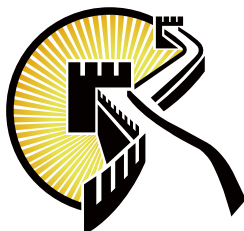


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PERSISTENCE GOLD GROUP LTD

集海黃金集團有限公司

(formerly known as 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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2025, the Group's revenue was approximately RMB628,798,000 (2024: RMB499,505,000), representing an increase of approximately 25.9% as compared to the previous year.

For the year ended 31 December 2025, the Group's net profit was approximately RMB144,332,000 (2024: RMB146,608,000), representing a decrease of approximately 1.6% as compared to the previous year.

For the year ended 31 December 2025, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB5.30 cents, (2024: RMB5.24 cents), representing an increase of approximately 1.1% as compared to the previous year.

For the year ended 31 December 2025, the profit attributable to owners of the parent was approximately RMB110,647,000 (2024: RMB104,760,000), representing an increase of approximately 5.6% as compared to the previous year.

The Board does not recommend the payment of a final dividend to the shareholders of the Company for the year ended 31 December 2025.

The board (the “**Board**”) of directors (the “**Directors**”) of Persistence Gold Group Ltd (the “**Company**”) is pleased to announce the consolidated audited results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2025 (the “**Year**” or “**Reporting Period**”).

Reference is made to the prospectus of the Company dated 14 December 2023 in relation to the Global Offering (the “**Prospectus**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Prospectus.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	<i>Notes</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
REVENUE	5	628,798	499,505
Cost of sales		<u>(297,420)</u>	<u>(245,746)</u>
Gross profit		331,378	253,759
Other income and gains	5	18,408	19,703
Administrative expenses		(76,433)	(55,497)
Other expenses		(21,627)	(1,699)
Finance costs		<u>(8,846)</u>	<u>(2,457)</u>
PROFIT BEFORE TAX	6	242,880	213,809
Income tax expense	7	<u>(98,548)</u>	<u>(67,201)</u>
PROFIT FOR THE YEAR		<u>144,332</u>	<u>146,608</u>
Attributable to:			
Owners of the parent		110,647	104,760
Non-controlling interests		<u>33,685</u>	<u>41,848</u>
		<u>144,332</u>	<u>146,608</u>

	<i>Note</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of financial statements of subsidiaries		<u>12,011</u>	<u>(7,261)</u>
		12,011	(7,261)
<i>Other comprehensive income that may not be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of financial statements of the Company		<u>(27,604)</u>	<u>11,999</u>
		(27,604)	11,999
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>(15,593)</u>	<u>4,738</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>128,739</u>	<u>151,346</u>
Attributable to:			
Owners of the parent		<u>95,054</u>	<u>109,498</u>
Non-controlling interests		<u>33,685</u>	<u>41,848</u>
		<u>128,739</u>	<u>151,346</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	<u>RMB5.30 cents</u>	<u>RMB5.24 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

		31 December 2025	31 December 2024
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		565,721	343,899
Right-of-use assets		133,439	105,051
Intangible assets		375,740	110,341
Deferred tax assets		8,638	8,015
Other long-term assets		5,584	265
Goodwill		36,508	–
		<hr/>	<hr/>
Total non-current assets		1,125,630	567,571
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories	9	30,583	18,040
Prepayments, other receivables and other assets	10	9,209	8,540
Restricted and pledged deposits		34,906	21,212
Cash and cash equivalents		1,092,630	639,599
		<hr/>	<hr/>
Total current assets		1,167,328	687,391
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	11	17,933	11,501
Other payables and accruals		84,285	23,826
Interest-bearing bank and other borrowings		168,472	–
Lease liabilities		163	638
Tax payable		105,032	93,746
Provision		1,223	2,296
Current portion of other long-term liabilities		20,064	7,369
		<hr/>	<hr/>
Total current liabilities		397,172	139,376
		<hr/>	<hr/>
NET CURRENT ASSETS		770,156	548,015
		<hr/> <hr/>	<hr/> <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,895,786	1,115,586
		<hr/> <hr/>	<hr/> <hr/>

	31 December 2025 RMB'000	31 December 2024 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	75,770	–
Provision	52,049	27,299
Other long-term liabilities	64,012	17,510
Deferred tax liabilities	102,936	17,210
Lease liabilities	391	108
	<hr/>	<hr/>
Total non-current liabilities	295,158	62,127
	<hr/>	<hr/>
NET ASSETS	1,600,628	1,053,459
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	21,839	18,172
Reserves	1,338,806	865,292
	<hr/>	<hr/>
	1,360,645	883,464
Non-controlling interests	239,983	169,995
	<hr/>	<hr/>
TOTAL EQUITY	1,600,628	1,053,459
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2025

1. CORPORATE AND GROUP INFORMATION

Persistence Gold 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 sales of gold bullion in the People’s Republic of China (the “**PRC**”).

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

Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Majestic Yantai Gold Ltd.*	British Virgin Islands	USD50,000	100%	–	Investment holding
PRG Res Holding 1 Ltd.*	British Virgin Islands	USD50,000	100%	–	Investment holding
PRG Res Holding 2 Ltd.*	British Virgin Islands	USD50,000	100%	–	Investment holding
煙台中嘉礦業有限公司 Yantai Zhongjia Mining Co., Ltd. (“ Yantai Zhongjia ”)**	PRC/Chinese mainland	RMB228,706,000	–	75%	Mining, processing and sales of gold
PRG Res HK 1 Limited**	Hong Kong	HKD1	–	100%	Investment holding
PRG Res HK 2 Limited**	Hong Kong	HKD1	–	100%	Investment holding
集海資源企業管理(深圳)有限公司 Jihai Resources Enterprise Management (Shenzhen) Co., Ltd.**	PRC/Chinese mainland	RMB5,000,000	–	100%	Investment holding
煙台市牟金礦業有限公司 Yantai City Mujin Mining Company Limited (“ Yantai Mujin ”)**	PRC/Chinese mainland	RMB145,694,000	–	52%	Mining, processing and sales of gold

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

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

The English names of the subsidiaries registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. 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 2025. 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.

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 amendments to IAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

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. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

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

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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. However, the amendments are available for adoption now.

Amendments to IAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of IAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- *IFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other IFRS Accounting Standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *IFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *IFRS 10 Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *IAS 7 Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life or 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% to 16.67%
Plant and machinery	5% to 20%
Office equipment, and electronic and other devices	16.67% to 33.33%
Motor vehicles	8.33% to 25%
Mining infrastructure	Unit-of-production method
Leasehold improvements	Over the shorter of the lease terms and 5%

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

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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.

Exploration and development costs

Exploration and development costs are recognised as other non-current assets – at the net amount of cost less impairment. Exploration expenditure includes costs of geological prospecting for technical consultancy and costs of feasibility study for commercial development which incurred in the surroundings, outer ring and deep areas of the existing or externally acquired mineral properties, and costs of drilling, trench sampling and other associated activities.

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.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

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	20 to 70 years
Buildings	2 to 20 years

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

(b) Lease liabilities

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

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

(c) Short-term leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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.

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.

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.

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, other long-term liabilities, interest-bearing bank and other borrowings and lease liabilities.

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, other long-term liabilities, 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.

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.

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 Chinese mainland. 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, and discounted 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.

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.

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.

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.

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“**equity-settled transactions**”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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 Chinese mainland. 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 in Hong Kong. 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.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB. The Company's functional currency is 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).

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:

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the 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.

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 after taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimates for accounting purposes and is reflected on a prospective basis at related depreciation rates.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in 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:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	628,798	499,505

A fellow subsidiary of customer A holds a 8.25% equity interest in the Company.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sales of gold bullion.

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue from contracts with customer		
Sales of gold bullion	628,798	499,505

Represented by:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue from sales of gold bullion		
Recognised at a point in time	628,798	499,505

Other income and gains

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Sales of sulfuric acid	8,027	5,441
Government grants*	262	835
Interest income	9,045	13,059
Gains on disposal of property, plant and equipment	–	12
Gains on foreign exchange	152	–
Others	922	356
Total	18,408	19,703

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

6. PROFIT BEFORE TAX

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Cost of inventories sold	297,420	245,746
Depreciation of property, plant and equipment*	58,690	44,000
Depreciation of right-of-use assets*	10,916	9,706
Amortisation of intangible assets*	7,101	7,502
Research and development costs	11,840	10,390
Write-down of inventories to net realisable value**	1,097	–
Employee benefit expense (including directors' and chief executive's remuneration)*:		
Wages, salaries and other benefits	74,995	49,020
Equity-settled share option expense	4,292	–
Pension scheme contributions	18,441	10,120
Total	<u>97,728</u>	<u>59,140</u>
Foreign exchange differences, net	(152)	424
(Gain)/loss on disposal of items of property, plant and equipment	10,730	(12)
Auditor's remuneration	<u>2,456</u>	<u>1,865</u>

* The depreciation of property, plant and equipment, the depreciation of right-of-use assets and the amortisation of intangible assets and employee benefit expense, for the year are included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

** The write-down of inventories to net realisable values is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

7. 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.

Under the two-tiered profit tax rates regime, the first HK\$2 million of profits of the qualifying entity established in Hong Kong was taxed at 8.25%, and profits above that amount was subject to the tax rate of 16.5%. The subsidiaries incorporated in Hong Kong was subject to Hong Kong profits tax at a rate of 8.25%.

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 2025 (2024: 25%).

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current tax:		
PRC corporate income tax	89,797	66,190
Deferred tax	8,751	1,011
	<u>98,548</u>	<u>67,201</u>
Total tax charge for the year	<u><u>98,548</u></u>	<u><u>67,201</u></u>

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:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Profit before tax	<u>242,880</u>	<u>213,809</u>
At the statutory income tax rate of 25%	60,720	53,452
Effect of tax rate differences in other jurisdictions	2,899	2,419
Effect of withholding tax at 10% on the distributable profits of the Group's subsidiaries	12,967	8,299
Expenses not deductible for tax	6,104	2,329
Tax losses not recognised	8,866	702
Adjustments in respect of current tax of previous periods	6,992	–
Total	<u><u>98,548</u></u>	<u><u>67,201</u></u>

8. 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 2,086,575,342 (2024: 2,000,000,000) outstanding during the year used in the calculation is the number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2025 and 2024 as the impact of the share options granted had no dilutive effect on the basic earnings per share amounts presented. The calculation of basic earnings per share is based on:

	2025	2024
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation: (RMB'000)	110,647	104,760
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation:	<u>2,086,575,342</u>	<u>2,000,000,000</u>

9. INVENTORIES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Gold concentrate	4,741	1,211
Ore stockpile	11,850	8,080
Raw materials	<u>13,992</u>	<u>8,749</u>
Total	<u>30,583</u>	<u>18,040</u>

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Prepayments	2,498	1,820
Deposits and other receivables	<u>6,711</u>	<u>6,720</u>
Total	<u>9,209</u>	<u>8,540</u>

Other receivables are unsecured and non-interest-bearing.

11. TRADE PAYABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within one year	16,350	11,501
Over one year	<u>1,583</u>	<u>–</u>
Total	<u>17,933</u>	<u>11,501</u>

The trade payables are interest free and normally settled in 30 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

I. RESULTS FOR THE YEAR

GOLD PRODUCTION

For the Year, the Group's total gold production volume was approximately 847.4 kg (or approximately 27,243.4 ounces), representing a decrease of approximately 6.3% as compared to previous year. The decrease in gold production was mainly attributable to the enhanced slope management requirements imposed by the Shandong Provincial Emergency Management Department and the Shandong Bureau of the State Mine Supervision Administration following the Yantai Audit-Style Support and Supervision Programme for safety inspection conducted in mid-February 2025. The relevant rectification works were fully completed by the end of June 2025.

In addition, production at the Denggezhuang Underground Mine (the "DGZ Mine") operated by Yantai Mujin, a subsidiary of the Group, was suspended between July and September 2025 following a safety incident in July 2025. Meanwhile, production at the Songjiagou Underground Mine operated by Yantai Zhongjia, a subsidiary of the Group, was voluntarily suspended between September and November 2025 for the renewal of its safety production permit.

REVENUE

For the Year, the Group's revenue was approximately RMB628,798,000 (2024: RMB499,505,000), representing an increase of approximately 25.9% as compared to the previous year. The increase was mainly attributable to the increase in the average selling price by approximately 37.7% offset by the decrease in sales volume by 8.6% as compared to the Comparable Period.

NET PROFIT

For the Year, the Group's net profit was approximately RMB144,332,00 (2024: RMB146,608,000), representing a decrease of approximately 1.6% as compared to the previous year. The decrease in net profit was primarily due to (i) the increase in gross profit as a result of the higher average selling price offset by an increase in cost of sales; (ii) a decrease in interest income on the Group's cash and cash equivalent balances, partially offset by the increase in the sales of sulfuric acid; (iii) the inclusion of the administration expenses of Yantai Mujin; (iv) the share-based payment associated with the share option granted to Directors and Senior Management on 11 July 2025 offset by the decrease in the legal and professional fee for acquisition of Yantai Mujin; (v) the loss on demolition of a road between Songjiagou Open-Pit Mine and processing plant; and (vi) the increase in the suspension cost attributed by the suspension of DGZ mine and Songjiagou Underground Mine for the period from July 2025 to September 2025 and for the period from September 2025 to November 2025 respectively.

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION

In August 2025, Yantai Mujin had completed a concealed hazard exploration program for a total of 22 drill holes at the Chahe Underground Gold Mine (“**CH Mine**”) for preliminary preparation work to accommodate the planned production in the year 2028. The total contract sum for this exploration program was approximately RMB3,550,000 and was recorded as exploration expenditure in the administrative expenses on page 2 of this announcement. Save as aforesaid, the cost of sales directly attributable to the expenditure incurred on mining production activity was presented in the consolidated statement of profit or loss and other comprehensive income on page 2 of this announcement.

EARNINGS PER SHARE

For the Year, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB5.30 cents (2024: RMB5.24 cents), representing an increase of approximately 1.1% as compared to the previous year.

DIVIDEND

On 29 August 2025, our Company declared and paid interim dividends of approximately HK\$60,000,000 to our shareholders, which were fully settled on 2 October 2025 to the shareholders whose names appear on the register of members of our Company at the close of business on 16 September 2025. No other dividends have been declared and paid by the companies to their shareholders. The Board does not recommend any further payment of annual dividend for the Year. Our Company has adopted a dividend policy under which it may distribute interim cash dividends to our shareholders when certain conditions are met; further details of this policy are set out in our interim report issued on 29 August 2025 and will also be included in our annual report for the Year.

II. MARKET OVERVIEW

During the year, the gold marked an exceptional bull market supported by a sequence of macroeconomic and geopolitical catalysts. These included rising tariff-related risks, accelerating de-dollarization efforts, monetary easing by the U.S. Federal Reserve, and a sustained decline in U.S. Treasury yields. The interaction of these forces reshaped market behavior, producing dynamics that diverged from historical norms. Central bank demand remained a key pillar of support throughout the year, while elevated economic and geopolitical uncertainty reinforced gold’s role as a safe-haven asset and long-term store of value.

From a capital perspective, Asian capital in the gold market also increased markedly, becoming a significant source of funding. Compared to European and American capital, Asian funds focus more on medium-to-long-term trend variables affecting the gold market, such as de-dollarization, geopolitical situations, and central bank gold buying. Conversely, US and European capital maintains a more traditional perspective, focusing on the performance of USD assets like U.S. Treasuries and stocks.

As funding sources broadened and investor behavior became more heterogeneous, market volatility increased. Even so, from a strategic allocation perspective, gold remains in the portfolios of both institutional and retail investors across most regions as a continued long term potential precious metal.

In the first half of 2025, the global gold spot price continued to rise, reaching the highest price at US\$3,454.70 per ounce in April 2025. In the second half of 2025, the global gold spot price continued to rise reaching the highest price at US\$4,549.74 per ounce in the December 2025, closed at US\$4,319.62 in December 2025 and the average global gold spot price was US\$3,441.33 per ounce for the whole year.

China's gold spot price continued to rise in the first half of 2025, reaching the highest RMB797.35 per gram in May 2025. In the second half of 2025, the gold spot price also continued to rise, reaching the highest RMB1,017.19 per gram in December 2025, closed at RMB974.39 per gram in December 2025 and the average gold spot price was RMB795.21 per gram for the whole year.

III. BUSINESS REVIEW

For the Year, the Group's total gold production volume was approximately 847.4 kg (or approximately 27,243.4 ounces), representing a decrease of approximately 6.3% as compared to previous year. The decrease in gold production was mainly attributable to the enhanced slope management requirements imposed by the Shandong Provincial Emergency Management Department and the Shandong Bureau of the State Mine Supervision Administration following the Yantai Audit-Style Support and Supervision Programme for safety inspection conducted in mid-February 2025. The relevant rectification works were fully completed by the end of June 2025.

In addition, production at the DGZ Mine operated by Yantai Mujin, a subsidiary of the Group, was suspended between July and September 2025 following a safety incident in July 2025. Meanwhile, production at the Songjiagou Underground Mine operated by Yantai Zhongjia, a subsidiary of the Group, was voluntarily suspended between September and November 2025 for the renewal of its safety production permit.

Although the decrease in the gold production leading to the decrease in the sales of gold bullion, the Group's revenue increased by approximately 25.9% to approximately RMB628,798,000 (2024: RMB499,505,000) as compared with the previous year. The net profit of the Group was approximately RMB144,332,000 (2024: RMB146,608,000), representing a decrease of 1.6% as compared with previous year. The basic and diluted earnings per share amounted to approximately RMB5.30 cents (2024: RMB5.24 cents), representing an increase of 1.1% as compared with previous year.

IV. MINERAL RESOURCES AND RESERVES

Mineral Resources and Reserves Statement for Songjiagou Open-Pit, Songjiagou Underground Mine, DGZ Mine, CH Mine and Houzhuang-Heiniutai Underground Gold Mine (“HH Mine”) as at 31 December 2025^{1,2}

		Resources		Reserves	
		Indicated	Inferred	Proved	Probable
Songjiagou Open-Pit	Cut-off grade (g/t)	0.3	0.3	–	0.3
	Ore (kt)	31,600	35,500	–	20,100
	Gold Grade (g/t)	1.09	0.94	–	1.16
	Gold Content (kg)	34,400	33,400	–	23,400
	Gold Content (koz)	1,110	1,080	–	751
Songjiagou Underground	Cut-off grade (g/t)	0.7	0.7	–	0.7
	Ore (kt)	1,530	2,960	–	474
	Gold Grade (g/t)	1.39	1.23	–	1.45
	Gold Content (kg)	2,120	3,650	–	687
	Gold Content (koz)	68	117	–	22.1
DGZ Mine	Cut-off grade (g/t)	1.0	1.0	–	1.9
	Ore (kt)	1,000	1,700	–	1,300
	Gold Grade (g/t)	6.0	4.8	–	3.8
	Gold Content (kg)	6,100	8,000	–	5,000
	Gold Content (koz)	200	260	–	161
CH Mine	Cut-off grade (g/t)	1.0	1.0	–	–
	Ore (kt)	300	570	–	–
	Gold Grade (g/t)	4.3	3.9	–	–
	Gold Content (kg)	1,300	2,200	–	–
	Gold Content (koz)	41	71	–	–
HH Mine	Cut-off grade (g/t)	1.0	1.0	–	–
	Ore (kt)	270	76	–	–
	Gold Grade (g/t)	2.6	2.3	–	–
	Gold Content (kg)	690	170	–	–
	Gold Content (koz)	22	5.5	–	–

Notes:

1. The resources and reserves figures stated as above are based on the Technical Memo on the Update of the Mineral Resources and Mineral Resources and Mineral Reserves of Songjiagou Gold Project provided by Qualified Person, SRK Consulting China Ltd. (in compliance with the requirements of NI 43–101) dated 10 March 2026.
2. “koz” means thousand ounces, a unit of weight.
3. All figures are rounded to reflect the relative accuracy of the estimate.

ASSUMPTIONS ADOPTED FOR THE ANNUAL UPDATE OF RESOURCES AND/OR 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 mineral 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 reserve 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. Dr Xu and Mr Li consent to the reporting of this information in the form and context in which it appears.
- 1.3 The conversion between troy ounce and gram used herein is 1 oz = 31.1035 g.

2. Mineral resources estimates

- 2.1 All figures are rounded to reflect the relative accuracy of the estimate.
- 2.2 The Mineral Reserves are included in the Mineral Resources. They shouldn't be added to the Mineral Resources.
- 2.3 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 43-101.4. Dr Xu supervised the work of Mr Wu. Dr Xu and Mr Wu consent to the reporting of this information in the form and context in which it appears.

V. FINANCIAL ANALYSIS

REVENUE

For the Year, the Group's revenue was approximately RMB628,798,000 (2024: RMB499,505,000), representing an increase of approximately 25.9% as compared to the previous year. The increase was mainly attributable to the increase in the average selling price by approximately 37.7% offset by the decrease in sales volume by 8.6% as compared to the previous year.

COST OF SALES

For the Year, the Group's cost of sales was approximately RMB297,420,000 (2024: RMB245,746,000), representing an increase of approximately 21.0% as compared to the previous year. The increase was attributed to several factors mainly the inclusion of the cost of sales of Yantai Mujin, an increase in tailing processing fees, and the increase in resources tax.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Year, the Group's gross profit was approximately RMB331,378,000 (2024: RMB253,759,000), representing an increase in gross profit of approximately 30.6%. The increase in gross profit was primarily attributable to the increase in average selling price partially offset by the increase in the cost of sales.

During the Year, the Group's gross profit margin was approximately 52.7% (2024: 50.8%). The increase was mainly attributable to the increase in average selling price, partially offset by the increase in the cost of sales.

OTHER INCOME AND GAINS

During the Year, the Group's other income and gains were approximately RMB18,408,000 (2024: RMB19,703,000), representing a decrease of approximately 6.6% as compared to the previous year. The decrease in other income and gains was mainly due to the decrease in interest income earned on the Group's cash and cash equivalent balances as all of the Net Proceeds from the Global Offering were utilized in July 2025 and the net proceeds from the Placing of New Shares were received in October 2025, partially offset by the increase in the sales of sulfuric acid.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses were approximately RMB76,433,000 during the Year (2024: RMB55,497,000), representing an increase of approximately 37.7% as compared to the previous year. The increase of administrative expenses was mainly due to the inclusion of the administration expenses of Yantai Mujin and the share-based payment associated with the share option granted to Directors and Senior Management on 11 July 2025, partially offset by the decrease in the legal and professional fee for the acquisition of Yantai Mujin.

OTHER EXPENSES

For the Year, the Group's other expenses were approximately RMB21,627,000 (2024: RMB1,699,000), representing an increase of approximately RMB19,928,000 as compared to the previous year. The increase was mainly attributable to the loss on demolition of road between Songjiagou Open-Pit Mine and processing plant, as well as an increase in the suspension costs attributable to the suspension of DGZ Mine and Songjiagou Underground Mine for the period from July 2025 to September 2025 and for the period from September 2025 to November 2025 respectively.

FINANCE COSTS

For the Year, the Group's finance costs were approximately RMB8,846,000 (2024: RMB2,457,000), representing an increase of approximately RMB6,389,000 as compared to the previous year. The increase was mainly due to an increase in the interest expenses on interest-bearing bank borrowings and the finance cost in respect of the instalment payment for mining right of Yantai Mujin.

INCOME TAX EXPENSES

For the Year, the Group's income tax expenses were approximately RMB98,548,000 (2024: RMB67,201,000), representing an increase of approximately RMB31,347,000 as compared to the previous year. The increase was primarily due to the increase in the 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% (2024: 25%) on the taxable income. The effective tax rate of the Group is approximately 40.6% during the Year (2024: approximately 31.4%). The increase in the effective tax rate was mainly due to the additional tax expenses arising out of the tax adjustments before the annual tax settlement in April 2025 and also the increase in withholding tax payable on the distributable profits of Yantai Zhongjia.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the Year, the Group's profit attributable to the owners of the parent was approximately RMB110,647,000, representing an increase of approximately 5.6% from approximately RMB104,760,000 in 2024. The increase was mainly due to the increase in the profit after tax for the year.

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 net working capital (current assets less current liabilities) of the Group were RMB770,156,000 as at 31 December 2025. The liquidity of the Group and its working capital and finance requirements was closely monitored by the Board on a regular basis.

CASH FLOWS AND WORKING CAPITAL

The Group's cash and cash equivalents have increased from approximately RMB639,599,000 as at 31 December 2024 to approximately RMB1,092,630,000 as at 31 December 2025. The increase was mainly due to the Net Proceeds arising out of the Placing of New Shares received in October 2025.

As at 31 December 2025, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to approximately RMB425,641,000 (2024: RMB171,204,000), those denominated in Canadian dollars amounted to approximately RMB628,000 (2024: RMB605,000), those denominated in United States dollars amounted to approximately RMB76,301,000 (2024: RMB65,983,000). All other cash and cash equivalents held by the Group were denominated in RMB.

BORROWINGS

As at 31 December 2025, the Group had outstanding bank borrowings of approximately RMB244,242,000 to support the operation of Yantai Mujin (2024: Nil). All borrowings were denominated in RMB and bore interest 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.

The gearing ratios as at the end of the reporting periods were as follows:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Total debt		
Interest-bearing bank and other borrowings	244,242	–
Total equity	1,600,628	1,053,459
	<hr/>	<hr/>
Gross gearing ratio	15.3%	–
	<hr/> <hr/>	<hr/> <hr/>

MARKET RISKS

The Group is exposed to a variety of financial risks such as interest rate 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 smelted 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.

CREDIT RISK

The Group trades only with recognised and creditworthy third parties. 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 2024 and 2025. 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 smelting 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 2025, the Group has the following pledged assets:

- (1) The restricted and pledged bank deposits amounting to RMB34,756,000 (2024: RMB21,212,000) were placed as environmental rehabilitation deposits which are restricted as to use, and those of RMB150,000 (2024: Nil) were placed as deposits for temporary business dispute.
- (2) Certain of the Group's properties with an aggregate carrying amount of approximately RMB12,403,000 (2024: Nil) were pledged to secure interest-bearing bank borrowings granted to the Group.
- (3) Certain of the Group's leasehold land with an aggregate carrying amount of approximately RMB33,560,000 (2024: Nil) were pledged to secure interest-bearing bank borrowings granted to the Group.
- (4) Certain of the Group's mining rights with an aggregate carrying amount of approximately RMB271,643,000 (2024: Nil) were pledged to secure interest-bearing bank borrowings granted to the Group.

CONTRACTUAL OBLIGATIONS

As at 31 December 2025, the Group's total capital commitments in respect of the contracted costs which were not provided for in the financial statements were approximately RMB127,187,000 (2024: Nil).

CONTINGENT LIABILITIES

As at 31 December 2025, the Group had no material contingent liabilities.

VI. BUSINESS PROSPECTS

Looking ahead, gold prices will remain closely tied to the evolving geoeconomic environment. Under current conditions, prices largely reflect prevailing macro expectations and may trade within a broad range. A scenario of slowing global growth accompanied by further U.S. interest rate cuts would likely support incremental gains in gold. In the event of a sharper economic downturn or escalation in global risks, gold could deliver strong out performance. By contrast, a successful implementation of U.S. policy measures that boosts growth, strengthens the U.S. dollar, and lifts interest rates could weigh on gold prices. In addition, the direction of gold prices will also depend on how the Iran war evolves. If tensions escalate further or disrupt key energy supply routes, analysts expect gold to remain well supported.

In the year 2026, further to the resumption of production at both the DGZ Mine of Yantai Mujin and the Songjiagou Underground Mine of Yantai Zhongjia and also the completion of the Yantai Audit-Style Support and Supervision Programme for safety inspection in mid-February 2025, the Company expects to benefit from relatively stable production in this year.

Furthermore, the acquisition of Yantai Mujin is expected to generate a promising synergy effect on our existing mine production. Yantai Mujin has planned to complete the infrastructure of HH Mine and CH Mine by the end of February 2027 and the end of December 2027 respectively. In addition, the infrastructure of number 3 shaft of DGZ Mine will be completed in the second quarter of 2028. Thus, we expect that the full operation of Yantai Mujin including all its three mines is expected to commence in the year 2028.

On one hand, we continuously aim to achieve sustainable growth in order to strengthen the Group's position in the Shandong Province. On the other hand, we also actively seek potential gold mine acquisition opportunities in overseas by using the net proceeds raised out of the Placing in October 2025. The Company will release further announcement regarding to the progress of the potential gold mine project acquisitions once confirmed.

Due to a severe accident occurred in a third party mine in Zhaoyuan City, Yantai on 7 February 2026, both Yantai Zhongjia and Yantai Mujin were mandated to cease production immediately. Further actions will be taken upon receipt of the official notice from the Emergency Management Bureau. In March 2026, the Company announced that the Songjiagou Open-Pit Mine and the Songjiagou Underground Mine of Yantai Zhongjia as well as the DGZ Mine of Yantai Mujin have resumed operation and production. With all our mines are operating in normal conditions, the Directors believe that the financial results of the Company is expected to improve starting from the second quarter of the year.

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).

For the period from the Listing Date up to 31 December 2025, the Company has fully utilized all 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 2025 are listed as below:

Business objective as stated in the Prospectus	Percentage of the Net Proceeds	Net Proceeds and utilization			Expected timeline for utilization
		Actual amount available for utilization	Utilized amount as of 31 December 2025	Remaining amount as of 31 December 2025	
		<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Further construction of mining infrastructure in accordance with our mine optimization plan	20.4%	44.5	44.5	0	By June 2025
Upgrade gold reserves to increase LoM through additional exploration activities at our existing mine area	2.0%	4.4	4.4	0	By February 2025
Expand our business through selective acquisitions of gold mining assets	67.6%	147.6	147.6	0	By February 2025
Working Capital	10.0%	21.8	21.8	0	By December 2025
Total	100.0%	218.3	218.3	0	

VIII. USE OF PROCEEDS FROM PLACING

On 25 September 2025, the Company entered into the Placing Agreement with the Joint Placing Agents, pursuant to which the Company has conditionally agreed to place, through the Joint Placing Agents on a best effort basis, up to 400,000,000 Placing Shares at the Placing Price of HK\$1.18 per Placing Share. The final net proceeds from the Placing after deducting all fees, costs and expenses properly incurred by the Company including without limitation, the Joint Placing Agents' commission (fixed and discretionary, if any), the Stock Exchange trading fee, the SFC transaction levy and the AFRC transaction levy and other expenses incurred by the Company in connection with the Placing, are approximately HK\$464.3 million. For the period from the Placing Completion Date up to 31 December 2025, the Company has utilized only HK\$5.1 million net proceeds raised from the Placing.

Intended purposes of placing net proceeds	Percentage of the Net Proceeds	Net Proceeds and utilization			Expected timeline for utilization
		Actual amount available for utilization <i>HK\$ million</i>	Utilized amount as of 31 December 2025 <i>HK\$ million</i>	Remaining amount as of 31 December 2025 <i>HK\$ million</i>	
Potential gold mine project acquisitions	50.0%	232.2	0.00	232.2	By Dec 2026
Acceleration of the Company's business expansion	25.0%	116.1	(0.40)	115.7	By July 2027
General working capital and other general corporate purposes	25.0%	116.1	(4.70)	111.4	By Dec 2027
Total	100.0%	464.3	(5.1)	459.2	

Notes:

1. The Company remains committed to the original allocation of the net proceeds from the Placing.
2. As at 31 December 2025, net proceeds not yet utilized were deposited with a licensed bank in Hong Kong.
3. 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend to the shareholders for the year ended 31 December 2025.

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.

On 11 July 2025, the Company granted a total of 21,000,000 Options to certain Directors and Employee Participants in accordance with the terms of the Share Option Scheme (subject to acceptance by the grantees (the “**Grantee(s)**”)) to subscribe for up to 21,000,000 Shares, representing approximately 1.05% of the total Shares in issue (excluding any treasury Shares). Among the total of 21,000,000 Options granted to the Grantees, 14,020,000 Options were granted to the Directors (the “**Director Grantees**”) and the remaining 6,980,000 Options were granted to the Employee Participants, but not Directors, chief executive nor substantial shareholders of the Company, or their respective associates (as defined in the Listing Rules). Details of the grant are set out in the Company’s announcements dated 11 July 2025.

OVERVIEW OF SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

As disclosed in the Company’s announcement dated 24 February 2025, the Group completed an acquisition during the year ended 31 December 2025 in relation to Yantai Mujin. Upon the completion of the acquisition, the Company, through PRG Res HK 2 Limited and Majestic Yantai Gold Ltd, holds approximately 52.0% of the equity interest in Yantai Mujin and has become its controlling shareholder. Yantai Mujin has therefore become a non-wholly-owned subsidiary of the Company, and its financial results have been consolidated into the financial statements of the Group.

Reference is made to the announcement (the “**Announcement**”) of the Company dated 10 February 2026. Unless otherwise defined herein, capitalised terms used in this section shall have the same meanings as defined in the Announcement.

To advance the Company’s intended use of the net proceeds from the Placing for potential gold mine project acquisitions, the Board wishes to announce that the Group continues to assess additional property acquisition and joint venture opportunities. Representatives of the Group are currently in South Africa attending the Mining Indaba and 121 Mining Investment Conferences, where they are engaging with potential partners and other mining companies.

Save as above, the Group did not have other plans for significant investment, material acquisitions and disposals of subsidiaries, associates and joint ventures.

DETAILS OF SIGNIFICANT EVENTS AFTER THE YEAR

Save aforesaid as disclosed under the heading “OVERVIEW OF SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE”, there were no significant events affecting the Company and its subsidiaries which have occurred since the end of the Year.

PRE-EMPTIVE RIGHTS

There is no provision or regulation for pre-emptive rights under the Company’s articles of association or the Cayman Island laws which requires the Company to issue new shares to the existing shareholders according to their respective proportions of shareholding.

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (collectively, the “**CG Code**”) during the year ended 31 December 2025. No Director is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the CG Code by the Company at any time during the Year, except for certain deviations as specified with considered reasons for such deviations which are explained below.

Chairman and Chief Executive Officer

Under code provision C.2.1 of the CG Code, the roles of the chairman of the Board (the “**Chairman**”) and chief executive officer (the “**CEO**”) of the Company should be separated and should not be performed by the same individual.

The Company has not separated the roles of Chairman and the CEO. Dr. Shao Xuxin (“**Dr. Shao**”) was the Chairman and also the CEO and is responsible for overseeing the operations of the Group. 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 nonexecutive 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.

For details of the corporate governance report, please refer to the annual report to be dispatched to the shareholders in due course.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

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.

After making specific enquiries with all Directors, all Directors confirmed that they have fully complied with the standards required according to the Model Code set out in Appendix C3 to the Listing Rules during the Year. In addition, the Company is not aware of any noncompliance of the Model Code by the senior management of the Group throughout the period from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to (i) review and supervise the Group's financial reporting process and internal control system of the Group, risk management and internal audit; (ii) provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board.

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.

The Audit Committee has reviewed the audited consolidated financial statements of the Group as set out in this results announcement for the Year. The Audit Committee considered that the consolidated financial statements have been prepared in accordance with applicable accounting standards and requirements and appropriate disclosures were made.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the Year (“**2025 AGM**”) will be held on 26 June 2026. A notice convening the 2025 AGM together with the circular of the Company will be published on the Company’s website at www.persistencegold.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 2025 AGM, the register of members will be closed from 23 June 2026 to 26 June 2026, both days inclusive, during which no transfer of shares will be registered.

To be qualified for attending and voting at the 2025 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 22 June 2026.

References to time and dates in this announcement are to Hong Kong time and dates.

PUBLICATION OF FINANCIAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company’s website at www.persistencegold.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the year ended 31 December 2025 will be despatched to the shareholders and available on the same websites in due course.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to the management team and staff for their hard work and contributions, and to the Shareholders, investors and business partners for their trust and support.

By order of the Board
Persistence Gold Group Ltd
Shao Xuxin

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 March 2026

As at the date of this announcement, the Board comprises Dr. Shao Xuxin, Mr. Mackie James Thomas and Mr. Chen Zhuping as executive Directors; Mr. Chen Li Bei as non-executive Director; and Dr. Malaihollo Jeffrey Francis A, Mr. Chan Ngai Fan, Dr. Zeng Ming and Ms. Liu Li as independent non-executive Directors.