1982. He obtained diploma in highway and road engineering from Ludong University (魯東大學) (formerly known as Yantai Teachers College (煙台師範學院)). He joined Yantai Zhongjia as a safety officer on 1 June 2016 and was appointed as head of safety in May 2017. He was subsequently promoted to safety director and assistant general manager in July 2020 and the chairman of the board of Yantai Zhongjia, legal representative and general manager of Yantai Zhongjia in May 2021. From July 2005 to December 2007, he has served as an on-site supervisor of Shandong Traffic Engineering Supervision Consultation Co., Ltd (山東省交通工程監理諮詢有限公司), a coordinator of Safety Production Supervision and Administration Bureau of Laishan District, Yantai City (煙台市萊山區安全生產監督管理局) from March 2008 to April 2012, and the assistant director of the product safety department of Yantai Jinma Mining Group Co., Ltd. (煙台金馬礦業集團有限公司) from April 2012 to April 2016.

* *For identification purpose only*

Report of the Directors

The Board hereby presents its report, together with the audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Persistence Resources Group Ltd is an investment holding company incorporated in the Cayman Islands. The principal activities and other particulars of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "**Companies Ordinance**"), including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the section of "Management Discussion and Analysis" of this annual report. These discussions form part of the Report of the Directors. In addition, details of the Group's financial risk management are disclosed in note 35 to the consolidated financial statements.

For the year ended 31 December 2023, the Group had no exploration and development expenditure as the Group has not yet commenced the drilling (exploration) program as disclosed in the section of "Future Plans and Use of Proceeds" of the Prospectus. Cost of sales was directly attributable to the expenditure incurred on mining production activity. The amount of cost of sales was presented in the consolidated statement of profit or loss and other comprehensive income on pages 102 in this annual report.

ENVIRONMENT PROTECTION AND PERFORMANCE AND KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is committed to environmental protection. Environmental policies have been adopted by the Group for implementation of environmentally friendly measures and practices in the operation of the Group's businesses. The Group has also reviewed its environmental policies and performance from time to time in order to minimise the environmental impacts from our business operations.

The Group is committed to providing equal opportunities, a harmonious and diversified working environment to our employees.

The Group recognizes the accomplishment of the employees by providing competitive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents were found during the Year.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The Group monitors its tendering and procurement process closely so that the entire process would be conducted in an open, fair and just manner. The Group maintains a list of approved suppliers (based on their prices, quality, past performance and capacity).

The Group values the views and opinions of all customers through various means and channels and the Group has maintained good relationship with its customers during the Year.

Report of the Directors

During the year, there was no material dispute or argument between the Group and its employees, suppliers and customers.

Further discussion and review on the environmental policies, key relationships with employees, customers and suppliers as required by Schedule 5 to the Companies Ordinance, can be found in the section of "Environmental, Social and Governance Report" of this annual report. This discussion forms part of this Report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to commit to complying with the relevant laws and regulations, such as the Companies Act (as revised) of the Cayman Islands, the Companies Ordinance, the Securities and Futures Ordinance (Cap. 571) ("**SFO**"), the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange and other relevant laws and regulations. So far as the Board is concerned, there were no material breaches of or non-compliance with the relevant rules and regulations by our Group that have significant impacts on the business and operations of our Group.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the section of "Corporate Governance Report" of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 and the Group's financial position as at 31 December 2023 are set out in the consolidated financial statements on pages 102 to 105.

The Board does not recommend the payment of a final dividend to the Shareholders for the year ended 31 December 2023.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last four financial years, as extracted from the Prospectus and the published audited consolidated financial statements, is set out on page 4 of this annual report. No audited consolidated financial statements of the Group for the year ended 31 December 2019 have been published before the Global Offering. Therefore, only the financial summary for the last four financial years is presented. This financial summary does not form part of the audited consolidated financial statements.

DONATION

The Group did not make any donation for the year ended 31 December 2023 (2022: approximately RMB1,000,000).

BANK BORROWINGS

Details of bank borrowings of the Company and the Group are set out in note 25 to the consolidated financial statements of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group for the year ended 31 December 2023 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's authorised or issued share capital during the year are set out in note 27 to the consolidated financial statements.

SHARE OPTIONS

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted on 30 November 2023 and shall be valid until 30 November 2033. The Share Option Scheme is established to recognise and acknowledge the contributions the eligible participants have had or may have made to the Group. The Share Option Scheme will provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the eligible participants to optimise their performance and efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the eligible participants whose contributions are or will be beneficial to the Group. Further details of the Share Option Scheme were set forth in the section headed "Statutory and general information – D. Share Option Scheme" in Appendix V to the Prospectus.

PARTICIPANTS

Persons eligible to participate in the Share Option Scheme include (i) any directors, employees, executives or officers of the Group, including persons who are granted Options as an inducement to enter into employment contracts with the Group; (ii) any directors or employees of the holding companies, fellow subsidiaries or associated companies of the Company; and (iii) any advisers, consultants, suppliers, customers and agents to the Group; and (iv) an associate of any of the persons referred to in paragraphs (i) or (ii) above. The eligibility of any of the above categories of Eligible Participants to the grant of any option shall be determined by the Board from time to time on the basis of the Board's sole opinion as to the relevant Eligible Participant's contribution to the development and growth of the Group, the assessment of which are (a) contribution to the development and performance of the Group; (b) quality of work performed for the Group; (c) initiative and commitment in performing his/her duties; and (d) length of service or contribution to the Group.

MAXIMUM NUMBER OF SHARES

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, being 200,000,000 Shares (the "**Scheme Limit**"), excluding Shares which would have been issuable pursuant to Options which have lapsed in accordance with the terms of this Scheme (or any other share option schemes of the Company) for the purpose of calculating the Scheme Limit and, if applicable, the service provider sublimit which shall be set within the Scheme Limit.

MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

The maximum number of Shares issuable under share options to each participant under the Share Option Scheme within any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of such limit will be subject to Shareholders' approval in a general meeting (with such selected participant and his associates abstaining from voting).

Share options granted to a Director, chief executive of the Company or substantial Shareholder, or to any of their associates (as defined in the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial Shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the issued share capital of the Company within any 12-month period up to the date of grant, are subject to Shareholders' approval in advance in a general meeting (with such grantee, his associates and all core connected persons of the Company abstaining from voting).

TIME OF EXERCISE OF AN OPTION AND DURATION OF THE SHARE OPTION SCHEME

The Board shall, in accordance with the provisions of the Share Option Scheme, be entitled but shall not be bound, at any time within a period of ten years commencing on the date on which the shareholders of the Company approve the Share Option Scheme (the "**Adoption Date**") to make an offer to such eligible participant as the Board may in its discretion select to subscribe for such number of Shares at the subscription price as the Board shall determine. The Share Option Scheme shall be valid and effective until the close of business of the Company on the date which falls ten years after the Adoption Date, after which period no further options may be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Report of the Directors

GRANT OF OPTION AND ACCEPTANCE OF AN OFFER OF OPTIONS

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such relevant acceptance date shall be determined by the Board and set out in the relevant offer document.

Since the adoption of the Share Option Scheme, the Company did not grant any share options under the Share Option Scheme to any other persons during the year under review that is required to be disclosed under rule 17.07 of the Listing Rules. Therefore, no option was exercised, cancelled or lapsed during the period from the Listing Date to 31 December 2023 and there was no outstanding share options as at 31 December 2023.

PRE-EMPTIVE RIGHTS

There is no provision or regulation for pre-emptive rights under the Company's articles of association or the Companies Act (as revised) of the Cayman Islands which requires the Company to issue new shares to the existing shareholders according to their respective proportions of shareholding.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

For the year ended 31 December 2023, the Company did not issue any convertible securities, options, warrants or similar rights.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2023, calculated under the Companies Act (as revised) of the Cayman Islands, amounted to approximately RMB525,411,000 (2022: approximately RMB322,794,000). The share premium account of the Company is available for distribution or paying dividends to the Shareholders subject to the provisions of the Articles and provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts immediately as they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue from the largest customer of the Group accounted for 100% of the Group's total revenue during the year ended 31 December 2023. The aggregate purchases from the five largest suppliers and subcontractors of the Group accounted for approximately 54.1% and 12.0% of the Group's total purchases during the year ended 31 December 2023 respectively. The purchases from the largest supplier and subcontractor of the Group accounted for approximately 31.0% and 9.8% of the Group's total purchases during the year ended 31 December 2023 respectively.

None of the Directors, their close associates or any Shareholders (which, to the knowledge of the Directors, owns more than 5% of the shares of the Company) had any interests in the five largest customers or suppliers of the Group.

DIRECTORS

During the financial year and as at the date of this annual report, the Company's Directors are listed as follows:

EXECUTIVE DIRECTORS

Dr. Shao Xuxin *(Chairman and Chief Executive Officer)*
Mr. Mackie James Thomas
Mr. Lo Cheuk Kwong Raymond
Mr. Chen Shaohui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Malaihollo Jeffrey Francis A
Mr. Chan Ngai Fan
Dr. Zeng Ming
Ms. Liu Li

Report of the Directors

In accordance with Article 26.4, Mr. Chen Shaohui, Dr. Malaihollo Jeffrey Francis A, and Dr. Zeng Ming, will retire from office by rotation at the forthcoming annual general meeting. Being eligible, each of them will offer himself for re-election as a non-executive Director or an independent non-executive Director (as the case may be) at the forthcoming annual general meeting.

The Company received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all of its independent non-executive Directors to be independent in accordance with the guidelines as set out under the Listing Rules.

CHANGES IN INFORMATION OF THE DIRECTORS

For the financial year ended 31 December 2023, there is no change to any information required to be disclosed in relation to any Directors under Rule 13.51B of the Listing Rules.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical information of the Directors and senior management of the Company are set out in the section of “Directors, Supervisors and Senior Management Profile” of this annual report.

SERVICE CONTRACTS OF THE DIRECTORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company, for a term of three years.

Neither the Directors have a service contract with the Company with a term specifying that if the Company terminates the contract within one year, the Company has to make compensation in addition to statutory compensation.

DIRECTORS’ REMUNERATION

The Board will seek Shareholders' authorisation at the general meetings to fix the Directors' remuneration. Other emoluments are determined by the Board with reference to Directors’ duties, responsibilities and performance and the results of the Group. Details of the remuneration of the Directors for the year ended 31 December 2023 are set out in note 8 to the consolidated financial statements.

REMUNERATION POLICY OF THE GROUP AND NUMBER OF EMPLOYEES

It is the Company's policy that the remuneration is linked to the Company's results and performance of employees. The Company's human resources department formulates appraisal benchmarks for different businesses and professions and assesses an employee's remuneration according to his/her performance. Studies are being made to the scale of management positions and technical positions in the salary distribution system to enhance the salary increment and promotion ladder. We encourage professional and technical personnel to be dedicated to their own jobs and improve professional and technical skills, so as to create integration between job value and distribution of remuneration. The Company also presents diversified development paths to its staff in order to increase their initiative and creativity.

As of 31 December 2023, the Company had a total of 450 employees. During the Year, the total training hours of employees were 6,213 hours. For details, please refer to the section of "Environmental, Social and Governance Report" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules during the year ended 31 December 2023 and up to the date of this annual report.

PERMITTED INDEMNITY

Under the Articles, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the year and as at the date of approval of this Report of the Directors, pursuant to which the Company shall indemnify any Director against any liability, loss suffered and expenses incurred by the Director in connection with any legal proceedings in which he is involved by reason of being a Director, and in which the judgement is given in his favour or in which he is acquitted. The Company has maintained insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and officers arising out of corporate activities.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section of "Related Party Transactions" in note 32 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party for the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2023, none of the Directors or any of their respective associates was engaged or had any interests in a business that competes with or may compete with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests or short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO) (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**"), were as follows:

Name and Position	Name of associated corporation	Capacity	Number of shares held in the associated corporation	Position	Approximate percentage of shareholding in the issued share capital of the associated corporation
Mr. Mackie James Thomas (executive Director)	Majestic Gold Corp.	Beneficial owner	100,000	Long	0.01%

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have taken under such provisions of the SFO), or recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 31 December 2023, other than those disclosed above in respect of the interests and short positions of the Directors and chief executive of the Company, the following interests and short positions of 5% or more of the Shares and underlying Shares of the Company were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares held	Position	Approximate percentage of shareholding in the issued share capital of the Company
Majestic Gold Corp.[1]	Beneficial owner	1,410,000,000	Long	70.50%
Dongfang Gold Industry (Hong Kong) Limited[2]	Beneficial owner	198,000,000	Long	9.90%

Note

1. Majestic Gold Corp. (formerly known as (i) Byron Resources Inc. from 30 October 1986 to 2 September 1992 and (ii) Select Ventures Inc. from 3 September 1992 to 2 December 1996) is a company incorporated under the laws of the province of British Columbia, Canada with limited liability by shares on 30 October 1986 and listed on the TSX Venture Exchange (stock code: MJS.V).

2. Dongfang Gold Industry (Hong Kong) Limited, a third party independent of the Group, is a limited private company incorporated under the laws of Hong Kong with limited liability on 8 February 2022 and a wholly-owned subsidiary of 山東招金集團招遠黃金冶煉有限公司 (Shandong Zhaojin Group Zhaoyuan Gold Smelting Co., Ltd.*).

Save as disclosed above, as at 31 December 2023, no person had any interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company.

Report of the Directors

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS

At no time during the year ended 31 December 2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

Details of the related party transactions entered into by the Group for the year ended 31 December 2023 are set out in note 32 to the consolidated financial statements, and none of them constitutes a connected transaction or a continuing connected transaction as required to be disclosed under the Listing Rules.

For the year ended 31 December 2023, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (if applicable) for the year ended 31 December 2023.

UNDERTAKINGS AND STATEMENTS UNDER THE DEED OF NON-COMPETITION

The Company and Majestic Gold Corp. entered into a deed of non-competition on 30 November 2023, pursuant to which the independent non-executive Directors of the Company are required to review on an annual basis, (a) whether Majestic Gold Corp. has complied with their non-competition undertakings; and (b) all the decisions taken in relation to whether to exercise the option under this deed of non-competition and whether to pursue any competing business opportunity or other business opportunities which may be referred or offered to the Company by Majestic Gold Corp. or its associates (other than members of the Group) under this Deed. In addition, Majestic Gold Corp. has also undertaken to the Company to provide a written confirmation in respect of their compliance for incorporation in the annual report of the Company.

The independent non-executive Directors have reviewed whether Majestic Gold Corp. has complied with their undertakings under the Non-competition Agreement in respect of its existing or future competing businesses. The independent non-executive Directors are of the view that Majestic Gold Corp. has complied with those undertakings.

The Company has also received a statement under the Non-competition Agreement from Majestic Gold Corp. on 27 March 2024, which stated that Majestic Gold Corp., as the controlling Shareholder of the Company, has complied with their undertakings under the Non-competition Agreement dated 30 November 2023 for the year ended 31 December 2023.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCE OF FUNDING

Save as disclosed in the Prospectus and this report, the Group had no future plans for material investments or capital assets as at 31 December 2023. The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

OVERVIEW OF SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, the Group did not have other plans for material acquisitions and disposals of subsidiaries, associates and joint ventures.

DETAILS OF SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR END

There were no significant events affecting the listed issuer and its subsidiaries which have occurred after the reporting period and up to the date of this annual report.

LITIGATION AND ARBITRATION

During the Year, the Company and the Group have not been involved in any material litigation or arbitration. As far as the Directors are aware, the Company does not have any material litigation or arbitration pending or threatened against the Company which may adversely affect the Company's operating results and financial conditions.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Chan Ngai Fan, Dr. Malaihollo Jeffrey Francis A and Dr. Zeng Ming. Mr. Chan Ngai Fan serves as the chairperson of the Audit Committee.

Report of the Directors

The Audit Committee has reviewed the Group's audited consolidated financial statements for the Year which have been agreed by the Company's auditor, and is of the view that the Group's audited consolidated financial statements for the Year are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

The Audit Committee has also reviewed the annual results for the Year.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the Year ("**2023 AGM**") will be held on 26 June 2024. A notice convening the 2023 AGM together with the circular of the Company will be published on the Company's website at www.persistenceresource.com and the Stock Exchange website at www.hkexnews.hk, and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

In order to ascertain the shareholders who are entitled to attend the 2023 AGM, the register of members will be closed from 21 June 2024 to 26 June 2024, both days inclusive, during which no transfer of shares will be registered.

To be qualified for attending and voting at the 2023 AGM, the shareholders whose transfer has not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's shares registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration at or before 4:30 p.m. on 20 June 2024.

References to time and dates in this annual report are to Hong Kong time and dates.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by Ernst & Young, who will retire at the 2023 AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the 2023 AGM.

By the order of the Board

Shao Xuxin
Chairman
28 March 2024

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is highly committed to achieving a high standard of corporate governance and striving to maintain the management practices in a transparent and responsible way. The Board reviews and improves the Group's corporate governance practices and business ethics on an ongoing basis. Since the Listing Date and up to the date of this report, the Company complied with all the code provisions, where applicable, as set out in the Corporate Governance Code (the "**CG Code**") in Appendix C1 to the Listing Rules on the Stock Exchange except for the deviation mentioned in the sections of "CHAIRMAN AND CHIEF EXECUTIVE OFFICER" and "THE BOARD – BOARD MEETINGS AND ATTENDANCE".

SECURITIES TRANSACTION OF DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

All the Directors confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code during the period from the Listing Date to the date of this report.

THE BOARD

RESPONSIBILITIES

The Board is responsible for the Group's corporate policy formulation, business strategic planning, business development, risk management, material acquisitions and disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management, such as the preparation of annual and interim accounts for the Board's final approval before its publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. The Board has also delegated to the relevant senior management the authority and responsibility for the day-to-day management and operation of the Group with clear directions as to their powers in particular with respect to the circumstances under which they should report back to the Board before making certain key decisions on behalf of the Company. The Board reviews the existing arrangements periodically to ensure that they remain appropriate to the Company's needs.

The Board also has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

Corporate Governance Report

The Board is also responsible for performing corporate governance duties of the Group and will assign relevant functions to other board committees, namely the remuneration committee (the "**Remuneration Committee**"), the nomination commit tee (the "**Nomination Committee**") and the audit committee (the "**Audit Committee**") collectively, the "**Board Committees**") as and when appropriate.

Every Director is entitled to have access to Board papers and related materials, and the advice and services provided by the company secretary (the "**Company Secretary**") of the Company, and has the liberty to seek independent professional advice at the Company's expense if so reasonably required. The Directors will be continuously provided by the updates on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

COMPOSITION

The Board currently comprises eight members, consisting of four executive Directors and four independent non-executive Directors. Details of the composition of the Board and biographies of the Directors are set out on page 2 of this annual report in the section of "Corporate Information" and on pages 19 to 22 of this annual report in the section of "Directors, Supervisors And Senior Management Profile", respectively. An updated list of the Directors with their respective roles and functions is available on the Stock Exchange's website and the Company's website at www.persistenceresource.com. Independent non-executive Directors are identified in all corporate communications that disclose the names of the Directors.

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date or from the date of appointment subject to termination as provided therein.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commencing from the Listing Date subject to termination as provided therein.

The Board possesses the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group which brings a good balance of relevant skills and experience to the Company. The Company has established mechanisms whereby independent non-executive Directors can express their views in an open and candid manner and provide their independent professional judgments on the assessment of the development, performance and risk management of the Group. These include dedicated meeting sessions with the Chairman and interaction with management and other Board members outside the boardroom. The Board will review the implementation and effectiveness of the abovementioned mechanisms on an annual basis to ensure that independent views and input are available to the Board.

BOARD MEETINGS AND ATTENDANCE

The attendance of individual members of the Board at various meetings during the period from the Listing Date to 31 December 2023, as well as the number of such meetings held, are set out below:

	Number of meetings attended/held				
Name of Director	Board meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting
Executive Directors					
Shao Xuxin[1]	0/0[5]	N/A	0/0[7]	0/0[8]	0/0[9]
Mackie James Thomas	0/0[5]	N/A	N/A	N/A	0/0[9]
Lo Cheuk Kwong Raymond[2]	0/0[5]	N/A	N/A	N/A	0/0[9]
Chen Shaohui	0/0[5]	N/A	N/A	N/A	0/0[9]
Independent Non-executive Directors					
Malaihollo Jeffrey Francis A	0/0[5]	0/0[6]	0/0[7]	0/0[8]	0/0[9]
Chan Ngai Fan[3]	0/0[5]	0/0[6]	0/0[7]	0/0[8]	0/0[9]
Zeng Ming[4]	0/0[5]	0/0[6]	0/0[7]	0/0[8]	0/0[9]
Liu Li	0/0[5]	N/A	N/A	N/A	0/0[9]

1. Chairman of the Board and chief executive officer of the Company; chairman of Nomination Committee.

2. Company secretary of the Company.

3. Chairman of the Audit Committee.

4. Chairman of the Remuneration Committee.

5. No board meeting has been held from the Listing Date to 31 December 2023.

6. No Audit Committee meeting has been held from the Listing Date to 31 December 2023.

7. No Nomination Committee meeting has been held from the Listing Date to 31 December 2023.

8. No Remuneration Committee meeting has been held from the Listing Date to 31 December 2023.

9. No annual general meeting has been held from the Listing Date to 31 December 2023.

Corporate Governance Report

Under code provision C.2.7 of the CG Code, the chairman of the Board should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors; under code provision C.5.1 of the CG Code, that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Due to the fact that the Company was listed on 22 December 2023, neither Board meetings nor Board committee meetings were held throughout the period from the Listing Date to 31 December 2023.

The Board or committee members circulate the relevant information provided by the senior management, which sets out the matters that require to be decided by the Board and the report concerning the Group's operation and financial performance prior to each Board meeting. Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Draft agenda of each Board meeting is sent to the Directors in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting, and the chairman of the Board approves the final agenda before each Board meeting. Notice of regular Board meetings is served to all the Directors at least 14 days before the meetings. For other Board meetings and committee meetings, reasonable notice is generally given.

In respect of regular Board meetings or committee meetings and so far as practicable in all other cases, meeting papers are distributed to Directors or committee members at least three days before the respective meetings to allow them to have sufficient time to review the relevant documents and prepare for the meetings. Senior management shall be responsible for preparing the documents of the Board and committees and submitting reports upon request from time to time. The Board and each Director also have separate and independent access to the senior management where necessary.

Whenever a substantial Shareholder or a Director has a conflict of interests which is considered by the Board as material, the matter will be dealt with by a physical Board meeting rather than a written resolution.

Relevant senior management would attend regular Board meetings and where necessary, other Board meetings and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

RELATIONSHIP

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relationships) between each other.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board consisted of four independent non-executive Directors, accounting for 50% of the total number of the Board members. Independent non-executive Directors include Dr. Malaihollo Jeffrey Francis A, Mr. Chan Ngai Fan, Dr. Zeng Ming and Ms. Liu Li. The Company complied with Rules 3.10(1) and (2), and Rule 3.10A of the Listing Rules during the period from the Listing Date to 31 December 2023.

Pursuant to the requirements of the Listing Rules, the Company has received written confirmation from each of the independent non-executive Directors confirming his independence from the Company, and considers all of the independent non-executive Directors to be independent in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

In accordance with the articles of association of the Company (the "**Articles**"), all the Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the first annual general meeting after appointment. Any further appointment of an independent non-executive Director, who has served the Board for more than nine years, shall be subject to a separate resolution to be approved by the Shareholders.

The procedures and process of appointment, re-election and removal of the Directors are laid down in the Articles. The Nomination Committee is responsible for reviewing the Board's composition, structure and size, developing and formulating the relevant procedures for nomination and appointment of the Directors, monitoring the appointment and succession planning of the Directors and assessing the independence of independent non-executive Directors.

DIRECTORS' INDUCTION AND DEVELOPMENT

During the period from the Listing Date to 31 December 2023, all the Directors participated in seminars and/or read materials and updates according to their own preferences to develop and refresh their knowledge, skills and understanding of the Group and its business or as continuing professional trainings to update their skills and knowledge on the latest development or changes in the relevant regulations, the Listing Rules and corporate governance practices, for corporate governance and compliance purposes.

The Directors confirmed that they have complied with the code provision C.1.4 of the CG Code on Directors' training. During the period from the Listing Date to 31 December 2023, all Directors have participated in continuous professional development by attending seminars/in-house briefing/reading materials to develop and refresh their knowledge and skills.

Corporate Governance Report

Name of Director	Type of continuous professional development: Attending seminars, conferences, workshops and in-house briefings	Type of continuous professional development: Reading materials and updates
Executive Directors		
Dr. Shao Xuxin	✔	✔
Mr. Mackie James Thomas	✔	✔
Mr. Lo Cheuk Kwong Raymond	✔	✔
Mr. Chen Shaohui	✔	✔
Independent non-executive Directors		
Dr. Malaihollo Jeffrey Francis A	✔	✔
Mr. Chan Ngai Fan	✔	✔
Dr. Zeng Ming	✔	✔
Ms. Liu Li	✔	✔

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the year ended 31 December 2023, under code provision C.2.1 of the CG Code, the roles of the chairman of the Board (the "**Chairman**") and chief executive officer of the Company (the "**CEO**") should be separated and should not be performed by the same individual. However, the roles of the chairman and chief executive officer of the Group are not being separated pursuant to the requirement under the code provision C.2.1 of the CG Code. Dr. Shao Xuxin ("**Dr. Shao**") is the Chairman and also the CEO and is responsible for overseeing the operations of the Group during such period. In view of the fact that Dr. Shao has been operating and managing the Group since 2019, the Board believes that it is in the best interests of the Group to have Dr. Shao taking up both roles for effective management and business development. The Board also believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although Dr. Shao performs both roles of Chairman and CEO, the division of responsibilities between the two roles is clearly established. While the Chairman is responsible for supervising the functions and performance of the Board, the CEO is responsible for the management of the Group's business. The Board considers that the balance of power and authority for the present arrangement will not be impaired given the appropriate delegation of the power of the Board to the Senior Management for the day-to-day management of the Group, and the effective functions of the independent non-executive Directors representing at least one-third of the Board such that no one individual has unfettered power of decisions. This structure will also enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of Chairman and CEO at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

BOARD DIVERSITY POLICY

The Company has adopted a Board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company is committed to having a Board with appropriate balance of expertise, skills, experience and diversity of perspectives.

The Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience.

The Board sets measurable objectives to implement the Board Diversity Policy and reviews such objectives from time to time. The ultimate decision will be based on merit and contribution that the selected candidate will bring to the Board.

The Company values gender diversity. As at the date of this annual report, the Board has one female independent non-executive Director out of eight Directors. The Board is committed to improving gender diversity as and when suitable candidates are identified and shall continue to maintain at least one female Director on the Board. The Company is of the view that gender diversity in respect of the Board has been achieved.

To further enhance gender diversity, the Board and the Nomination Committee will stay vigilant in identifying a pipeline of potential successors to the Board. The Group constantly implement recruitment and promotion policies which encourage and attract qualified incumbents to take up senior managerial and Board roles. The Company will continue to embrace gender diversity when making future Board appointments but no specific targets or timelines to further enhance gender diversity have been set as it is of the view that all aspects of diversity should be considered as a whole in the selection of suitable candidates for appointment to the Board.

Traditionally, the mining industry has been short of females, however, the Group still managed to attract female talents and maintained a workforce (including senior management) of which approximately 86% were male and approximately 14% were female as at 31 December 2023. Although the senior management members are all male, the Company does recognize the value of gender diversity to promote a diverse and inclusive working environment and shall explore in leveraging more channels to increase the female proportion in its workforce in the future. While the Group welcomes increased female representation at all levels, it does not consider appropriate to set any specific gender target for its entire workforce. Being an equal opportunity employer, the Group also considers other relevant factors in making its decision on fitting the right person to the right position.

The Nomination Committee will monitor the implementation of the Board Diversity Policy by conducting review of the composition of the Board at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to the Board Diversity Policy when making recommendation on any Board appointments.

At present, the Nomination Committee considered that the diversity of the Board is sufficient.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

BOARD COMMITTEES

The Board has established Board Committees to oversee specific aspects of the Company's affairs and help it in the execution of its responsibilities. Specific written terms of reference of these committees clearly outline each committee's authority and duty.

Each committee is required to report back on its decisions or recommendations to the Board on a timely basis, unless there are any legal or regulatory restrictions imposed on it.

AUDIT COMMITTEE

The Audit Committee is mainly responsible for (a) maintaining the relationship with the Company's auditor; (b) reviewing the Company's financial information; (c) reviewing the effectiveness of the Company's financial reporting process, risk management and internal control systems; and (d) reviewing the relationships with the employees of the Group. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange's website and the Company's website at www.persistenceresource.com. The terms of reference of the Audit Committee was adopted on 30 November 2023.

Pursuant to Rule 3.21 of the Listing Rules, the Audit Committee comprises of three independent non-executive Directors, including Mr. Chan Ngai Fan (chairman of the Audit Committee), Dr. Malaihollo Jeffrey Francis A, and Dr. Zeng Ming. Mr. Chan Ngai Fan (chairman of the Audit Committee) possesses the appropriate professional qualifications or accounting or related financial management expertise as required.

SUMMARY OF WORK OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2023

As mentioned in the section of "THE BOARD – Board Meetings and Attendance", due to the fact that the Company was listed on 22 December 2023, no Board committee meetings were held throughout the period from the Listing Date to 31 December 2023. The Board will provide a summary of the work of the Audit Committee according to the requirements as set out in the CG Code in the next annual report.

NOMINATION COMMITTEE

The Nomination Committee is mainly responsible for (a) reviewing the structure, size and composition (including the skills, knowledge and experience required) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become the Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) implementing and reviewing the Board Diversity Policy, making any recommendations on it to the Board and monitoring its achievements annually; (d) making recommendations to the Board on the appointment or reappointment of the Directors, and succession planning for Directors in particular the chairman of the Board and the chief executive of the Company; and (e) assessing the independence of the independent non-executive Directors and any proposed independent non-executive Directors. The full version of the terms of reference of the Nomination Committee is available on the Stock Exchange's website and the Company's website at www.persistenceresource.com. The terms of reference of the Nomination Committee was adopted on 30 November 2023.

The Nomination Committee comprises of four members including Dr. Shao Xuxin (executive Director and chairman of the Nomination Committee), Dr. Malaihollo Jeffrey Francis A, Mr. Chan Ngai Fan and Dr. Zeng Ming, both being independent non-executive Directors.

DIRECTOR NOMINATION POLICY

The Company has adopted a Director nomination policy (the "**Director Nomination Policy**") for the Nomination Committee to identify and evaluate a suitable candidate for nomination to (i) the Board for appointment; or (ii) the Shareholders for election, as Directors, at general meetings.

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Nomination Committee shall adopt the Director Nomination Policy, which sets out a number of factors in making nomination, including but not limited to the following:

- Skills, experience and professional expertise which are relevant to the operations of the Group;
- Diversity in all aspects as set out in the Board Diversity Policy;
- Commitment in respect of sufficient time and participation to discharge duties as a member of the Board and/or Board Committee(s);
- Character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a Director; and
- Requirements of independence of the proposed independent non-executive Directors in accordance with the Listing Rules.

Corporate Governance Report

Upon the Nomination Committee's recommendation, the Board will review and if appropriate, approve the nomination of such Director for re-election at the forthcoming annual general meeting. The Nomination Committee will also review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

SUMMARY OF WORK OF THE NOMINATION COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2023

As mentioned in the section of "THE BOARD – Board Meetings and Attendance", due to the fact that the Company was listed on 22 December 2023, no Board committee meetings were held throughout the period from the Listing Date to 31 December 2023. The Board will provide a summary of the work of the Nomination Committee according to the requirements as set out in the CG Code in the next annual report.

REMUNERATION COMMITTEE

The Remuneration Committee is mainly responsible for (a) making recommendations to the Board on the Company's policy and the structure for all the Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; (c) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and any of its subsidiaries; (d) determining, making recommendations to the Board, considering and approving the remuneration package of all the Directors and senior management of the Group and the compensation arrangements relating to loss or termination of office and dismissal or removal of the Directors; (e) advising the Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under Rule 13.68 of the Listing Rules; (f) consulting the chairman of the Board and/or the chief executive officer of the Company about their proposals relating to the remuneration of other executive Directors; (g) evaluating and making recommendations on any share schemes that may be adopted by the Company from time to time and ensuring its compliance with the Listing Rules; (h) ensuring proper disclosure of the Director's remuneration in the annual report of the Company in accordance with the accounting principles and the Listing Rules; and (i) reviewing its own performance, constitution and terms of reference to ensure its effectiveness and making recommendations on any necessary changes for the Board's approval at least annually. The full version of the terms of reference of the Remuneration Committee is available on the Stock Exchange's website and the Company's website at www.persistenceresource.com. The terms of reference of the Remuneration Committee was adopted on 30 November 2023.

The Remuneration Committee reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. During the year ended 31 December 2023, since there was no share option granted under the share option scheme of the Company, no material matter relating to the share option scheme has been reviewed by the Remuneration Committee.

The Remuneration Committee comprises of four members including Dr. Zeng Ming (independent non-executive Director and chairman of the Remuneration Committee), Dr. Shao Xuxin (executive Director), Dr. Malaihollo Jeffrey Francis A (independent non-executive Director) and Mr. Chan Ngai Fan (independent non-executive Director).

SUMMARY OF WORK OF THE REMUNERATION COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2023

As mentioned in the section of "THE BOARD – Board Meetings and Attendance", due to the fact that the Company was listed on 22 December 2023, no Board committee meetings were held throughout the period from the Listing Date to 31 December 2023. The Board will provide a summary of the work of the Remuneration Committee according to the requirements as set out in the CG Code in the next annual report.

SENIOR MANAGEMENT'S REMUNERATION

Pursuant to code provision E.1.5 of the CG Code, the remuneration paid to the members of the senior management by band for the year ended 31 December 2023 is set out below:

Remuneration bands	Number of person(s)
Below HK$1,000,000 (approximately equivalent to RMB549,000)	3
HK$1,000,001–HK$2,000,000	0

CORPORATE GOVERNANCE FUNCTION

The Board, with the assistance of the Board Committees, is responsible for performing the corporate governance functions, and it accordingly reviews and monitors the training and continuing professional development of Directors and the senior management, and ensures its policies and practices in compliance with relevant laws and regulatory requirements. For the year ended 31 December 2023, the Board reviewed the Company's policies and practices on corporate governance. The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

AUDITOR'S REMUNERATION

For the year ended 31 December 2023, Ernst & Young, received RMB1,196,000 for provision of audit service. No non-audit services was provided by Ernst & Young for the year ended 31 December 2023.

There were no disagreements between the Board and the Audit Committee regarding the re-appointment of the auditor, Ernst & Young, for the year ended 31 December 2023.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparation of consolidated financial statements which give a true and fair view of the Group's state of affairs as at 31 December 2023 and of the Group's results and cash flows for the year ended 31 December 2023. In preparing the consolidated financial statements of the Group for the year ended 31 December 2023, the Directors selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

There are no material uncertainties relating to any events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

For the year ended 31 December 2023, the management has provided the Board with monthly updates so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

The reporting responsibilities of the Company's independent auditor on the consolidated financial statements of the Group for the year ended 31 December 2023 are set out in the section headed "Independent Auditor's Report" of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors and the Board have an oversight role to determine that appropriate risk management processes are in place and that these processes are adequate and effective.

Risk Management Policy has been established to formalize the risk management (including environmental, social and governance ("**ESG**") risks) of the Group, to build up a standard and effective risk management system, improve the ability of risk prevention, so as to ensure the Group is operating in a safety and steady environment, the operation management level could be increased and the Group's operational strategy and target could be achieved. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

The Board has reviewed the following annually: (a) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the Company's ability to respond to changes in its business and the external environment; (b) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems and the work of internal audit; (c) the extent and frequency of communication of monitoring results to the Board (or board committee(s)) which enables it to assess control of the Group and the effectiveness of risk management; (d) significant control deficiencies or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the company's financial performance or condition; and (e) the effectiveness of the processes for financial reporting and Listing Rules compliance.

The Group's risk management process involves the identification, evaluation, response, monitoring and reporting of risks. After risks that may potentially affect the Group's business and operations are identified by the management of the Company, the Board will perform risk assessment by prioritizing the identified risks to determine key risks exposed to the Group and discuss measures to mitigate such key risks. Besides, existing risk mitigation measures are subject to regular monitoring by the management of the Company, which will review the Group's risk management strategies, and report such results and make appropriate suggestions to the Board. Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;

If material internal control deficiency was noted, the Company conducted continuous tracking for the improvement of internal control defects, and counseled and supported the persons in charge of internal audit function to ensure good rectification results.

According to code provisions D.2.6 and D.2.7 of the CG Code, the Company has adopted a whistleblowing system, which is intended to enable employees and those who deal with the Group to report serious concerns about possible improprieties to the Audit Committee in confidence and anonymity. The Company has also established systems to promote and support anti-corruption laws and regulations.

The Group has engaged an independent professional adviser (the "**Internal Control Adviser**") to conduct the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2023. Such review is conducted annually. The scope of review included human resource and payroll cycle, information technology cycle (general control), license management cycle and procedures for the management of bank acceptance bills. During the year ended 31 December 2023, our Directors, senior management, audit committee and/or the Internal Control Adviser did not identify any further bank acceptance bills activities. Internal Control Adviser performed interviews, reviewed the relevant documents and reported major findings and areas for improvement to the Audit Committee. All recommendations from Internal Control Adviser would be followed up closely to ensure that they are implemented within a reasonable period of time. The Group therefore considered that the Group's risk management and internal control processes are adequate to meet the needs of the Company in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's risk management and internal control systems are inadequate.

Corporate Governance Report

The main features of risk management and internal control structure of the Company are as follows:

- The Board determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the strategic objectives of the Group and ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems;

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit Committee;

- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and

- The Group's management, with the assistance of Internal Control Adviser, report the risk management and internal control findings, and to respond to questions from members of the Audit Committee.

INFORMATION DISCLOSURE POLICY

To ensure timely, fair, accurate and complete disclosure of inside information and for compliance with the applicable laws and regulations, the Group has in place, as an internal control element, a serious of disclosure procedures of price sensitive information on reporting and dissemination of inside information and preservation of confidentiality. Under the policy, Company Secretary shall report to Executive Directors any potential/suspected inside information event as soon as practicable when it materializes for determining the nature of developments, and if required, making disclosure. All staff are also required to observe the code of ethical standards stated in Staff Handbook to keep non-public information confidential.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

(a) is aware of its obligations under the SFO and the Listing Rules and is required, as soon as reasonably practicable after any inside information has come to its knowledge, to disclose the information to the public; and

(b) has established and implemented procedures for responding to external enquiries about the Group's affairs. Senior management is identified and authorised to act as the Company's spokespersons and respond to enquiries in allocated areas of issues.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Lo Cheuk Kwong Raymond ("**Mr. Lo**"). The Company Secretary is a full-time employee of the Company and reports to the chairman of the Board and the chief executive. The appointment and removal of the Company Secretary are subject to the approval of the Board. For the year ended 31 December 2023, the Company Secretary undertook no less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules. His biography is set out in the section of "Profile of Directors and Senior Management" of this annual report.

INVESTOR RELATIONS

The Company reviewed the implementation and effectiveness of the shareholders' communication policy conducted during the Year. The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group's business, performance and strategies, the Company endeavors to maintain an ongoing dialogue with the Shareholders and in particular, through annual general meeting and extraordinary general meeting. In respect of each matter to be considered at the annual general meetings and extraordinary general meetings, including the re-election of Directors, a separate resolution will be proposed by the chairman of the Board. The chairman of the Board and the chairmen of the Board Committees will be available at the annual general meeting and extraordinary general meeting to meet with the Shareholders and answer their enquiries. The Company will also invite representatives of the auditor to attend the annual general meeting of the Company to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication, the Company maintains the website of www.persistenceresource.com; where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Latest information of the Group including annual and interim reports, announcements and other corporate communications which will be sent to the Shareholders and/or published are updated on the Stock Exchange's website and the Company's website in a timely fashion.

The annual general meeting of the Company (the "**2023 AGM**") for the year ended 31 December 2023 is scheduled to be held on 26 June 2024. The notice of the 2023 AGM, setting out details of each proposed resolutions and other relevant information, will be sent to Shareholders at least 21 clear days before the date of the 2023 AGM.

During the period from the Listing Date to 31 December 2023, there were no changes in the Company's constitutional documents.

Corporate Governance Report

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") in recommending dividends, to allow the Shareholders to participate in the Company's profits and for the Company to retain adequate reserves for future growth.

The Dividend Policy would be in the best interests of the Group and the Shareholders. The Board endeavours to maintain a balance between meeting the Shareholders' expectations and prudent capital management with a sustainable Dividend Policy.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends, inter alia:

(a) the actual and expected financial performance and the financial results;

(b) the actual and available surplus and working capital;

(c) the expected working capital requirements and cash flow required for the future expansion plans;

(d) the debt-to-equity ratios and the debt level;

(e) any restrictions on payment of dividends that may be imposed by the lenders;

(f) the general economic conditions, business cycle and other internal and external factors that may have an impact on the business conditions or financial performance, the strategies and the financial position of the Company;

(g) the future operations and earnings; and

(h) any other conditions or factors that the Board deems relevant.

Any final or special dividends must be approved by the Shareholders at a general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders any interim dividends as appear to the Directors to be justified by the profits of the Group.

The form, frequency and amount of dividend payment by the Company are subject to any restrictions under the Companies Act (as revised), of the Cayman Islands, Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Listing Rules, the Articles, any other applicable laws and regulations and any other financial covenants imposed by financial institutions. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Board will continually review the Dividend Policy and reserve the rights in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

SHAREHOLDERS' RIGHTS

1 THE WAY IN WHICH THE SHAREHOLDERS CAN CONVENE AN EXTRAORDINARY GENERAL MEETING ("EGM") AND TO PUT FORWARD PROPOSALS

Pursuant to Article 17 of the Articles, EGMs shall be convened on the requisition of one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid up capital of the Company having the right of voting at general meetings of the Company, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and the Directors shall within 21 days from the date of the deposit of the Members' requisition duly proceed to convene a general meeting to be held within a further 21 days. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period.

Pursuant to section K of Part 1 of the CG Code and Article 17 of the Articles, the requisition must state the objects and the resolutions to be added to the agenda of the meeting, and must be signed by the requisitionists and lodged to the Company Secretary at the Company's principal place of business in Hong Kong with the address at Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

Shareholders may put forward proposals at general meeting of the Company by sending the same to the Company at the principal place of business of the Company in Hong Kong.

If the requisition is in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the requisition is invalid, the members concerned will be advised of this outcome, and accordingly, an EGM will not be convened as requested.

Pursuant to Article 18 of the Articles, the notice period to be given to all Shareholders for consideration of the proposal raised by the Shareholders concerned at an EGM, shall be at least 14 clear days.

Corporate Governance Report

2 THE PROCEDURES THE SHAREHOLDERS CAN USE TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected including that person's biographical details, shall have been lodged to the Company Secretary at the Company's principal place of business in Hong Kong with the address at Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong, at least 7 days before the date of the general meeting. The lodgment of notice should also be in compliance with the other requirements of the Listing Rules.

3 THE PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Any Shareholder(s) who wish to raise his/their enquiries concerning the Company to the Board may deliver his/their written enquiry(ies) to the principal place of business of the Company in Hong Kong at the address at Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong, or at any address notified by the Company from time to time and for the attention of the chairman of the Board and the Company Secretary. Upon receipt of the enquiries, the Company would reply as soon as possible.

Pursuant to the Listing Rules, voting by poll is mandatory on all resolutions put forward at general meetings, and the poll voting results will be published on the Stock Exchange's website and the Company's website at www.persistenceresource.com after the relevant general meeting.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Persistence Resources Group Ltd (集海資源集團有限公司) ("**Persistence Resources**" or the "**Company**" or "**we**") and its subsidiaries (collectively referred to as the "**Group**") are pleased to present our first Environmental, Social and Governance Report ("**this Report**"). This Report sets out the Group's environmental and social performance and initiatives on the sustainability aspect for the Year 2023 to address the expectations and concerns of various stakeholders and to facilitate the continuous improvement of the Company's sustainability performance.

SCOPE OF REPORTING

This Report is consistent with the period covered by the Group's financial statements, which covers the period from 1 January 2023 to 31 December 2023 (the "**Year**" or the "**Year 2023**" or the "**Reporting Period**"). Unless otherwise stated, this Report covers the following: (1) Persistence Resources Group Ltd., ("**Persistence Resources**"）(2) Majestic Yantai Gold Limited ("**Majestic BVI**"), and (3) Yantai Zhongjia Mining Co. Ltd (煙台中嘉礦業有限公司, "**Yantai Zhongjia**").

REPORTING STANDARDS

This Report is prepared according to the Environmental, Social and Governance (the "**ESG**") Reporting Guide (the "**Guide**") as set out in Appendix C2 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). In case of any discrepancy between the English and Chinese versions of this report, the Chinese version shall prevail.

PRINCIPLES OF REPORTING

In preparing this report, the Group has followed the principles of reporting set out below.

Principles of Reporting	Descriptions
Significance	The Group communicates with its stakeholders through various channels, meanwhile, identifies the significant environmental, social and governance issues and highlights them for disclosure in this Report through the Group's Board meetings.
Quantitative	Where appropriate, the Group discloses KPIs quantitatively. The calculation of the KPIs is based on Appendix II: Key Performance Indicators and Appendix III: HKEX ESG Reporting Guide Index in How to Prepare an ESG Report issued by the Stock Exchange.
Consistency	The Group employs consistent statistical methods, including data collection and computation, to facilitate meaningful comparisons of the environmental, social and governance data over time. Any changes in the scope of reporting or statistical methods will be specified in this Report for stakeholders' reference.
Balance	We are committed to present to our stakeholders our performance in our sustainable development during the Reporting Period in an unbiased way, to provide readers with true and objective information.

Environmental, Social and Governance Report

FEEDBACK

We value your feedback on this Report and our sustainability performance. If you have any comments or suggestions, please feel free to contact us.

E-mail: info@Persistenceresource.com
Telephone: +852 37963146

CORPORATE CULTURE

We are a gold prospecting, mining and processing company established in 2005 and located in Yantai city of the Shandong Province in China. We sell gold ingots derived from gold concentrate processed by us. Songjiagou Open-Pit Mine commenced commercial production since May 2011, and Songjiagou Underground Mine commenced commercial production since September 2019.

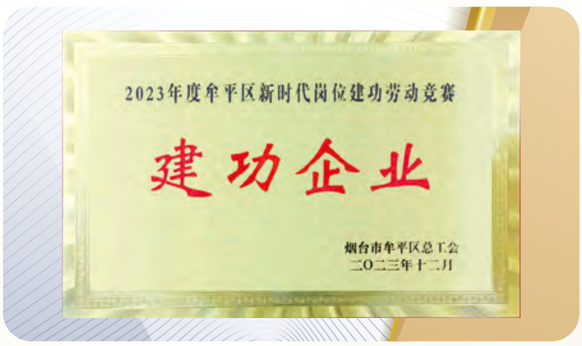
Vision	Mission	Corporate Culture
• Becoming an Industry Leader • Creating Long-Term Value for Society	• Efficient, safe and sustainable in gold mining • Creating Long-Term Value for low carbon environment	• Technology as Driven Force • Safety as the core • Environmental Protection as a Responsibility

The Company is committed to achieving long-term sustainable growth by constantly improving our operational efficiency and exploring growth opportunities. While further developing our existing assets, we are seeking to acquire those valuable assets in the PRC to expand our mining operations and gold concentrate processing industry, and to increase our gold reserves to consolidate our industry-leading position in Shandong Province. We also actively cooperate with various parties to achieve mutual benefits and win-win situations to jointly facilitate the prosperous development of the gold mining industry.

Environmental, Social and Governance Report

The Company will also continue to fulfill its social responsibilities, complying with risk management and ESG disclosure regulations and ordinances, as well as striving to achieve carbon neutrality in its mining and processing production processes by 2030. To achieve this, we will implement a series of measures to reduce greenhouse gas emissions. We will continue to explore and introduce advanced and environmentally friendly mining technologies. By improving production efficiency through the potency of science and technology, we ensure operational safety and endeavour to realize green mining. We are fully aware of the importance of corporate social responsibility, thus we have always put environmental protection on top of our list, deliver every effort to protect the natural environment, reduce carbon emissions, and recycle and reuse wastewater after treatment. At the same time, we also attach great importance to the continuous improvement of the working environment of our open pit and underground miners to provide a safer and healthier working environment.

The Company also actively propels high-quality development and strives to maintain its leading position in the industry. In Year 2023, we were honoured by the Yantai Muping District Federation of Trade Unions with the "Enterprise of Constructing Merit" (建功企業) and the "Team of Constructing Merit" (建功班組), which were awarded to units and teams with outstanding performance in labour competition activities.



The "Enterprise of Constructing Merit" (建功企業) in Year 2023 of Muping District New Era Constructing Merit Labour Competition was awarded by Yantai Muping District Federation of Trade Unions

The "Team of Constructing Merit" (建功班組) (in two categories) in Year 2023 of Muping District New Era Constructing Merit Labour Competition was awarded by Yantai Muping District Federation of Trade Unions

Environmental, Social and Governance Report

As for scientific research, we also attach great importance to the progress of scientific research. Through R&D, we can develop new technologies and methods to enhance workplace safety and minimize accidental risks, which also improves efficiency and saves costs. As of the Year 2023, we were granted a total of 36 patents (6 new patents this year), and the following are the highlights of the patents granted this year:

A device to prevent the falling off of hydraulic breaker hammer parts in excavators

An efficient medium and deep hole loader

A kind of non-coal mine rubber tire vehicle management system V1.0

OUR ESG GOVERNANCE STRUCTURE

The Board	Develop and oversee the ESG strategy and associated risks
ESG working group	Identify and review ESG issues and risks on a regular basis
Emission Reduction Leading Group	Supervise and inspect the energy management of departments and conduct regular energy checking

Our Directors consider that as a responsible mining company and employer, establishing and implementing sound environmental, social and governance ("**ESG**") principles and practices are essential to our Group, and meanwhile it can increase the sustainable investment value of our Group and provide long-term returns to our Shareholders. In order to integrate ESG into our daily decision-making and operation more effectively, we have established an ESG working group (the "**ESG Working Group**") and an energy conservation and emission reduction leading group (the "**Emission Reduction Leading Group**"), and formulated a series of ESG policies. Our Group's ESG policies and procedures manual provide guidance on our Group's ESG governance. The ESG-related measures specified in this policy cover energy management, efficient use of resources (including but not limited to energy, water resources, other raw materials), waste management, green procurement, climate change response, labor standards, occupational health and safety, supply chain management, product quality and anti-corruption, to integrate ESG elements into the daily operations of our Group.

THE BOARD

- Formulates and supervises the overall ESG strategies of our Group and determines the ESG-related risks; formulates and reviews the Group's environmental, social and governance framework, strategies, policies and procedures, and implements the various policies on environmental, social and governance adopted by the Board;

- Reviews and monitors the implementation of the Group's environmental, social and governance policies to ensure the compliance with legal and regulatory requirements;

- Implements measures to promote the Group's environmental, social and governance policies and set appropriate corporate objectives, performance targets and measures to ensure that the environmental, social and governance policies are prioritized to ensure effectiveness;

- Reviews the annual Corporate Governance Report and Environmental, Social and Governance Report and approves their disclosure, and reviews and monitors the training and continuing professional development of directors and senior management on environmental, social and governance issues; and

- The Board meets at least once a year. Additional meetings will be convened if necessary.

Environmental, Social and Governance Report

ESG WORKING GROUP

- Assists the Board in developing, reviewing and implementing the Group's environmental, social and governance framework, strategies, policies and formulation;
- Regularly evaluates the Company's environmental, social and governance risks and internal control system, and discusses energy saving and emission reduction related issues at weekly and monthly meetings;
- Oversees and guides departments in the implementation of environmental, social and governance policies;
- Implements environmental, social and governance work (e.g. emission reduction, environmental works, community activities, etc.);
- Conducts internal and external assessments on the improvement of the Group's environmental, social and governance policies and submits them to the Board;
- Collects and analyses data for the ESG Report;
- Prepares the annual Corporate Governance Report and Environmental, Social and Governance Report, and arranges training and continuing professional development of directors and senior management on environmental, social and governance issues;
- Organizes annual meetings to prepare and follow up on reporting issues, and reports to the Board on ESG performance and submits a work plan describing what will be done in the coming year in ESG, and recommends whether an ESG consultant or an engineering technical consultant should be engaged; and
- Assists in the implementation of the ESG Risk Management Work Program-related tasks.

EMISSION REDUCTION LEADING GROUP

- Responsible for the supervision, management, information exchange and assessment of energy saving and emission reduction;
- Guide the company and all departments on energy saving and emission reduction;
- Strengthens the communication and liaison with relevant departments and local governments; seeks guidance on energy saving and emission reduction, and policy support in the financial, finance and taxation aspects; and
- The energy saving and emission reduction office is responsible for such work of the entire company.

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

METRICS AND TARGETS

The Group has always been concerned about the environmental and social impacts of its daily operations, striving to set a good example for the community by achieving the most optimum balance between the interests of all stakeholders, the economy, the environment, society and corporate governance while conducting business operations. We aim to protect the environment by reducing greenhouse gas emissions and improving the efficient use of energy and other resources. To improve our ESG performance, we have set the following targets[1] in our previous ESG meetings based on past data and our planned sustainability strategy. With the Year 2022 as a benchmark, we expect to achieve them on or before the Year 2025:

Total Greenhouse Gas (Scope 2) Emission Intensity
(tonnes of CO_2-equivalent/kt production volume of processing plants[2])
On or before Year 2025:
Reduce by 1% (with a benchmark of FY2022)

Total Purchased Electricity Consumption Intensity
(MWh/kt production volume of processing plants[2])
On or before Year 2025:
Reduce by 1%
(with a benchmark of FY2022)

Total Water Consumption
(m^3/kt production volume of processing plants[2])
On or before Year 2025:
Reduce by 1% (with a benchmark of FY2022)

Progress to date

Total Greenhouse Gas (Scope 2) Emission Intensity
In Year 2022 (benchmark)
13.494 tonnes of CO_2-equivalent/kt production volume of processing plants[2]
In Year 2023
14.342 tonnes of CO_2-equivalent/kt production volume of processing plants[2]
↑ 6.29% (with a benchmark of the Year 2022)

Total Purchased Electricity Consumption Intensity
In Year 2022 (benchmark)
22.117 MWh/kt production volume of processing plants[2]
In Year 2023
23.508 MWh/kt production volume of processing plants[2]
↑ 6.29% (with a benchmark of the Year 2022)

Total Water Consumption Intensity
In Year 2022 (benchmark)
51.500 m^3/kt production volume of processing plants[2]
In Year 2023
69.062 m^3/kt production volume of processing plants[2]
↑ 34.10% (with a benchmark of the Year 2022)

1 The above targets are calculated in terms of emission intensity.
2 Production refers to the total annual ore processed volume of processing plants (including open-pit mines and underground mines).

Environmental, Social and Governance Report

Total greenhouse gas (Scope 2) emission intensity, total purchased electricity consumption intensity and total water consumption intensity in Year 2023 showed an upward trend, with an increase in total water consumption intensity of 34.1%, and an increase in both total greenhouse gas (Scope 2) emission intensity and total purchased electricity consumption intensity of 6.29%. Since the total greenhouse gas (Scope 2) emission intensity is derived from the total purchased electricity consumption, the increase of which are consistent.

The increase in the purchased electricity consumption was mainly due to shaft mining, where the total electricity consumption was higher than that in 2022 was due to the changes in the production environment in 2023. This includes projects such as new underground openings, standardization of roadways, openings and modifications of equipment. Compared to 2022, the decrease in production volume in 2023 results in an increase in the total purchased electricity consumption intensity and the total greenhouse gas (Scope 2) emission intensity. The increase in the total water consumption in 2023 was due to the expansion of tailings dams, with some of the water being transported to processing plants for production. Nevertheless, we will continue to review our current emission reduction and conservation measures with a view to achieving our targets progressively. Meanwhile, we will actively explore ways to further optimise the various emission reduction and conservation measures.

To achieve the targets of reducing greenhouse gas emissions during our operations, improving energy efficiency, and utilizing water resources more efficiently, our ESG Working Group serves as a bridge to the Board of Directors, actively deliver the Board guidance downward, monitor the implementation of sustainability programs, and report the progress of our programs and ESG goals to the Board. In the future, we will continue to communicate closely with major customers or governmental authorities to fully understand their requirements on ESG and carbon reduction policies, and continue to monitor the feasibility and accuracy of our ESG goals. We will also continue to update and review our carbon footprint with reference to international best practices and standards and adjust the relevant targets as necessary to ensure their applicability and consistency are in line with the Group's development to facilitate the realization of sustainable development objectives. In addition, the Emission Reduction Leading Group will work with the ESG Working Group to strengthen the communication and liaison with relevant departments and local governments to oversee and ensure the implementation of carbon reduction policies. In addition to this medium-term goal, we also aim to achieve carbon neutrality in our mining and processing production processes by 2030.

Achieve carbon neutrality in Mining and Concentrated Processes by 2030

STAKEHOLDER PARTICIPATION

For the needs, concerns and expectations of our stakeholders, as well as a better understanding of the risks and opportunities we face, we have established internal and external communication mechanisms and built up and consolidated a good and trustworthy relationship with our stakeholders through various channels such as social media platforms and meetings. We have practically fulfilled our social responsibilities to ensure that our business activities are in line with the expectations of our stakeholders.

Stakeholder	Channels
Investors and Shareholders	Annual and Interim Reports Announcement of Annual General Meeting Company Announcement
Clients	Company Website Online Platform Customer Feedback and Complaints
Employees	Internal Communication Platform and E-mail Regular Meetings Employee Performance Evaluation Online Platform
Community	Company Website Community Activities Online Platform
Government authorities, industry organizations	Public Consultation Regular Meetings
Suppliers and Partners	Performance Evaluation E-mail Online Platform
Non-governmental organizations	E-mail Online Platform

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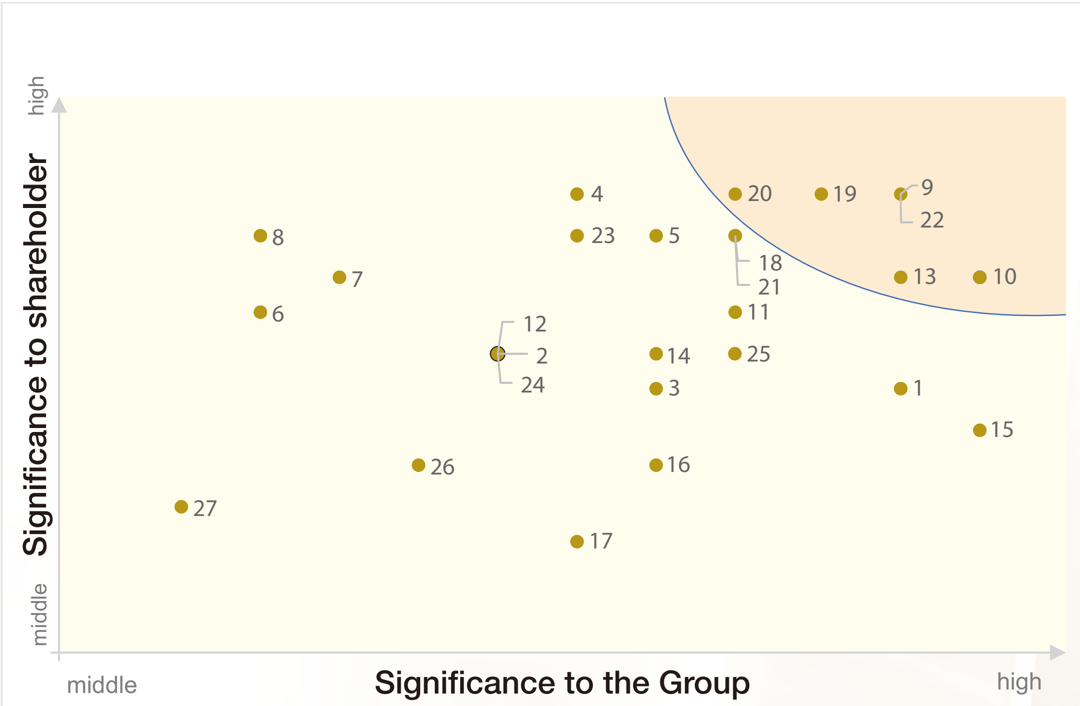
STAKEHOLDER PARTICIPATION

To better manage effectively and disclose issues of significance to stakeholders and the Group's business, we engaged a third-party consultant to assist in conducting a material assessment during the preparation of this Report. We have summarized the expectations of stakeholders on the Group's ESG and reviewed the significance of each of the ESG issues. The key steps are summarized as follows:

Step 1: Identifying ESG issues	27 ESG issues were identified with reference to the guidelines of the Stock Exchange, peer benchmarking and international standards such as the Global Reporting Initiative (GRI).
Step 2: Gathering opinion	Key stakeholders were invited to complete an anonymous online questionnaire to rate the issues that have been identified.
Step 3: Evaluating issues	A material assessment was conducted based on the feedback from stakeholders to prioritize and identify the most important environmental, social and governance issues to the Company.
Step 4: Reviewing results	A material matrix has been compiled after summarizing the views of stakeholders and management. The Company reviews the results of the assessment and compiles a materiality matrix to rank the ESG issues that are important to stakeholders and the Group's business. We will address and elaborate on the issues of concern to stakeholders in different sections of this Report.

MATERIALITY MATRIX



Product and Service Responsibility	Operating Practices	Workplace Practices	Environmental Protection and Green Operation	Contribution to community
1. Product and service quality	7. Supplier management	11. Employee rights, benefits and recreational activities	18. Exhaust air emission	26. Community investment
2. Product safety	8. Social risks in the supply chain	12. Equal opportunity, diversity, anti-discrimination	19. Waste disposal	27. Charity and donation
3. Customer service and satisfaction	9. Disaster emergency planning	13. Occupational health and safety	20. Carbon emission and energy	
4. Intellectual property management	10. Anti-fraud and corruption	14. Staff development and training	21. Use of water resources	
5. Raw materials sustainability and traceability		15. Employment compliance	22. Sewage discharge	
6. Research and development		16. Employment relationship and communication	23. Climate change risks	
		17. Employment turnover rate	24. Green procurement	
			25. Environmental risks in the supply chain	

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Based on the assessment results, we have summarized the 6 material sustainability issues in the following table.

Material Sustainability Issues		Reporting Chapter
Operating Practices		
9	Disaster emergency planning	Our Environmental and Climate-related Risks and Opportunities; Management of the Environment and Natural Resources
10	Anti-fraud and corruption	Anti-Corruption, Anti-Bribery and Anti-Money Laundering
Workplace Practices		
13	Occupational health and safety	Occupational Health and Safety
Environmental Protection and Green Operations		
19	Waste Disposal	Emission and Waste Management
20	Carbon emission and energy	Emissions and Waste Management; Environmental and Natural Resources Management
22	Sewage discharge	Emissions and Waste Management

EMISSIONS AND WASTE MANAGEMENT

The emissions and waste of the Group are mainly generated from mining activities and ore processing activities, which mainly include waste rocks and tailings, solid waste, wastewater, dust and noise. The Group formulates different emission management measures depending on relevant government policies and environmental factors. Our production wastewater and solid waste treatment procedures specify the procedures of production wastewater reuse and the procedures of transportation, reuse and collection of solid waste to ensure the proper treatment of emissions and waste. We also established the Environmental Management System to provide guidelines on the detection and treatment procedures of waste, polluted gas, wastewater, noise and other emissions generated during the operation process. We also conduct regular assessments and tests on air pollutants, water quality, noise, and so on. We strictly comply with and implement the requirements of environmental laws and regulations of the PRC, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》) and the Law on Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》), and has developed relevant policies and measures to effectively manage emissions and ensure operational compliance.

Apart from this, our Directors are of the view that our Group's operations do not generate a huge volume of emissions and waste that would significantly pollute the environment, and we have conducted the Registration of Solid Waste Sources with the PRC government and obtained a Water Extraction Permit issued by it. During the course of our operations, we generate hazardous waste such as waste motor oil and non-hazardous waste such as waste rocks and tailing.

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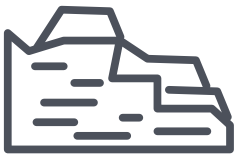
The environmental protection policies and procedures with respect to the emissions and waste generated from our operations are summarised below:



Waste rocks and tailing management

We are committed to reducing waste. Over the past three years, we have diverted waste rocks from mining and processing to external recyclers for processing/use, allowing waste rocks to be reused as construction material for roads, tailings dams, retaining walls and swales.

In respect of the tailings produced during our ore processing activities, part of which will be used in the backfilling of the stopes in our Songjiagou Underground Mine. To do so, cement is added to dry tailings to produce cement slurry, which can be directly used for backfilling the stopes in our Songjiagou Underground Mine.

We also supplied surplus tailings to third parties who recycle such tailings as construction materials, thereby minimising the impact on the environment.

During the production process, we generated approximately over 1.8 million tons of tailings for the year, of which 50,000 tons were used for backfilling and 1.5 million tons were transferred to third parties, representing a reuse rate of up to 85%.

Solid waste management

In respect of each type of waste, including scrap metals and municipal solid waste, there are designated collection and storage locations around the work area. For example, scrap iron is collected and stored in various designated locations before being sold for recycling.

Domestic solid waste are collected and processed centrally by government environmental health departments.

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Wastewater treatment and water control

We are committed to recycling water to reduce the use of fresh water and the volume of wastewater discharged. The mine water from our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine is collected and processed through desilters. The processed water can be reused for mining and dust control. During the Reporting Period, we have not encountered any problems or difficulties in identifying suitable water sources.

We also collect and treat the water from the upper level of tailing dams and rainwater which will be reused in our processing plant.

There are existing domestic wastewater treatment units (septic tanks) on the construction site, and the treated domestic wastewater is reused for irrigation in the site and farmland.

In terms of wastewater treatment, we have built drainage ditches around our Songjiagou Open-Pit Mine to prevent precipitation from entering the mine to minimize polluting water source. When excessive mine water is discharged during rainy seasons, the mine water will be processed in the desilter before being discharged into the environment.

We have also engaged a third-party testing company to conduct wastewater tests regularly to monitor whether the composition of the effluent meets the requirements of local regulations.

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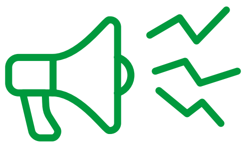

Noise control

The noise emission mainly comes from blasting, jackdrill, loaders, ore processing equipment, air compressors and other noise-making equipment and machinery.

We take various measures to minimise the noise produced during our operations, such as the use of damping and noise reduction device, installation of muffler on the air compressor, adoption of sound insulation measures, the setting of speed limit for vehicles, and the limitation of the blasting in the daytime, so as to reduce the impact of noise on the environment.

Dust control

The main sources of dust emission are blasting, mining, loading, ore processing, waste rock storage and treatment and movement of vehicles and equipment.

We formulate various measures including: (i) collecting dusts and installing vacuum cleaners in the processing plant; (ii) deploying carts to splash water in the mining area, waste rock loading area and roads to reduce dust emission; and (iii) engaging qualified companies to test dust particles.

We strive to minimize the impact of dust on the environment by controlling the sources of dust emission in the process and reducing dust generation in transportation through closed dust collection, water spraying, wet operation and regular monitoring.

During the Reporting Period, the dust, wastewater, solid waste, hazardous and non-hazardous waste, etc. discharged or generated from our production had complied with the “Comprehensive Emission Standards for Air Pollutants” (GB 16297-1996), the “Groundwater Management Regulations”, the “Soil Pollution Prevention and Control Law of the People’s Republic of China”, the “Guidelines on the Environmental Impact Assessment of Hazardous Waste from Construction Projects”, and the “Measures for the Prevention and Control of Tailings Pollution in the Environment” and other emission standards and criteria.

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SOIL CONTAMINATION MONITORING LIST

Pursuant to the Soil Pollution Prevention and Control Law of the PRC (《中華人民共和國土壤污染防治法》), Administrative Measures for Soil Environment of Industrial and Mining Land (Trial) (《工礦用地土壤環境管理辦法（試行）》) and Soil Pollution Prevention and Control Regulations of Shandong Province (《山東省土壤污染防治條例》) (collectively, the "**Soil Pollution Prevention Laws and Regulations**"), amongst others, non-ferrous metal mining and processing enterprises above scale shall be included in the soil contamination monitoring list so that relevant authorities could supervise these enterprises in the list on a timely basis.

Our principal operating subsidiary, Yantai Zhongjia, was included in the 2023 soil contamination monitoring list of Shandong Province published by the Administration Department for Ecology and Environment of Shandong Province (山東省生態環境廳). Pursuant to the Soil Pollution Prevention Laws and Regulations, enterprises included in the soil contamination monitoring list are required to: (i) establish procedures for managing the discharge of toxic or hazardous waste; (ii) establish procedures for screening soil contamination, and (iii) conduct an annual examination on the soil and underground water on the land used for its operation and report the results to the competent authorities of ecology and environment.

After we became aware of the soil contamination monitoring list, we established the required waste management and screening procedures and carried out the examination and reporting at least once a year to comply with the Soil Pollution Prevention Laws and Regulations. During the Reporting Period, Yantai Zhongjia complied with the relevant Soil Pollution Prevention Laws and Regulations. We have never received any notice or demand from any competent authorities on penalties, enforcement actions or allegations concerning soil contamination due to Yantai Zhongjia being included in the soil contamination monitoring list.

MANAGEMENT OF USE OF RESOURCES

We are committed to making optimal use of resources, such as prioritising the purchase of energy-efficient production facilities to reduce the consumption of natural resources. We have formulated the policies and procedures on resource conservation, including the "Office Electricity Management System", "Energy Quota Assessment System" and the "Fuel Saving Management System". In order to provide clear directions, methods and procedures for resource conservation in the workplace, such as the operation of air-conditioning and lighting systems, the approval of fuel-consuming equipment, and division of labor in energy management among units and departments. We implemented various measures in the daily office operations of mining sites and ore processing plants, such as identifying abnormal energy consumption and conducting necessary investigation and rectification, carrying out energy calculation of the production departments, adopting the light-emitting diode (LED) lighting system and bringing in natural light to the extent possible, and arranging the last employee to leave the workplace to check and turn off lighting and air conditioning to avoid wasting resources.

During the Reporting Period, we complied with the laws and regulations relating to the use of energy and resources in the places where our operations are located, such as the Law of the People's Republic of China on the Promotion of Cleaner Production (《中華人民共和國清潔生產促進法》), the Mineral Resources Law of the People's Republic of China (《中華人民共和國礦產資源法》) and the Law of the People's Republic of China on Soil and Water Conservation (《中華人民共和國水土保持法》), the Catalogue of Advanced Applicable Technologies for the Conservation and Comprehensive Utilization of Mineral Resources (2019 Edition) (《礦產資源節約和綜合利用先進適用技術目錄(2019年版)》), and the Law of the People's Republic of China on the Prevention and Control of Soil Pollution (《中華人民共和國土壤污染防治法》).

MANAGEMENT OF THE ENVIRONMENT AND NATURAL RESOURCES

We understand that our operating activities may have an impact on environmental and natural resources, so we do our best to minimise such impact to achieve sustainable development. To this end, we formulate a series of policies to reduce the negative impact of operating activities on the environment and land, as well as prevent environmental accidents. Our "Mineral Resources Development and Utilization Plan" contains mine environmental governance measures, including waste, polluted gas, wastewater, and noise treatment measures, as well as soil and water conservation and land reclamation measures. The "Emergency Plan for Environmental Accidents", "Emergency Response System for Environmental Accidents" and "Environmental Accident Management System" also assist staff in responding to different levels and types of environmental accidents.

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We attach great importance to the safety of the working environment and endeavour to prevent and minimize injuries and fatalities of workers caused by mine accidents. As adhering to the principle of prevention, we have made efforts in prevention, prediction and early warning. We carry out risk assessment, stockpiling of materials, team building, equipment improvement and rehearsal of contingency plans under normal circumstances. In terms of disaster prevention, we have comprehensively analyzed the geomorphology of the mine site and weather changes, and have conducted hazard and risk analyses to identify key disaster prevention incidents. In addition to disaster prevention, an emergency command center has been set up to respond to any unforeseen incidents, and we carry out emergency response as directed by the emergency command center of the local government departments. In addition, we have set up a technical team, a security team, a medical team, a logistics team, a rescue team, and an emergency management team, etc., to provide the necessary emergency response techniques to deal with different disasters. In the event of a general mining incident, besides reporting the incident to the relevant authorities for rescue, we will conduct a detailed investigation and treatment subsequently and resume production after ensuring that the hazards at the site have been eliminated.

None of our mines are located within the area of natural reserves. The development of our Songjiagou Open-Pit Mine and Songjiagou Underground Mine is and will unlikely jeopardise wild animals or plants. However, we still strive to protect the environment and minimise the environmental footprint generated in the course of our operations, so as to protect the ecosystems and combat climate change. We strictly regulate the emission of exhaust gas, wastewater, solid waste and noise from our production plant to ensure that each production process complies with the environmental standards of national and local governments.

Environmental, Social and Governance Report

Our Songjiagou Open-Pit Mine and Songjiagou Underground Mine will result in the destruction of the land. Under the relevant PRC laws and regulations, we are required to be responsible for site closure and land rehabilitation in relation to mining activities and submit a land rehabilitation plan to the Ministry of Natural Resources or the local land and resources branch for review when renewing the mining licences. The purpose of land rehabilitation is to rehabilitate the land damaged by the operations to control water and soil loss and protect the ecological environment. We have adopted measures such as geological environment restoration, greening rehabilitation, topsoil stripping, progressive restoration, replanting, rehabilitation monitoring and maintenance. During the Year, we have adopted the measures concerning site closure and land rehabilitation are as follows:

Greening and rehabilitation
In accordance with the requirements of the Mine Geological Environment Treatment and the Land Rehabilitation Program, we have carried out land rehabilitation on platforms with level of +105m and +93m, with the cumulative greening and rehabilitation area of 10.5 hectares in 2023.

Since the greening has been largely completed, we mainly focused on the conservation of the rehabilitated and greening areas and ensuring the survival rate of the vegetation in the greening areas in 2023.

Rehabilitation monitoring and maintenance
Rehabilitation monitoring and maintenance will continue throughout the period of the project and after the completion of the project.

Geological environment restoration
We have implemented the geological environmental protection in accordance with the requirements of the Mine Geological Environment Treatment and Land Rehabilitation Program, and made contribution to the mine geological environment treatment and restoration fund in full and in a timely manner.

As our mining operations may cause impacts or losses to the growth of the plants and animals and the habitats due to landslides or stripping, we have taken measures to mitigate geological disasters, particularly landslides during the rainy season, including slope cutting during open pit mining or backfilling of steep slope areas with tailings after completion of underground mining.

In addition to complying with the requirements, we carried out slope protection for unstable slopes, and adopted various measures such as anti-slipping retaining walls and protective nets to enhance environmental safety, prevent soil erosion and mitigate negative impacts on the ecosystem.

During the past 3 years, we strived to conform to and implement the approved rehabilitation program. During the Reporting Period, we complied with the relevant laws and regulations on environmental protection and we also had not received any notice or warning, nor have we been subject to any investigation or suffered any material fines or penalties as a result of any breach of the relevant PRC environmental laws and regulations.

OUR ENVIRONMENTAL AND CLIMATE-RELATED RISKS AND OPPORTUNITIES

Under the guidance of our ESG Risk Management Work Plan, our ESG Working Group is responsible for identifying ESG-related risks, including environmental and climate-related risks, through strategies and measures such as feedback from internal and external stakeholders, developing an ESG Risk Identification and Register, and identifying business opportunities and reporting related matters to our Board. We assess the extent to which these risks affect our Group and prioritise them. Subsequently, we develop corresponding measures and regularly review the effectiveness of existing measures to control and mitigate the relevant risks. For more information on risk management and internal control, please refer to the Corporate Governance Report section in the 2023 Annual Report of the Group.

We are well aware that the risks of environmental and climate change may cause financial losses and non-financial losses to our operations. These risks include: (i) transition risks associated with changes in policies, laws, technologies and markets; and (ii) physical risks associated with hurricanes, floods and continuous high temperature.

CLIMATE-RELATED RISKS MANAGEMENT

Transition Risk

Risk 1: Changes in environmental or climate-related regulations **(Policy and regulatory risks)**

Given the increasingly stringent environmental regulations, we may have to incur higher costs for our compliance commitment, which in turn affects the profits.

Measures taken:
We have kept abreast of the updates of laws and regulations and adopted various measures on energy conservation and emission reduction. By doing so, not only are we able to meet environmental regulations, but also lower our costs, improve our efficiency and enhance our competitiveness.

Risk 2: Changes in policies to reduce CO_2 emissions **(Policy and regulatory risks)**

In response to the changes in policies, our existing operating model may be changed, leading to an increase in operating costs or tax burden, which in turn affects the profits.

Measures taken:
We have devoted active efforts to reducing carbon emissions from our operations and have set medium- and long-term targets for carbon reduction (please refer to the "Metrics and Targets" section for details), and expect to achieve carbon neutrality in our mining and beneficiation processes by 2030 to cope with future policy changes.

Physical Risk

Risk 3: Extreme weather leading to collapses, landslides and mudslides **(Immediacy risk)**

Dangerous rocks and pumice stones on the slope of the open-pit mining and the broken slope surrounding the mine have experienced collapse, landslides and mudslides due to extreme weather events such as typhoons and floods.

Measures taken:
Our Production Technology Department and the Environmental Protection Division have adopted a series of measures to prevent collapses, landslides and mudslides on mined platforms. These include mulching on platforms, installing anchors on slopes, and plantations such as pine trees and Boston ivy. These measures are aimed at reinforcing the stability of the platform and preventing soil erosion and water and soil loss to protect the environment and secure the safety of the workplace.

Measures to be implemented:
In the future, we will introduce a dynamic monitoring system to monitor the status of the platform on an ongoing basis. Once the system detects any abnormality, we will immediately take appropriate measures to prevent any occurrence of a disaster.

Risk 4: Extreme weather leading to injuries and fatalities **(Immediacy risk)**

Extreme weather such as typhoons and floods may cause flooding and even casualties.

For instance:
In the summer of 2023, due to increased precipitation in the mining area resulting from typhoon weather, as informed by the Muping District Emergency Management Bureau, the operations of the Songjiagou Mine area and the Songjiagou North Mine area were immediately suspended and all staff evacuated as required when the typhoon occurred, and the ore processing plant also stopped discharging tailings into the tailings dams, thus causing no losses.

Measures taken:
The Songjiagou Mine area, Songjiagou North Mine area and tailings dams are equipped with good drainage ditches, and the flood drainage facilities are in good operation, which enables the timely draining away of the catchment and seeping water caused by rainfall, and avoids the rainfall in the mining area and the peripheral mining area from flowing into the reservoir area and mining area.

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Risk 5: Extreme weather leading to a decrease in revenue	(Immediacy risk)

When extreme weather occurs, we evacuate all employees and suspend mining operations if need to take into account the safety of the working conditions, which would result in a decrease in productivity. In addition, there is a risk that the supply chain may be intervened or disrupted in response to extreme weather, which would lead to a decrease in our revenue.

Measures taken:
The safety of our employees is our top priority. We have contingency plans in place to cope with potential risks posed by extreme weather. While we cannot avoid the occurrence of extreme weather, we are committed to sustainable development and look forward to achieving zero emission and mitigating the impact of global warming through concerted efforts of all industries and governments globally.

Risk 6: Climate change leading to heightened risk of water seepage in mining areas	(Chronic risk)

There is a high probability that the amount and frequency of rainfall will be increased due to climate change. There is a small river ditch on the northern side of the Songjiagou Open-Pit Mine, which is in the vicinity to the mining area. If the water flow increases during the flood season, it may lead to water seepage in the mining area and affects slope stability.

Measures taken:
Currently, our Safety Division inspects the hydrogeological conditions of the mining area on a regular basis and keeps relevant records. As of now, no serious water seepage has been identified.

Measures to be adopted:
In the future, we will adopt the following measures to minimize the retention time of water by removing or lowering barrages in the river.
1. Reducing the powder charge for blasting to reduce the impact of vibration on the slopes;
2. Conducting pre-splitting blasting control to reduce the disturbance to the slopes;
3. Cleaning up the river in time to ensure that the river is unblocked;
4. Carrying out seepage control by spraying the gunite in key areas.

Risk 7: Climate change affecting flood discharge efficiency (Chronic risk)
The rainfall during the flood season increases due to climate change, which in turn increases the catchment of tailings ponds and affects flood discharge. Measures taken: Currently, the ore processing plant is responsible for ensuring the safe operation of the flood discharge system including tailings dam drainage shafts, pipe culverts and tunnels. Measures to be adopted: In the future, we will lower the storage volume of the reservoir in a planned manner before the flood season to address the possibility of heavy rain and flooding, reduce the pressure on the reservoir area, and mitigate the risk of flood disasters.

ENVIRONMENTAL AND CLIMATE-RELATED OPPORTUNITIES

Opportunity 1: To enhance the energy efficiency of machineries and equipment to decrease operating costs
With the global increasing calls for carbon emission reduction and energy conservation, not only can the use of energy-efficient machinery and equipment reduce energy consumption and related costs, but also has a lesser impact on the environment. With this in mind, we actively promote the progress of scientific research to enable the entire production process more energy-efficient and safer. We also regularly pay attention to the introduction of new machinery and equipment, and regularly replace the machinery in the mining area.

Opportunity 2: To develop energy-efficient and low carbon production technologies to decrease operating costs
With emphasizing sustainability globally, not only can the research and development of energy-efficient and low carbon production technologies decrease operating costs, but also enhance competitiveness and maintain a leading position in the industry.

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ENVIRONMENTAL INDICATORS

	2023	2022
Air emissions		
Nitrogen oxide(NOx)(tonnes)	**8.094**	5.918
Sulphur oxide(SOx)(tonnes)	**0.087**	0.063
Particulate matters(PM)(tonnes)	**0.322**	0.226
Greenhouse gases		
Greenhouse gas emission (Scope 1) (tCO_2-e)	**4,839.126**	4,136.257
Greenhouse gas emission (Scope 2) (tCO_2-e)	**27,619.030**	26,864.856
Total greenhouse gas emission (tCO_2-e)	**32,458.156**	31,001.113
Greenhouse gas emission intensity (tCO_2-e/kt production volume of processing plants)	***16.855***	*15.571*
Consumption of energy		
Direct energy		
Unleaded petrol (MWh)	**570.317**[3]	428.870
Diesel (MWh)	**17,517.903**[4]	12,263.566
Liquefied petroleum gas (MWh)	**176.784**	171.397
Indirect energy		
Consumption of purchased electricity (MWh)	**45,269.677**	44,033.529
Total consumption of energy (MWh)	**63,534.681**	56,897.362
Energy intensity (MWh/kt production volume of processing plants)	***32.992***	*28.579*
Hazardous waste		
Hazardous waste produced (tonnes)	**0.600**	2.125
Hazardous waste intensity (tonnes/kt production volume of processing plants)	***0.0003***	*0.0011*
Non-hazardous waste		
Non-hazardous waste produced (tonnes)	**2,304,971.149**	2,323,267.883
Non-hazardous waste intensity (tonnes/kt production volume of processing plants)	***1,196.930***	*1,166.944*
Packaging materials[5]	**N/A**	N/A
Water resources		
Total water consumption (m^3)	**132,996.000**	102,532.000
Water consumption density (m^3/kt production volume of processing plants)	***69.062***	*51.500*

3 The significant increase in the consumption of unleaded petrol in 2023 was due to the safety inspection and acceptance on capacity expansion of open-pit mines, inspection and acceptance on capacity expansion of tailings dam and other matters during the Reporting Period, which require more coordination with the government, leading to a substantial increase in the use of vehicles for administrative purposes.

4 The significant increase in the consumption of diesel in 2023 was due to capacity expansion and infrastructure works of open-pit mines during the Reporting Period. Non-road machinery and vehicles in the mines mainly use diesel, including excavators, scaling jumbo and trackless blasting transport vehicles, and the increase in usage has led to a substantial increase in diesel consumption.

5 The Group's business does not involve the use of any packaging materials for finished products.

PEOPLE-ORIENTED

We believe employees are our valuable assets in creating long-term business value and are fundamental to maintaining our competitiveness and development. Our Human Resources Department is responsible for recruiting, managing and training employees. In 2023, we had a total of 450 employees (2022: 429 employees).

We strictly comply with the requirements of employment-related laws and regulations in the PRC, including but not limited to the Labour Law of the PRC (《中華人民共和國勞動法》), the Provisions on Prohibition of Using Child Labour (《禁止使用童工規定》), the Law of the PRC on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), and the Hong Kong Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Work Injury Insurance Regulations of the PRC (《中華人民共和國工傷保險條例》), the Trade Union Law of the PRC (《中華人民共和國工會法》), the Implementing Regulations of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), the Work Injury Insurance Regulations (《工傷保險條例》), the Regulations on Labor Security Supervision (《勞動保障監察條例》), the Special Provisions on Labour Protection of Employees, and the Regulation on the Management of Housing Provident Fund (住房公積金管理條例).

To ensure compliance and improve employment management, we have formulated a series of employment management-related policies, including but not limited to the Human Resource Management System, Employee Handbook and Recruitment Norms and Procedures, which set out measures on employment matters such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare. During the Reporting Period, we did not suffer any material administrative penalties or fines as a result of our violation of employment-related laws or regulations.

Environmental, Social and Governance Report

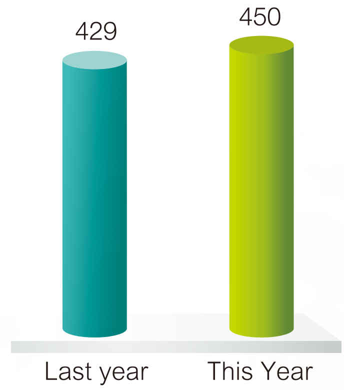
To ensure that we comply with the Labour Law of the PRC and pursue the principle of equality when conducting recruitment, we generally recruit employees through recruitment websites, campus recruitments and open markets. When we make recruitment decisions, we take into account factors such as our business strategy, development plans, industry trends and competitive environment. To ensure that the recruitment process is in compliance with relevant local laws and regulations, we verify the candidates' information, including but not limited to age and identification documents, thereby ensuring that the regulations on child labour and forced labour are not violated in the operation. During the Reporting Period, we were not aware of any serious violations of laws and regulations relating to child labour and forced labour.

In our enrolment registration process, all employees must provide the Group with valid identification documents that their ages meet the relevant legal age to work in our places of operation, and enter into employment contracts with employees on a voluntary and equal basis, and eliminate all non-compliance involving child or forced labour. We do not tolerate any means of punishment, threat, coercion or deception to force any person to work involuntarily or overtime. In addition, we conduct monthly self-inspections in each entity to ensure that the Company is not involved in child labour or forced labour, and the chairman of the labour union shall endorse by signing its as confirmation.

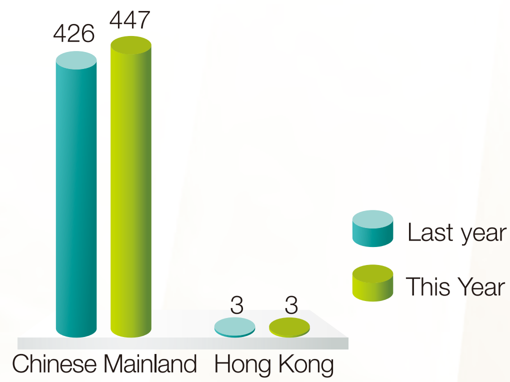
If any cases of child labour or forced labour are identified, the human resources department will conduct a prompt investigation of the relevant complaint. If such a complaint is substantiated, we will handle it appropriately according to the regulations, including immediately taking the employee concerned away from the work site, ensuring the safety of the workers, terminating the employment relationship, arranging health checks and conducting investigation visits, etc., and referring the same to the relevant department for follow-up in accordance with the laws and regulations of the place where the business is located, if necessary. In addition, the Company will also immediately identify the problem in the recruitment process at the operating location and commit to take improvement measures within 90 working days. We have zero tolerance for child labour or forced labour.

Environmental, Social and Governance Report

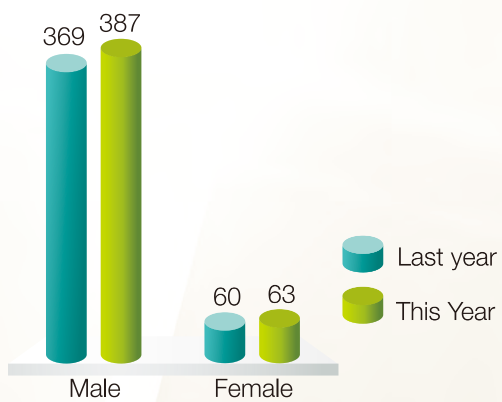
We are committed to promoting equal opportunities in the workplace and value a diverse workforce. We specify in the ESG policies and procedures manual to provide equal opportunities in employment matters such as recruitment, promotion and training, not allowing any discrimination based on factors such as age, gender, marital status, race, colour, nationality, religion or sexual orientation. The tables below set forth further details of our diverse workforce on the dates indicated:



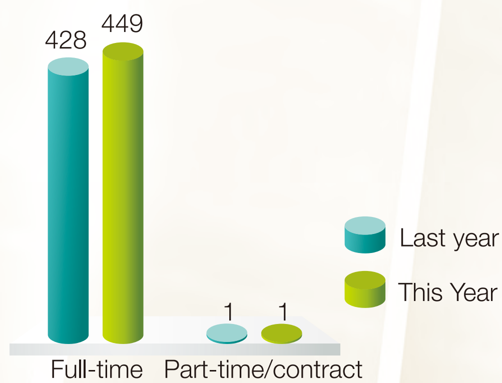
By region (individual)



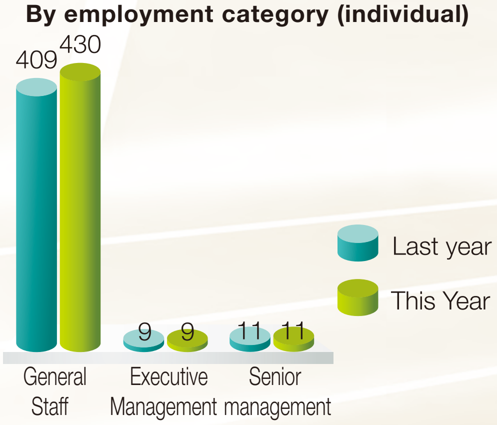
By gender (individual)



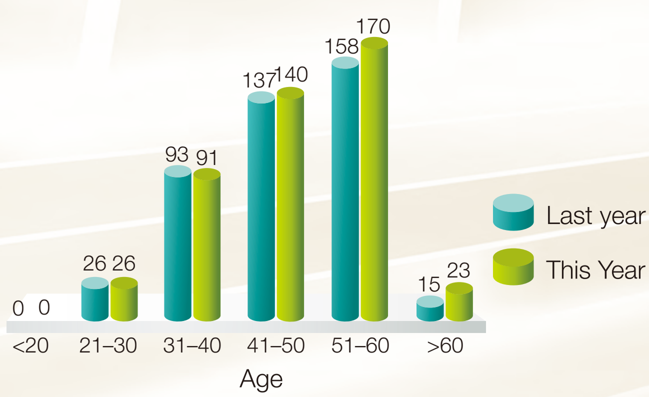
By employment type (individual)



By employment category (individual)



By age group (individual)



Environmental, Social and Governance Report

We recognise the importance of maintaining good relationships with employees. We provide competitive salaries that are no less than the local statutory requirements, benefits and a safe working environment to ensure that the Group has sufficient human resources to maintain its competitive advantages. We make contributions to the employees' mandatory social insurance funds to provide retirement, medical, work injury, maternity and unemployment benefits. We also provide additional benefits to the employees such as free accommodation, medical, food and transportation allowance. We adopt various approaches to retain talents within our Group and strive to build a work environment where our employees can fully utilize their strengths, such that everyone strives to make great effort and feel a sense of belonging. During the Year, the employee turnover rate of the Company was 11% (2022: 39%).

	Employee turnover rate (%)	By gender (%)		By age group (%)						By region (%)	
Year	General	Male	Female	20 or below	21–30	31–40	41–50	51–60	60 or above	Chinese Mainland	Hong Kong
This Year	**11**	**11**	**10**	**0**	**12**	**13**	**10**	**9**	**17**	**11**	**0**
Last year	39	42	18	0	65	38	41	34	40	39	33

CARE FOR OUR EMPLOYEES

We are committed to creating a harmonious, inclusive, warm and friendly working environment. We encourage employees to work hard and arrange recreational and cultural activities for them from time to time to promote work-life balance. These activities not only enhance employees' sense of belonging to the Group but also enhance internal cohesion.

Not only do we provide a variety of sports facilities in our office building but also organise various types of recreational activities or dinners at different festivals, such as Women's Day, Mid-Autumn Festival and Chinese New Year. These activities are designed to allow employees to enjoy socializing and entertainment in a relaxed and enjoyable atmosphere while strengthening their relationships with one another. We believe not only can these activities improve employees' job satisfaction but also enhance team cooperation and communication, which in turn contributes to the improvement of overall work efficiency.

We will continue to organise various types of recreational and cultural activities to promote work-life balance.

Sports facilities for employees in the office building

DEVELOPMENT AND TRAINING


Chinese New Year activities

The Group treasures the personal growth and abilities of its employees and is committed to building a strong work team to achieve long-term business value.

We deeply believe that the personal growth of our employees is one of the most important factors in achieving the overall success of our organization. Therefore, we will provide a variety of training and development opportunities to help our employees in upgrading their professional skills and knowledge and developing their leadership skills constantly. This includes providing professional training courses, participating in industry seminars and conferences, etc. We encourage our employees to actively participate in these trainings and constantly pursue personal and professional growth.

At the same time, we also value teamwork and joint efforts. We are committed to creating an open and supportive working environment that encourages collaboration, communication and knowledge sharing among colleagues. We encourage team members to learn from and help each other to achieve common goals. In addition, we will provide suitable resources and tools to ensure that the team can work together efficiently in pursuit of business success.

Environmental, Social and Governance Report

We conduct training for new employees before commencing their work and conduct regular training for on-the-job employees annually. In general, our trainings focus on developing job-related skills of the management and technical staff. We also provide external training opportunities for the employees. We provide employees with training opportunities related to the safe use of machinery and execution of work, including induction and on-the-job training. During the Year, the total training hours of employees were 6,213 hours (2022: 2,451 hours).

	Percentage of employees trained (%)	By gender (%)		By category of employees (%)		
Year	General	Male	Female	Senior management	Executive Management	General Staff
This Year	**22**	**85**	**15**	**3**	**12**	**85**
Last year	47	89	11	3	7	90

	Total training hours of employees	Average training hours of employees[6]	By gender (hours)		By category of employees (hours)		
Year	(hours)	General	Male	Female	Senior management	Executive Management	General Staff
This Year	**6,213**	**13.81**	**14.76**	**7.95**	**19.18**	**68.44**	**12.53**
Last year	2,451	5.71	6.17	2.90	33.91	47.00	4.05

We established a trade union in the Chinese Mainland in which all Chinese employees are eligible to join. Our trade union protects the legal rights and interests of our employees and promotes and enhances our operational efficiency by addressing issues relating to workers, for example, their demands and suggestions to the workplace. During the Reporting Period, we have not experienced any significant labour disputes within our Group or labour disputes on the operation of our Group, nor have we experienced any difficulty in recruiting and retaining experienced employees.

We will continuously focus on and improve the personal growth of our employees and the development of our work teams to ensure that we can achieve long-term business success and build a sustainable competitive advantage.

OCCUPATIONAL HEALTH AND SAFETY

We operate responsibly to ensure the health and safety of our employees, subcontractors and the communities in which we operate. We adopt occupational health and safety-related policies, including the "Employee Safety Manual", "Safety Production Rules and Regulations" and the "Safety Production Responsibility System", which stipulate the procedures for handling hazardous materials and hazardous processes in the workplace, as well as safety production measures to reduce the risk of accidents during work. At the same time, to protect the employees' health, we have formulated the "Occupational Hygiene Management System" and "Occupational Disease Prevention and Control Responsibility System", to maintain workplace hygiene and ensure the good health of staff.

We have developed fundamental operational occupational health and safety management systems and procedures for our Songjiagou Open-Pit Mine and Songjiagou Underground Mine. These management systems and procedures cover basic safety production management for drilling, transportation, ventilation, explosive storage, and fire and flood prevention. We have also established safety measures covering various aspects including mining, flood and fire protection, explosion prevention and transportation. We have taken measures to comply with the applicable laws and regulations relevant to occupational health and safety. For our operations, we are subject to laws and regulations of the PRC in respect of occupational health and safety, such as the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Work Safety Law of the PRC (中華人民共和國安全生產法), the Mine Safety Law of the PRC (中華人民共和國礦山安全法), the Regulations for the Implementation of the Mine Safety Law of the PRC (中華人民共和國礦山安全法實施條例) and the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (生產安全事故報告和調查處理條例). We were not subject to any material administrative penalties or fines for any breach of laws or regulations relating to the provision of a safe working environment or the protection of employees against occupational hazards during the Reporting Period.

In particular, our Songjiagou Open-Pit Mine and Songjiagou Underground Mine have obtained valid production safety permits. We have also obtained a safety permit for our tailings dam, which has established a perfect safety management system equipped with an online monitoring system covering dam displacement monitoring, leach line monitoring and safety alarms. We also carry out mine-level inspections on the safe production of underground mines each year to regularly follow up on the safety of the workplace environment and timely rectification of hidden dangers identified. During the Year, we also cooperated with Yantai Mine Safe Production Headquarters (煙台市礦山安全生產指揮部) to carry out joint supervision and inspection of civilian explosive safety and rectified the hidden dangers identified.

Environmental, Social and Governance Report

In terms of staff safety training, we also provide continuous safety training courses to all staff, including but not limited to safe workplace practices as well as safety and occupational hygiene. Every year, we also organise internal examinations on occupational safety to ensure our employees possess a certain level of safety knowledge and awareness. The key trainings during this year are as follows:

Safety Regulations and Laws	Safety Training and Education	Case Study of Accidents	Professional Training Topics
• Construction Training of "Dual Prevention System" • Mining Regulations for Metal and Non-metal Mine	• Intensive Learning on Safety Production • Integrated Remedial Safety Training for All Employees • First Aid Safety Training	• Training on typical cases of production safety accidents in recent years: – "5.14" Fall Accident of Tibet Julong Copper – 6.4 Mountain Collapse Accident of Leshan Jinkouhe Jinkaiyuan Mining • Warning Education on Accident Case	• Special Education on Fire Operations • Special Education on Operations in Limited Spaces • Special Education on Work at Height

Further, we also provide pre-employment safety training and hygiene training to all recruits to ensure that they have a clear understanding of the safety regulations, procedures, and hygienic standards and requirements in the workplace. When the Company is considering introducing new materials, new processes and new equipment, it will also provide safety training for the relevant staff on these new tools.

At the same time, we also require our subcontractors to possess appropriate qualifications for the tasks they are contracted to perform and for production safety. We provide regular safety training to our subcontractors, who work under the supervision of our safety division, production technology department and other departments.

Year	Work days lost due to work-related accidents	Serious work-related injuries or fatalities in the past three years (including the Reporting Period)
This year	**0**	**2**
Last year	0	2

In 2022, there was one case of sudden death due to sudden illness and one case of death caused by slip and fall at work. The Company has settled the claims accordingly to the Work Injury Insurance Regulations (《工傷保險條例》).

ANTI-CORRUPTION, ANTI-BRIBERY AND ANTI-MONEY LAUNDERING

Integrity is the cornerstone of a sustainable business for the Group. The Group is committed to upholding the highest standard of integrity and ethics and prohibits corruption, bribery and money laundering in any manner. We strictly comply with relevant regulations and laws, including but not limited to the Prevention of Bribery Ordinance (《防止賄賂條例》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People's Republic (《中華人民共和國反不正當競爭法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the Corruption Punishment Ordinance of the People's Republic of China (《中華人民共和國懲治貪污條例》) etc..

We also put in place a set of anti-corruption, bribery and money laundering policies, including the Anti-Corruption, Bribery and Fraud Management System (《反貪污、賄賂、舞弊管理制度》) and the Anti-Money Laundering Management System (《打擊洗錢活動管理制度》), which set out measures for preventing, reporting, investigating and training on corruption and money laundering to guide and supervise our staff to prevent corrupt practices. Some of the internal control measures are as follows:

- Staff are required to declare any conflicts of interests when performing their duties;
- We perform background search for the candidates of key position, to assess his/her integrity level during the recruitment process and maintain the record for future reference;
- We put in place a reporting mechanism for any suspected misconduct;
- For any suspected misconduct identified or reported, relevant department will perform assessment and/or investigations against any suspected or illegal behaviour to protect our Group's interests;
- All receipts must be performed through company's bank accounts and no cash receipt is allowed to mitigate the risk in money laundering;
- Finance manager is responsible to ensure that all receipt are from our client's company account and match the bank information of our record;
- Where any crime related to corruption, bribery or money laundering is substantiated by our Group, a report will be submitted promptly to relevant regulators or law enforcement authorities when the management of our Group considers it necessary or after seeking for legal advice; and
- Training will be arranged for staff (including Directors) to enhance their awareness towards anti-corruption, bribery and money laundering.

Environmental, Social and Governance Report

Upon receiving a whistleblowing incident within the scope of acceptance, the staff of the legal department, human resources department and other departments will conduct a preliminary analysis and record the contents of the report in accordance with the priority of the case. If an investigation reveals that the fraud is substantiated, we will take remedial measures promptly by evaluating the internal controls of the affected departments and instructing them to make improvements. We will take administrative and disciplinary actions against employees who have committed fraudulent acts under the relevant regulations, and require them to bear the corresponding compensation liabilities. In the event of a violation of relevant laws and regulations, we will consult our legal advisors and refer the matter to the relevant authorities for action in accordance with the law.

In 2023, we provided training to our staff and directors on anti-money laundering and anti-corruption, bribery and fraud management systems and issued relevant documents for circulation. During the Reporting Period, we were not involved in any irregularities related to bribery, extortion, fraud and money laundering, and there were no concluded legal cases against the Group or its employees for corruption.

SUPPLY CHAIN MANAGEMENT

Effective management and careful selection of suppliers can reduce risks and enhance our production quality. We attach importance to developing and maintaining long-term relationships with our suppliers and establishing long-term partnerships. We purchase materials and services on a fair and open basis. Our material and equipment procurement management system provides a series of criteria for tendering, sourcing, internal review and control procedures, etc. Suppliers with co-operation potential must undergo a series of screening procedures before being approved for co-operation and are recorded in the Register of Qualified Suppliers. We will only co-operate with suppliers with good reputations, products and services who share the same ethical values and standards as us. We also support and encourage our suppliers to improve resource utilisation, promote environmental protection and fulfill social corporate responsibility. In Year 2023, we had a total of 18 (Year 2022: 17) key suppliers, all of which are located in the Chinese Mainland. This is also conducive to reducing transport distance and procurement-related carbon emissions.

Moreover, to ensure maintaining the standard of our products, we have been continuously monitoring our qualified suppliers and assessing their performance regularly to minimise risks in the supply chain. If a supplier is found to have integrity problems, such as corruption, fraud or breach of our contractual requirements, we will terminate the relationship. In line with our corporate standards, we also prioritise suppliers that offer energy-efficient products with fine technology, quality, safety and compliance when purchasing goods. Selecting such suppliers not only helps to save energy and reduce environmental impact but also ensures that our products and services meet high-quality standards. In the future, we will improve our supplier evaluation system to include more "environmental and social risk" factors, and further consider our suppliers' performance in sustainability, social responsibility and ethical business operations. We endeavor to establish a sustainable supply chain and work together with our partners who have good environmental and social discipline to achieve a green and sustainable future.

PRODUCT RESPONSIBILITY

Adhering to the concept of quality first, the Company is committed to providing customers with high-quality products and services, effectively handling customer complaints, continuously improving service standards and ensuring customer satisfaction. We strictly abide by the Work Safety Law of the PRC (Order No. 88) (《中華人民共和國安全生產法（第八十八令)》) and the Basic Standards for Work Safety Standardization of Enterprises (《企業安全生產標準化基本規範》) as well as all standards and laws and regulations in the industry, and set up a series of evaluation norms for product quality according to the relevant content, and regularly inspected product quality.

Moreover, we also attach great importance to the protection of intellectual property. Not only have we formulated the Intellectual Property and Patent Management System(《知識產權及專利管理制度》) to protect our own intellectual property but also showed respect to the intellectual property of third parties. In 2023, we released the Notice of Prohibition on the Use of Counterfeit Software (《禁止使用盜版軟體的公告》) on this issue and conducted an earmarked inspection on counterfeit software of office computers throughout the Company, emphasizing to all employees the requirements of the management for the protection and guarantee of intellectual property. In addition, we also encouraged staff to respect intellectual property and not to use counterfeit software, and we advocated awareness to protect the intellectual property of software installed on staff's personal computers. Aside from that, the management also regularly provides intellectual property training for employees to guide employees to protect their intellectual property consciously. During the Reporting Period, we were not aware of any non-compliance related to intellectual property.

As for product quality verification and recovery, the Group is not involved in product quality issues as the Group produces gold concentrates, which is a raw material, while the refining and sales are handled by third-party companies. Similarly, as all of the Company's products are not sold directly to end consumers, the Group is not involved in consumer information protection and privacy issues.

Apart from that, we also strive to provide customers with accurate product information and high-quality products and develop recovery policy and after-sale service for related products. If there is a problem with a product, we will take the initiative to explain the problem and find a mutually satisfactory solution for the customers. After handling a customer complaint, a document should be archived properly, and the relevant department shall review the complaint and develop measures to prevent the recurrence of similar complaints, so that the Company's service quality keeps on improving. During the Reporting Period, we did not receive any complaints related to product quality, health or safety nor notices regarding product recall incident s or violations of laws and regulations.

Environmental, Social and Governance Report

COMMUNITY INVESTMENT

We shoulder social responsibilities and are committed to contributing to the local communities. We have made donations to local public charity institutions and governmental agencies and helped those in need in the communities. During Year 2022, our charitable donations were RMB1,000,000. Although we did not make any charitable donations in Year 2023, we still encouraged staff to actively participate in community volunteering activities.

In addition, as always, we also contributed to the local communities by making investments to nearby villages which would enable us to maintain good relationships with the villagers. As our mining and production activities may cause a certain degree of disruptions and inconvenience to the daily lives of the villagers who reside nearby, to compensate the villagers, we have implemented a scheme to compensate such villagers since 2012, whereby monetary compensations are given quarterly to each participating villagers. During the Reporting Period, we provided financial support for the community's tap water works, elevator inspection and maintenance, among others.

We also put emphasis on the economic development of the community. As part of our contribution to the local communities, we provide employment opportunities to villagers in nearby villages. Such employment opportunities include truck drivers and workers in our mining areas and ore processing plant. Furthermore, in 2020, we granted an interest-free loan of RMB4 million to Songjiagou Weikun Vegetables and Fruits Farmers Specialised Cooperation (宋家溝煒坤蔬果農民專業合作社) for the construction of a greenhouse to support the agricultural economic development of these villagers and farmers in the Muping District of Yantai. The loan is interest-free, unsecured and repayable by mid-September 2025.

ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions and Waste Management
KPI A1.1	The types of emissions and respective emissions data.	Environmental Indicators
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Indicators
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Indicators
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Indicators
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Metrics and Targets; Emissions and Waste Management; Management of Use of Resources; Management of the Environment and Natural Resources
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions and Waste Management; Soil Contamination Monitoring List

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Emissions and Waste Management; Management of Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Indicators
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Indicators
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Emissions and Waste Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Emissions and Waste Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Indicators
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	Management of the Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Management of the Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Our Environmental and Climate-related Risks and Opportunities

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Our Environmental and Climate-related Risks and Opportunities
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	People-oriented; Care for our Employees
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	People-oriented
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	People-oriented
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People-oriented
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	People-oriented
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	People-oriented
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspects B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and product recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs		Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption, Anti-Bribery and Anti-Money Laundering
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption, Anti-Bribery and Anti-Money Laundering
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-Corruption, Anti-Bribery and Anti-Money Laundering
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption, Anti-Bribery and Anti-Money Laundering
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities we operate and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture and sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

Independent Auditor's Report

EY 安永

Independent auditor's report
To the shareholders of Persistence Resources Group Ltd
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Persistence Resources Group Ltd (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 102 to 180, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How Our Audit Addressed The Key Audit Matter
Revenue recognition	
The Group recorded revenue amounting to RMB383,463,000 for the year ended 31 December 2023. The Group is principally engaged in gold exploration, mining and processing. The revenue was generated from sales of gold bullion smelted and refined by third party smelters derived from gold concentrate produced by the Group. Revenue is recognised at the point in time when control of the gold bullion has been transferred to the customer. We identified the revenue recognition as a key audit matter because revenue is one of the key performance indicators and driving factors of profit of the Group, and there is an inherent risk of management manipulating revenue recognition in order to achieve specific goals or expectations. Besides, the amount was significant to the consolidated financial statements as a whole. The related disclosures are set out in notes 2.4 and 5 to the consolidated financial statements.	Audit procedures we performed, among others, including the following: We obtained an understanding of and evaluated the process and internal controls in place on the revenue cycle of the Group. We reviewed the terms of sales contract, on a sample basis and evaluated the accounting policies on revenue recognition adopted by the Group. We performed test of details for revenue recognition including but not limited to delivery notes, customer bills, as well as the above supporting documents for revenue recognised before and after end of reporting period, on a sample basis. We performed analytical review by comparing sales prices with market prices. We obtained the external sales confirmation from the customer.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements, that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**383,463**	418,413
Cost of sales		**(200,210)**	(199,823)
Gross profit		**183,253**	218,590
Other income and gains	5	**9,851**	13,403
Administrative expenses		**(43,239)**	(33,711)
Impairment losses on financial assets		**(421)**	–
Other expenses		**(17)**	(10,419)
Finance costs	7	**(3,170)**	(2,955)
PROFIT BEFORE TAX	6	**146,257**	184,908
Income tax expense	10	**(51,318)**	(63,918)
PROFIT FOR THE YEAR		**94,939**	120,990
Attributable to:			
Owners of the parent		**65,025**	83,214
Non-controlling interests		**29,914**	37,776
		94,939	120,990
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
			(Restated)
Basic and diluted	12	**RMB0.04**	RMB0.06

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of subsidiaries		**(4,590)**	(19,407)
		(4,590)	(19,407)
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of the Company		**4,076**	29,543
		4,076	29,543
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(514)**	10,136
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**94,425**	131,126
Attributable to:			
Owners of the parent		**64,511**	93,350
Non-controlling interests		**29,914**	37,776
		94,425	131,126

Consolidated Statements of Financial Position

For the year ended 31 December 2023

	Notes	**2023 RMB'000**	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**342,520**	296,929
Right-of-use assets	14(a)	**110,885**	119,720
Intangible assets	15	**117,843**	125,090
Deferred tax assets	16	**6,727**	5,906
Other long-term assets	17	**3,732**	6,526
Total non-current assets		**581,707**	554,171
CURRENT ASSETS			
Inventories	18	**21,821**	18,652
Prepayments, other receivables and other assets	19	**7,901**	5,845
Due from related companies	32	**–**	7,200
Restricted and pledged deposits	20	**19,232**	17,594
Cash and cash equivalents	20	**586,840**	282,187
Current portion of other long-term assets	17	**400**	400
Total current assets		**636,194**	331,878
CURRENT LIABILITIES			
Trade payables	21	**10,273**	12,426
Other payables and accruals	22	**29,055**	20,897
Due to related parties	32	**–**	447
Deferred income	24	**170**	340
Interest-bearing bank and other borrowings	25	**30,000**	30,000
Lease liabilities	14(b)	**–**	–
Tax payable		**99,914**	73,647
Provision	23	**1,305**	1,305
Current portion of other long-term liabilities	26	**7,369**	7,369
Total current liabilities		**178,086**	146,431
NET CURRENT ASSETS		**458,108**	185,447
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,039,815**	739,618

Consolidated Statements of Financial Position

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,039,815**	739,618
NON-CURRENT LIABILITIES			
Provision	23	**25,091**	23,913
Other long-term liabilities	26	**23,878**	30,066
Deferred tax liabilities	16	**14,911**	9,535
Total non-current liabilities		**63,880**	63,514
NET ASSETS		**975,935**	676,104
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**18,172**	1
Reserves	28	**809,616**	553,870
		827,788	553,871
Non-controlling interests		**148,147**	122,233
TOTAL EQUITY		**975,935**	676,104

SHAO Xuxin
Director

LO Cheuk Kwong
Director

Consolidated Statements of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital *RMB'000* (note 27)	Capital reserve* *RMB'000* (note 28)	Statutory surplus reserve* *RMB'000* (note 28)	Special reserve* *RMB'000* (note 28)	Exchange fluctuation reserve* *RMB'000* (note 28)	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2021	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
Debt exemption with 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

Consolidated Statements of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital RMB'000 (note 27)	Share premium* RMB'000 (note 28)	Capital reserve* RMB'000 (note 28)	Statutory surplus reserve* RMB'000 (note 28)	Special reserve* RMB'000 (note 28)	Exchange fluctuation reserve* RMB'000 (note 28)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2022	1	-	384,492	34,755	-	12,236	122,387	553,871	122,233	676,104
Profit for the year	-	-	-	-	-	-	65,025	65,025	29,914	94,939
Other comprehensive income for the year:										
Exchange differences on translation of financial statements of group companies	-	-	-	-	-	(514)	-	(514)	-	(514)
Total comprehensive income for the year	-	-	-	-	-	(514)	65,025	64,511	29,914	94,425
Issuance of shares upon listing on the Hong Kong Stock Exchange	4,543	245,322	-	-	-	-	-	249,865	-	249,865
Transfer from share premium	13,628	(13,628)	-	-	-	-	-	-	-	-
Transfer from retained profits	-	-	-	11,965	-	-	(11,965)	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(9,000)	(9,000)
Dividend declared	-	-	-	-	-	-	(23,428)	(23,428)	-	(23,428)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	5,000	5,000
Capitalisation of listing expenses	-	(17,031)	-	-	-	-	-	(17,031)	-	(17,031)
Provision of safety fund surplus reserve	-	-	-	-	2,191	-	(2,191)	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	(2,191)	-	2,191	-	-	-
Transfer from capital reserve	-	-	(13,700)	-	-	-	13,700	-	-	-
As at 31 December 2023	18,172	214,663	370,792	46,720	-	11,722	165,719	827,788	148,147	975,935

* These reserve accounts represent the total consolidated reserves of RMB809,616,000 (2022: RMB553,870,000) in the consolidated statement of financial position.

\# As at 31 December 2023, issued capital amounted to HKD20,000,000 (2022: HKD800).

Consolidated Statements of Cash Flows

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**146,257**	184,908
Adjustments for:			
Finance costs	7	**3,170**	2,955
Loss/(gain) on disposal of items of property, plant and equipment	6	**5**	(12)
Impairment loss of other receivables	19	**421**	–
Depreciation of items of property, plant and equipment	6	**31,167**	29,582
Depreciation of right-of-use assets	6	**9,075**	8,947
Amortisation of intangible assets	6	**7,247**	8,508
		197,342	234,888
(Increase)/decrease in inventories		**(3,169)**	1,136
Decrease/(increase) in prepayments, other receivables and other assets		**1,662**	(1,481)
Decrease in trade payables		**(2,153)**	(3,445)
Increase in restricted and pledged bank deposits		**(1,638)**	(1,949)
Increase in other payables and accruals		**2,780**	1,583
Increase in provisions		**–**	551
Cash generated from operations		**194,824**	231,283
Tax paid		**(20,496)**	(31,993)
Net cash flows from operating activities		**174,328**	199,290
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances of loans to third parties		**400**	–
Purchases of items of property, plant and equipment		**(70,578)**	(48,379)
Proceeds from disposal of property, plant and equipment		**1,206**	12
Additions to intangible assets		**(6,300)**	(7,653)
Additions to right-of-use assets	14	**(240)**	(40)
Net cash flows used in investing activities		**(75,512)**	(56,060)

Consolidated Statements of Cash Flows

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**231,588**	–
Share issue expenses		**(2,169)**	–
Advanced from related parties		**–**	918
Repayment of advances from related parties		**(500)**	(14,823)
Repayment of other long-term liabilities		**(1,068)**	(1,069)
New bank loans		**30,000**	30,000
Repayment of bank loans		**(30,000)**	(30,000)
Interest paid		**(1,310)**	(933)
Dividends paid		**(23,428)**	(38,886)
Dividends paid to non-controlling interests		**(9,000)**	–
Contribution from non-controlling shareholders		**12,200**	–
Net cash flows from/(used in) financing activities		**206,313**	(54,793)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**305,129**	88,437
Cash and cash equivalents at beginning of year		**282,187**	182,398
Effects of exchange rate changes on cash and cash equivalents		**(476)**	11,352
CASH AND CASH EQUIVALENTS AT END OF YEAR		**586,840**	282,187
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	20	**586,840**	282,187
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		**586,840**	282,187

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. CORPORATE AND GROUP INFORMATION

Persistence Resources Group Ltd (the "**Company**") is a limited liability 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 year, the subsidiaries now comprising the Group were involved in the mining, processing and sale of gold bullion in the People's Republic of China (the "**PRC**").

In the opinion of the directors, the holding company of the Company is Majestic Gold Corp., which is incorporated in the province of British Columbia, Canada.

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

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/Chinese Mainland/ 17 March 2005	RMB188,705,500	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.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

2. ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
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 "**2020 Amendments**")*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment is 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 life of property, plant and equipment are as follows:

Buildings	5%
Plant and machinery	5%–20%
Office equipment, and electronic and other devices	20%
Motor vehicles	20%
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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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 plan 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 profit or loss as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(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).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other 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.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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 each reporting date, 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

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.

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and 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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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 reporting period 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Provisions (Continued)

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 reporting period, 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 reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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 does not give rise to equal taxable and deductible temporary differences; 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 does not give rise to equal taxable and deductible temporary differences; 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 reporting period 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 the reporting period.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

These financial statements are 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 Chinese Mainland 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 the reporting period. 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve 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 Chinese Mainland 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 financial statements 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.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

ESTIMATION UNCERTAINTY (CONTINUED)

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 amount of provision for rehabilitation at 31 December 2023 was RMB25,091,000 (2022: RMB23,913,000), respectively. Further details are included in note 23.

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 amount of property, plant and equipment at 31 December 2023 was RMB344,130,000 (2022: RMB296,929,000). Further details are included in note 13.

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 reporting period. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

ESTIMATION UNCERTAINTY (CONTINUED)

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 16 to the financial statements.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 Chinese Mainland and no non-current assets of the Group are located outside Chinese Mainland.

INFORMATION ABOUT THE MAJOR CUSTOMER

Revenue from the major customer is set out below:

	2023 ***RMB'000***	2022 *RMB'000*
Customer A	**383,463**	418,413

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:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of gold bullion	**383,463**	418,413

Represented by:

	2023	2022
	RMB'000	*RMB'000*
Revenue from sale of gold bullion		
Recognised at a point in time	**383,463**	418,413

OTHER INCOME AND GAINS

	2023	2022
	RMB'000	*RMB'000*
Sales of sulfuric acid	**4,783**	10,503
Government grants*	**170**	237
Interest income	**4,493**	2,243
Gains on disposal of property, plant and equipment	**–**	12
Gains on foreign exchange	**286**	–
Others	**119**	408
Total	**9,851**	13,403

* 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. PROFIT BEFORE TAX

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

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Cost of inventories sold		**200,210**	199,823
Depreciation of property, plant and equipment	13	**31,167**	29,582
Depreciation of right-of-use assets	14	**9,075**	8,947
Amortisation of intangible assets*	15	**7,247**	8,508
Listing expenses		**12,789**	8,149
Research and development costs		**8,407**	9,156
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other benefits		**41,157**	31,672
Pension scheme contributions		**8,967**	5,598
Total		**50,125**	37,270
Loss/(gain) on disposal of items of property, plant and equipment		**5**	(12)
Auditor's remuneration		**1,196**	3
Impairment of other receivables	19	**421**	–

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Interest on bank borrowings	**1,301**	937
Increase in discounted amounts of provisions and other long-term liabilities arising from the passage of time	**1,869**	2,018
	3,170	2,955

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Fees	**76**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**2,507**	2,090
Pension scheme contributions and social welfare	**21**	26
Subtotal	**2,528**	2,116
Total	**2,604**	2,116

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2023 **RMB'000**	2022 RMB'000
– Dr. MALAIHOLLO Jeffrey Francis A*	**19**	–
– Mr. CHAN Ngai Fan**	**19**	–
– Ms. LIU Li***	**19**	–
– Dr. ZENG Ming****	**19**	–
	76	–

* Dr. MALAIHOLLO Jeffrey Francis A was appointed as an independent non-executive director, a member of the audit committee, the nomination committee and the remuneration committee of the board of directors with effect from 30 November 2023.

** Mr. CHAN Ngai Fan was appointed as an independent non-executive director, the chairman of the audit committee and a member of the nomination committee and the remuneration committee of the board of directors with effect from 30 November 2023.

*** Ms. LIU Li was appointed as an independent non-executive director with effect from 30 November 2023.

**** Dr. ZENG Ming was appointed as an independent non-executive director, a member of the audit committee and the nomination committee and the chairman of the remuneration committee of the board of directors with effect from 30 November 2023.

There were no other emoluments payable to the independent non-executive directors during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) EXECUTIVE DIRECTORS AND THE CHIEF EXECUTIVE

	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*
2023					
Executive directors:					
– Mr. CHEN Shaohui	**–**	**221**	**–**	**5**	**226**
– Mr. MACKIE James Thomas	**–**	**464**	**–**	**–**	**464**
– Mr. LO Cheuk Kwong	**–**	**1,261**	**–**	**16**	**1,277**
	–	**1,946**	**–**	**21**	**1,967**
Chief executive:					
– Dr. SHAO Xuxin	**–**	**561**	**–**	**–**	**561**
	–	**2,507**	**–**	**21**	**2,528**
2022					
Executive directors:					
– Mr. CHEN Shaohui	–	207	–	10	217
– Mr. MACKIE James Thomas	–	399	–	–	399
– Mr. LO Cheuk Kwong	–	996	–	16	1,012
	–	1,602	–	26	1,628
Chief executive:					
– Dr. SHAO Xuxin	–	488	–	–	488
	–	2,090	–	26	2,116

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director and the chief executive (2022: two directors and the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**1,212**	900
Performance-related bonuses	**200**	150
Pension scheme contributions and social welfare	**149**	92
Total	**1,561**	1,142

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

	Number of Employees	
	2023	2022
Nil to HKD500,000	**–**	–
HKD500,001 to HKD1,000, 000	**3**	2
Total	**3**	2

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10. 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.

The subsidiary of the Group operating in Chinese Mainland was generally subject to the PRC corporate income tax at a rate of 25% for the year ended 31 December 2023 (2022: 25%).

	2023 ***RMB'000***	2022 *RMB'000*
Current tax:		
PRC corporate income tax	**46,763**	60,156
Deferred tax (note 16)	**4,555**	3,762
Total tax charge for the year	**51,318**	63,918

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

	2023 ***RMB'000***	2022 *RMB'000*
Profit before tax	**146,257**	184,908
At the statutory income tax rate of 25%	**36,564**	46,227
Effect of tax rate differences in other jurisdictions	**4,160**	4,963
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**8,077**	10,260
Expenses not deductible for tax	**2,517**	2,468
Total	**51,318**	63,918

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

11. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Dividends	**23,428**	38,888

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

** All the dividends declared in 2023 had been paid in November 2023.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,512,328,767 (2022: 1,500,000,000) in issue during the year 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 year of 2023 (2022: Nil).

The calculation of basic earnings per share is based on:

	2023	2022
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation: (RMB'000)	**65,025**	83,214
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation:	**1,512,328,767**	1,500,000,000
Earnings per share (RMB)	**0.04**	0.06

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment and electronic and other devices RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023							
Cost	3,229	199,857	4,587	6,705	275,614	4,094	494,086
Accumulated depreciation	(976)	(102,517)	(3,869)	(4,174)	(85,377)	(244)	(197,157)
Net carrying amount	2,253	97,340	718	2,531	190,237	3,850	296,929
At 1 January 2023, net of accumulated depreciation							
Additions	2,263	6,291	–	604	68,756	–	77,914
Disposals	–	(1,156)	–	–	–	–	(1,156)
Depreciation provided during the year	(190)	(13,527)	(317)	(761)	(16,167)	(205)	(31,167)
At 31 December 2023, net of accumulated depreciation	4,326	88,948	401	2,374	242,826	3,645	342,520
At 31 December 2023							
Cost	5,492	204,683	4,587	7,227	344,370	4,094	570,453
Accumulated depreciation	(1,166)	(115,735)	(4,186)	(4,853)	(101,544)	(449)	(227,933)
Net carrying amount	4,326	88,948	401	2,374	242,826	3,645	342,520

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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							
At 1 January 2022							
Cost	3,229	187,682	4,566	4,774	245,395	4,094	449,740
Accumulated depreciation	(815)	(89,974)	(3,432)	(3,840)	(69,556)	(40)	(167,657)
Net carrying amount	2,414	97,708	1,134	934	175,839	4,054	282,083
At 1 January 2022, net of accumulated depreciation							
Additions	–	12,175	21	2,013	30,219	–	44,428
Disposals	–	–	–	–	–	–	–
Depreciation provided during the year	(161)	(12,543)	(437)	(416)	(15,821)	(204)	(29,582)
At 31 December 2022, net of accumulated depreciation	2,253	97,340	718	2,531	190,237	3,850	296,929
At 31 December 2022							
Cost	3,229	199,857	4,587	6,705	275,614	4,094	494,086
Accumulated depreciation	(976)	(102,517)	(3,869)	(4,174)	(85,377)	(244)	(197,157)
Net carrying amount	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 RMB2,091,000 (2022: RMB2,253,000) have not yet been obtained as at 31 December 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

14. LEASES

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 year are as follows:

	Leasehold land *RMB'000*	Buildings *RMB'000*	Total *RMB'000*
As at 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	**–**	**240**	**240**
Depreciation charge	**(4,225)**	**(4,850)**	**(9,075)**
As at 31 December 2023	**69,125**	**41,760**	**110,885**

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

The net carrying value of land with land use right certificates was RMB837,000 (2022: RMB857,000) as at 31 December 2023.

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For the year ended 31 December 2023

14. LEASES (CONTINUED)

THE GROUP AS A LESSEE (CONTINUED)

(b) Lease liabilities

The Group had no lease liability as at 31 December 2023 and 2022.

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

	2023	2022
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets	**9,075**	8,947
Expenses relating to short-term leases	**120**	111
Total amount recognised in profit or loss	**9,195**	9,058

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For the year ended 31 December 2023

15. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2023			
Cost			
As at 1 January 2023	**154,399**	**1,276**	**155,675**
Additions	**–**	**–**	**–**
As at 31 December 2023	**154,399**	**1,276**	**155,675**
Accumulated depreciation			
As at 1 January 2023	**(30,405)**	**(180)**	**(30,585)**
Amortisation provided during the year	**(6,976)**	**(271)**	**(7,247)**
As at 31 December 2023	**(37,381)**	**(451)**	**(37,832)**
Net carrying amount			
As at 31 December 2023	**117,018**	**825**	**117,843**
As at 31 December 2022	**123,994**	**1,096**	**125,090**
31 December 2022			
Cost			
As at 1 January 2022	154,399	–	154,399
Additions	–	1,276	1,276
As at 31 December 2022	154,399	1,276	155,675
Accumulated depreciation			
As at 1 January 2022	(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

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16. DEFERRED TAX

DEFERRED TAX LIABILITIES

	Changes in rehabilitation assets *RMB'000*	Withholding taxes *RMB'000*	Total *RMB'000*
At 1 January 2023	2,675	9,535	12,210
Deferred tax charged/(credited) to profit or loss during the year	(88)	5,376	5,288
Gross deferred tax liabilities at 31 December 2023	2,587	14,911	17,498

DEFERRED TAX ASSETS

	Provision for rehabilitation *RMB'000*	Other long-term liabilities *RMB'000*	Depreciation in excess of related depreciation allowance *RMB'000*	Impairment of financial assets *RMB'000*	Total *RMB'000*
At 1 January 2023	5,978	2,074	529	–	8,581
Deferred tax credited/(charged) to profit or loss during the year	294	(166)	500	105	733
Gross deferred tax assets at 31 December 2023	6,272	1,908	1,029	105	9,314

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16. DEFERRED TAX (CONTINUED)

DEFERRED TAX LIABILITIES

	Changes in rehabilitation assets *RMB'000*	Withholding taxes *RMB'000*	Total *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 *RMB'000*	Other long-term liabilities *RMB'000*	Depreciation in excess of related depreciation allowance *RMB'000*	Total *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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	6,727	5,906
Net deferred tax liabilities recognised in the consolidated statement of financial position	14,911	9,535

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

17. OTHER LONG-TERM ASSETS

	2023 RMB'000	2022 RMB'000
Loans receivable*	3,600	4,000
Advance payments for purchases of property, plant and equipment	532	2,926
	4,132	6,926

	2023 RMB'000	2022 RMB'000
Analysed into:		
Current portion	400	400
Non-current portion	3,732	6,526
	4,132	6,926

* The loans receivable is non-trade in nature, unsecured and interest-free. The loans receivable of RMB4,000,000 as at 31 December 2022 was repayable in ten instalments from 2023 to 2032. The loans receivable of RMB3,600,000 as at 31 December 2023 was repayable in nine instalments from 2024 to 2032.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

18. INVENTORIES

	2023 **RMB'000**	2022 *RMB'000*
Gold concentrate	**3,316**	836
Ore stockpile	**10,484**	9,868
Raw materials	**8,021**	7,948
Total	**21,821**	18,652

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 **RMB'000**	2022 *RMB'000*
Prepayments	**1,658**	5,362
Deposits and other receivables	**6,664**	483
Impairment allowance	**(421)**	–
Total	**7,901**	5,845

Other receivables are unsecured and non-interest-bearing.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

20. CASH AND CASH EQUIVALENTS, RESTRICTED AND PLEDGED DEPOSITS

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**394,794**	299,781
Time deposits	**211,278**	–
	606,072	299,781
Less: Restricted and pledged deposits	**(19,232)**	(17,594)
Cash and cash equivalents	**586,840**	282,187

At 31 December 2023 the cash and cash equivalents of the Group denominated in Hong Kong dollars ("**HKD**") amounted to approximately RMB213,556,000 (2022: RMB2,768,000), those denominated in Canadian dollars amounted to approximately RMB634,000 (2022: RMB596,000) and those denominated in United States dollars ("**USD**") amounted to approximately RMB64,955,000 (2022: RMB57,340,000) 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 Chinese Mainland'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.

The restricted and pledged deposits amounting to RMB19,232,000 (2022: RMB17,594,000) in 2023 were placed as environmental rehabilitation deposits which are restricted to use.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

21. TRADE PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	**10,273**	12,426

An ageing analysis of the trade payables as at the end of year 2023 and 2022, based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	**10,273**	12,426
Total	**10,273**	12,426

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

22. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Other payables	**16,269**	9,115
Other tax payables	**7,710**	7,618
Accrued salaries	**5,045**	4,124
Interest payable	**31**	40
	29,055	20,897

Other payables are non-interest-bearing and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

23. PROVISIONS

	Notes	**2023** **RMB'000**	2022 RMB'000
Provision for relocation	(a)	**935**	935
Provision for penalties	(a)	**370**	370
Provision for rehabilitation	(b)	**25,091**	23,913
Less: Current portion		**(1,305)**	(1,305)
Non-current portion		**25,091**	23,913

(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 RMB'000	**Provision for penalties** RMB'000	**Total** RMB'000
At 1 January 2022	981	370	1,351
Amounts utilised during the year	(46)	–	(46)
At 31 December 2022 and 1 January 2023	**935**	**370**	**1,305**
Amounts utilised during the year	**–**	**–**	**–**
At 31 December 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 constitute for periods ranging from 6 to 12 years.

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

	2023 **RMB'000**	2022 RMB'000
As at the beginning of the year	**23,913**	23,316
Interest increments	**690**	664
Change in discount rate	**488**	(67)
As at the end of the year	**25,091**	23,913

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24. DEFERRED INCOME

	Government grants RMB'000
As at 1 January 2022	510
Recognised in profit or loss during the period	(170)
As at 31 December 2022 and1 January 2023	**340**
Recognised in profit or loss during the period	**(170)**
As at 31 December 2023	**170**

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

25. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank borrowings – secured	**3.77**	**2024**	**30,000**	4.80	2023	30,000

The Group's bank borrowings amounting to RMB30,000,000 (2022: RMB30,000,000) as at 31 December 2023, respectively, were guaranteed by Yantai Dahedong Processing Co. Ltd. ("**Dahedong**"), Zhou Shufeng, chairman of the board and general manager of Yantai Zhongjia, and his spouse, and Yantai Baiheng Gold Mine Co. Ltd. ("**Baiheng**").

BANK BORROWINGS

	2023 ***RMB'000***	2022 *RMB'000*
Analysed into:		
Repayable within one year	**30,000**	30,000

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

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For the year ended 31 December 2023

26. OTHER LONG-TERM LIABILITIES

	2023 RMB'000	2022 RMB'000
Instalment of the purchase of mining rights*	**23,616**	29,142
Village distribution payables**	**7,631**	8,293
	31,247	37,435

	2023 RMB'000	2022 RMB'000
Analysed into:		
Current portion	**7,369**	7,369
Non-current portion	**23,878**	30,066
	31,247	37,435

* 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 right transfer agreement, excluding the down payment of RMB30,000,000, the remaining payment amounting to RMB44,120,800 shall be paid in 7 years from 2021 to 2027, which is 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.

27. SHARE CAPITAL

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:		
2,000,000,000 (2022: 80,000) ordinary shares of HKD0.01 each	**18,172**	1

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

	Number of shares in issue	**Share capital**
		RMB'000
At 31 December 2022 and 1 January 2023	**80,000**	**1**
Issue of shares (Note (a))	**500,000,000**	**4,543**
Capitalisation of share premium (Note (a))	**1,499,920,000**	**13,628**
At 31 December 2023	**2,000,000,000**	**18,172**

(a) On 22 December 2023, the Company successfully completed the IPO on the Hong Kong Stock Exchange. In connection with the IPO, 500,000,000 ordinary shares were issued at an offer price of HKD0.01 per share, leaving a balance of 1,499,920 ordinary shares to be converted from share premium. The final par value of the share capital (HK$0.01 per share) of HK$20,000,000, which was converted to RMB18,172,000, was credited to the share capital of the Company. The net proceeds from the conversion in excess of the par value of the share capital were credited to share premium of the Company.

Notes to the Consolidated Financial Statements

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28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 9 to 10 of the financial statements.

SHARE PREMIUM

The Group's share premium represents the difference between the shareholders' contribution and the share capital paid by the shareholders.

CAPITAL RESERVE

Capital reserve represents (i) the difference between the non-controlling shareholder's contribution and the share capital attributed to the non-controlling interest; and (ii) the deemed contribution arising from shareholders of the Company and its subsidiaries waiving certain amount of debt in previous years.

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 currencies are not RMB.

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

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

	2023 RMB'000	2022 RMB'000
Percentage of equity interest held by non-controlling interests:		
Yantai Zhongjia Mining Co., Ltd.	**25%**	25%
Profit for the year allocated to non-controlling interests:		
Yantai Zhongjia Mining Co., Ltd.	**29,914**	37,776
Accumulated balances of non-controlling interests at the end of the year:		
Yantai Zhongjia Mining Co., Ltd.	**148,147**	122,233

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

	2023 RMB'000	2022 RMB'000
Revenue	**383,463**	418,413
Other income and gains	**8,060**	13,128
Total expenses	**(271,869)**	(280,439)
Profit for the year	**119,654**	151,102
Total comprehensive income for the year	**119,654**	151,102
Current assets	**388,106**	280,834
Non-current assets	**581,691**	554,150
Current liabilities	**(390,149)**	(353,979)
Non-current liabilities	**(48,968)**	(53,979)
Net cash flows from operating activities	**201,056**	218,889
Net cash flows used in investing activities	**(75,512)**	(56,060)
Net cash flows used in financing activities	**(23,106)**	(88,402)
Net increase in cash and cash equivalents	**102,438**	74,427

Notes to the Consolidated Financial Statements

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30. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(A) MAJOR NON-CASH TRANSACTIONS

In November 2023, the Group had non-cash additions to retained profits and deduction from capital reserve of RMB13,700,000 and RMB13,700,000, respectively, for the purpose of dividend distribution to the existing shareholder.

In December 2023, the Group had non-cash additions to share capital and deduction to share premium of RMB13,628,000 and RMB13,628,000, respectively, in respect of issuing shares to certain shareholders from share premium of the Group.

(B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	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*
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 a 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	**(1,310)**	**–**	**(500)**	**(1,068)**	**(2,878)**
Interest expense	**1,301**	**–**	**–**	**–**	**1,301**
Incremental interest on provisions and other long-term liabilities	**–**	**–**	**–**	**406**	**406**
Debt exemption with a shareholder	**–**	**–**	**–**	**–**	**–**
Currency translation differences	**–**	**–**	**53**	**–**	**53**
At 31 December 2023	**31**	**30,000**	**–**	**7,631**	**37,662**

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31. COMMITMENT

(a) The Group had the following capital commitments at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
Mining infrastructure	–	5,289

(b) The Group has a lease contract that has not yet commenced as at 31 December 2023. The lease payments for the non-cancellable lease contract are RMB2,230,000 due within one year.

32. 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.	Non-controlling shareholder of Yantai Zhongjia
Kong Fanzhong	A former 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.	An entity controlled by Kong Fanzhong and significantly influenced by Kong Fanbo

(2) THE GROUP HAD THE FOLLOWING TRANSACTIONS WITH A RELATED PARTY DURING THE YEAR:

	2023 RMB'000	2022 RMB'000
Payment made by a related party on behalf of the Group:		
Majestic Gold Corp.	**819**	887
Repayment of amounts due to a related party:		
Majestic Gold Corp.	**1,272**	14,317

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32. RELATED PARTY TRANSACTIONS (CONTINUED)

(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, and RMB30,000,000 as at 31 December 2023 and 2022, as further detailed in note 26 to the Historical Financial Information.

On 25 October 2022, Yantai Zhongjia signed an agreement with the Company's 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, Yantai Zhongjia 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. In December 2023, Yantai Zhongjia received the full amount of capital increase of RMB7,200,000 from Dahedong.

In November 2023, the registered capital of Yantai Zhongjia was increased from RMB168,705,500 to RMB188,705,500, of which the shareholder Majestic Yantai Gold Ltd. increased its capital by RMB15,000,000 and Dahedong increased its capital by RMB5,000,000. In December 2023, Yantai Zhongjia received the full amount of capital increase from Majestic Yantai Gold Ltd. and Dahedong.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(4) OUTSTANDING BALANCES WITH RELATED PARTIES

Due from related parties:

	2023 **RMB'000**	2022 RMB'000
Dahedong	**–**	7,200
Majestic Gold Corp.	**–**	–
	–	7,200

Due to a related party:

	2023 **RMB'000**	2022 RMB'000
Majestic Gold Corp.	**–**	447

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

(5) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2023 **RMB'000**	2022 RMB'000
Short-term employee benefits	**4,562**	3,974
Pension scheme contributions	**303**	247
Total compensation paid to key management personnel	**4,865**	4,221

Further details of directors' emoluments are included in note 8 to the financial statements.

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33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

FINANCIAL ASSETS

Financial assets at amortised cost

	2023	2022
	RMB'000	*RMB'000*
Financial assets included in other long-term assets	**3,600**	4,000
Financial assets included in prepayments, other receivables and other assets	**6,664**	483
Restricted and pledged deposits	**19,232**	17,594
Due from related parties	**–**	7,200
Cash and cash equivalents	**586,840**	282,187
Total	**616,336**	311,464

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**10,273**	12,426
Financial liabilities included in other payables and accruals	**16,269**	9,155
Interest-bearing bank borrowings	**30,000**	30,000
Other long-term liabilities	**31,247**	37,435
Due to related parties	**–**	447
Total	**87,789**	89,463

34. 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 the year, 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.

35. 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.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 25. 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*
2023			
If interest rate increases	**50**	**(66)**	**–**
If interest rate decreases	**(50)**	**66**	**–**
2022			
If interest rate increases	50	(101)	–
If interest rate decreases	(50)	101	–

* Excluding retained profits

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For the year ended 31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(B) FOREIGN CURRENCY RISK

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The Group has currency exposures mainly arising from cash at banks denominated in USD and CAD. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. The Group constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and CAD exchange rates, with all other variables held constant, of the Group's profit before tax (arising from USD and CAD denominated financial instruments) and the Group's equity to a reasonably possible change in the USD and CAD exchange rate against the respective functional currencies of the Group's entities, with all other variables held constant.

	Increase/ (decrease) in rate of foreign currency *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
2023			
If the RMB weakens against the USD	**1**	**(650)**	**(557)**
If the RMB strengthens against the USD	**(1)**	**650**	**557**
If the RMB weakens against the CAD	**1**	**(6)**	**(6)**
If the RMB strengthens against the CAD	**(1)**	**6**	**6**
2022			
If the RMB weakens against the USD	1	(557)	(521)
If the RMB strengthens against the USD	(1)	557	521
If the RMB weakens against the CAD	1	(6)	(6)
If the RMB strengthens against the CAD	(1)	6	6

* Excluding foreign currency translation reserve

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(C) 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 2023 and 2022. 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 2023 and 2022.

The amounts presented are gross carrying amounts for financial assets.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(C) CREDIT RISK (CONTINUED)

Maximum exposure and year-end staging (Continued)

31 December 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	**3,600**	**–**	**–**	**3,600**
Financial assets included in prepayments, other receivables and other assets				
– Normal*	**469**	**–**	**–**	**469**
– Doubtful*	**–**	**–**	**421**	**421**
Restricted and pledged deposits				
– Not yet past due	**19,232**	**–**	**–**	**19,232**
Cash and cash equivalents				
– Not yet past due	**586,840**	**–**	**–**	**586,840**
Total	**610,141**	**–**	**421**	**610,562**

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For the year ended 31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(C) CREDIT RISK (CONTINUED)

Maximum exposure and year-end staging (Continued)

31 December 2022

	12-month ECLs	Lifetime ECLs		
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *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
Total	311,464	–	–	311,464

* 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. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(D) 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 the reporting period, based on contractual undiscounted payments, is as follows:

	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	Over 1 year *RMB'000*	Total *RMB'000*
31 December 2023					
Interest-bearing bank borrowings	**–**	**291**	**30,528**	**–**	**30,819**
Trade payables	**10,273**	**–**	**–**	**–**	**10,273**
Other payables and accruals	**16,269**	**–**	**–**	**–**	**16,269**
Other long-term liabilities	**–**	**–**	**7,369**	**27,450**	**34,819**
Due to related parties	**–**	**–**	**–**	**–**	**–**
Total	**26,542**	**291**	**37,897**	**27,450**	**92,180**
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
Total	22,028	356	37,997	34,819	95,200

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(E) 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 gross gearing ratio which is total debt divided by total equity and net gearing ratio which is net debt divided by total capital plus net debt. Total debt includes interest-bearing bank borrowings. Net debt includes 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.

	2023 ***RMB'000***	2022 *RMB'000*
Interest-bearing bank borrowings	**30,000**	30,000
Due to related parties	**–**	447
Trade payables	**10,273**	12,426
Financial liabilities included in other payables and accruals	**16,268**	9,155
Other long-term liabilities	**31,247**	37,435
Less: Cash and cash equivalents	**(586,840)**	(282,187)
Net debt	**(499,052)**	(192,724)
Equity attributable to owners of the parent	**827,788**	553,871
Capital and net debt	**328,736**	361,147
Total equity	**975,935**	676,104
Gross gearing ratio	**3.1**	4.4
Net gearing ratio	**N/A**	N/A

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

36. EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2023.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**17**	21
Investment in a subsidiary	**1**	1
Total non-current assets	**18**	22
CURRENT ASSETS		
Prepayments, other receivables and other assets	**6,065**	4,050
Due from a subsidiary	**330,316**	310,866
Cash and cash equivalents	**240,597**	38,735
Total current assets	**576,978**	353,651
CURRENT LIABILITIES		
Due to related parties	**20,816**	20,966
Other payables and accruals	**4,407**	1,274
Total current liabilities	**25,223**	22,240
NET CURRENT ASSETS	**551,755**	331,411
NET ASSETS	**551,773**	331,433
EQUITY		
Share capital	**18,172**	1
Reserves	**533,601**	331,432
TOTAL EQUITY	**551,773**	331,433

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37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve *RMB'000*	Share premium *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits/ (Accumulated losses) *RMB'000*	Total *RMB'000*
As at 1 January 2022	322,847	–	(25,429)	(53)	297,365
Profit for the year	–	–	–	43,412	43,412
Exchange differences on translation of financial statements of the Company	–	–	29,543	–	29,543
Total comprehensive income for the year	–	–	29,543	43,412	72,955
Dividend declared	–	–	–	(38,888)	(38,888)
As at 31 December 2022 and 1 January 2023	322,847	–	4,114	4,471	331,432
Profit for the year	**–**	**–**	**–**	**6,858**	**6,858**
Issue of shares	**–**	**245,322**	**–**	**–**	**245,322**
Transfer from share premium	**–**	**(13,628)**	**–**	**–**	**(13,628)**
Share issue expenses	**–**	**(17,031)**	**–**	**–**	**(17,031)**
Other comprehensive expense for the year:					
Exchange differences on translation of financial statements of the Company	**–**	**–**	**4,076**	**–**	**4,076**
Transfer from capital reserve	**(13,700)**	**–**	**–**	**13,700**	**–**
Total comprehensive income for the year	**(13,700)**	**214,663**	**4,691**	**20,558**	**225,597**
Dividend declared	**–**	**–**	**–**	**(23,428)**	**(23,428)**
As at 31 December 2023	**309,147**	**214,663**	**8,190**	**1,601**	**533,601**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.