潼關黃金集團有限公司

Tongguan Gold Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 340

2021 Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Yeung Kwok Kuen *(Chief Financial Officer)*
Shi Xing Zhi
Shi Sheng Li

Independent Non-executive Directors:

Chu Kang Nam
Liang Xu Shu
Leung Ka Wo

COMPANY SECRETARY

Leung Lai Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1306, 13th Floor
Bank of America Tower
12 Harcourt Road
Admiralty
Hong Kong

AUDITORS

CCTH CPA Limited
Certified Public Accountants
Unit 1510-1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China Limited
Industrial Bank Company Limited
Shanghai Pudong Development Bank

STOCK CODE

00340

COMPANY WEBSITE

www.tongguangold.com

MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to present to our shareholders, the annual report of Tongguan Gold Group Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2021.

RESULTS

For the financial year ended 31 December 2021, the Group recorded a profit for the year amounted to HK$155,300,000 (2020: loss of HK$1,513,000), profit increased by HK$156,813,000 in 2021 from loss of approximately HK$1,513,000 for the corresponding period in 2020. Such an increase in profit is primarily due to increase in overall sales volumes, as well as the improvement on gross profit margins from an increase in grade of ore for production.

Key Performance Indicators (Financial Ratio) ("KPI")

The management considers the following key performance indicators are relevant to the management of its business segments, through evaluating, controlling and setting strategies to improve performance:

		Gold mining operation Year ended 31 December	
	Note	**2021**	2020
Revenue *(HK$'000)*		**681,721**	327,710
Gross profit margin *(%)*	*(i)*	**35%**	22%
Net asset value per share *(HK cents)*	*(ii)*	**64.0**	57.5

Notes:

(i) Gross profit margin is calculated as gross profit divided by revenue.

(ii) Using the number of issued ordinary shares of the Company as at the relevant financial year end date.

The increase in gross profit margin in gold mining operation is mainly due to the increase in grade of ore mined. The Group's net asset value per share increased from HK57.5 cents in 2020 to HK64.0 cents in 2021 as resulted from increase in gross profit margin. Detailed analysis of other KPI is set out in below section.

Administrative and other expenses amounted to approximately HK$60,032,000, representing a decrease of approximately 10% from approximately HK$66,761,000 for the year 2020 and is primarily due to decrease in preliminary expenses incurred in new processing plant in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Gold Mining Operation

The principal activity of the Group's gold mining operation is the production and sale of gold concentrates and related products. For the financial year ended 31 December 2021, the Group's revenue from gold mining operation amounted to approximately HK$681,721,000, representing an increase of approximately 108% from approximately HK$327,710,000 for the year 2020 and is primarily contributed by increase in grade in ores mined and sale volumes following the operation of the new processing plant.

The cost of sales amounted to HK$444,857,000, representing an increase of approximately 74% from approximately HK$255,198,000 for the year 2020 and is in line with the increase in revenue. Gross profit from operations amounted to approximately HK$236,864,000, representing an increase in 227% as compared with approximately HK$72,512,000 for the year 2020. Increase in gross profit margin was mainly attributable to the increase in average grade of ore from 3.23 gram/tonne for the corresponding period in 2020 to 4.87 gram/tonne in 2021.

Details of the exploration, development and mining production activities and a summary of expenditure incurred on these activities during the year ended 31 December 2021 are as below:

I Exploration

Tongguan County Xiangshun Mining Development Co., Ltd. ("Xiangshun Mining")

During the year ended 31 December 2021, combination of pit drilling and tunnel exploration methods are used to carry out exploration activities.

Luonan Jinhui Mining Co., Ltd. ("Jinhui Mining") and Shaanxi Tongxin Mining Co., Ltd. ("Tongxin Mining")

During the year ended 31 December 2021, Jinhui Mining did not carry out any exploration activities. Tongxin Mining has begun the preliminary preparation work for conversion of exploration right to mining right, the delineation of the mining area and the development and utilization plan of mineral resources and the geological environment restoration and management, land reclamation plan have been completed, and environmental assessment report work have been carried out.

Tongguan County De Xing Mining L.L.C. ("De Xing Mining")

During the year ended 31 December 2021, combination of tunnel exploration and pit drilling methods are used to carry out deep exploration activities.

Tongguan Tongjin Mining Company Limited ("Tongjin Mining")

During the year ended 31 December 2021, Tongjin Mining is performing deep pit exploration planning and the use of drilling engineering to control the peripheral veins.

REVIEW OF OPERATIONS *(CONTINUED)*

Gold Mining Operation *(CONTINUED)*

II Development

Xiangshun Mining, Tongxin Mining, De Xing Mining and Tongjin Mining

During the year ended 31 December 2021, Xiangshun Mining, Tongxin Mining, De Xing Mining and Tongjin Mining have appointed several engineering and technical companies and have completed (i) the pit exploration project of approximately 5,661 meters and (ii) the pit drilling project of approximately 13,282 meters.

Jinhui Mining

During the year ended 31 December 2021, Jinhui Mining did not carry out any development activities.

III Mining Production Activities

Xiangshun Mining and De Xing Mining

(1) Mining operation

	Year ended 31 December 2021
Underground mining	
Mine production (thousand tonnes)	300.15
Total mine production (thousand tonnes)	300.15
Average gold grade (gram/tonne)	4.87

(2) Ore processing operation — Concentrating

	Year ended 31 December 2021
Concentrate production — Gold (thousand tonnes)	22.23
Average gold grade (gram/tonne)	63.44
Metal in the concentrate (Kilogram)	1,410.11

REVIEW OF OPERATIONS *(CONTINUED)*

Gold Mining Operation *(CONTINUED)*

III Mining Production Activities *(CONTINUED)*

Jinhui Mining, Tongxin Mining and Tongjin Mining

During the year ended 31 December 2021, there was no mining production.

IV Exploration, development and mining production cost of the Group

Expenses of exploration, development and mining production activities of the Group for the year ended 31 December 2021 are set out as below:

	Mine produced Gold *(HK$'000)*
Exploration and Mining activities	
Exploration and development construction	38,310
Mining ore	231,041
Total	269,351

(Concentrating not included)

Information of the mineral resources and reserves of the gold for the gold mines of the Group as at 31 December 2021 are as below:

JORC Mineral Resources Category	**Inventory** (kt)	**Grade** (g/t Au)	**Contained Metal** (t)	**Contained Metal** (koz)
Indicated	4,022.4	7.31	29.4	1,038
Inferred	1,007.7	6.89	7.0	248

REVIEW OF OPERATIONS *(CONTINUED)*

Gold Mining Operation *(CONTINUED)*

Notes:

1. The resources and reserves stated as above are adjusted by internal geological department based on the consumption deducted from the JORC resources and reserves previously disclosed for respective projects.

2. Mineral reserves were estimated using the following mining and economic factors:

   i. The mining loss rates of 13.8%.

   ii. The dilution rates of 5.5%.

   iii. A 3.5 g/t Au cut-off grade has been applied for mineral reserves and 1.0 g/t Au cut-off grade has been applied for mineral resources.

   iv. Mineral reserves are inclusive of mineral resources.

   v. Gold price of USD1,307.8/oz.

   vi. Rounding might cause some computational discrepancies in totals.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, the Group had total assets and net assets amounted to approximately HK$3,897,027,000 (2020: HK$3,777,831,000) and approximately HK$2,172,375,000 (2020: HK$1,949,138,000), respectively. The current ratio was 0.31 as compared to 0.3 as of last year end date.

As at 31 December 2021, the Group had bank balances and cash of approximately HK$157,700,000 (2020: HK$130,293,000), and most of which were denominated in Renminbi and Hong Kong dollars.

As at 31 December 2021, the Group had bank and other loans of approximately HK$177,019,000 (2020: HK$239,696,000) which were denominated in Renminbi including the fixed rates ranged from 6%-12% (2020: 6%-12%) per annum. For the borrowings under variable rate, the interest rates are loan prime rate ("LPR") +2.025%, LPR +2.088% and LPR +2.95% per annum (2020: LPR+0.95%, LPR+2.025% and LPR+2.088% per annum). The decrease in total borrowings is due to the completion of certain construction projects. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 8.8% (2020: 13.2%).

As at 31 December 2021, the Group had promissory note of approximately HK$57,716,000 (2020: HK$64,288,000). The promissory note with principal amount of HK$80,000,000 carries zero interest and to be due on 9 October 2025.

FOREIGN EXCHANGE RISK MANAGEMENT

As part of the Group's assets and liabilities are denominated in Hong Kong dollars and Canadian dollars in order to minimise the foreign currency risk, the Group aims to utilise the fund for transactions that are denominated in the same currency.

SHARE CAPITAL

As at 31 December 2021, the Company had 3,392,272,221 ordinary shares in issue with total shareholders' fund of the Group amounting to approximately HK$339,227,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the year ended 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had a contingent liability and detail is set out in Note 45 to the consolidated financial statements (2020: detail is set out in Note 45 to the consolidated financial statements).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 11 and 194 employees in Hong Kong and Mainland China respectively.

The staff cost of the Group (including directors' emoluments in form of salary and other benefits, share-based payments, performance related incentive payments and retirement benefit contributions) was approximately HK$24,351,000 for the year ended 31 December 2021 (2020: HK$21,784,000).

Directors' emoluments were fixed with reference to their duties and responsibilities with the Company as well as the Company's remuneration policy.

Employees of the Group are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund for Hong Kong employees, social insurance packages for Mainland China employees, performance bonus and share option scheme.

According to the share option scheme adopted by the Company on 25 May 2012, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties affecting the Group are set out as below.

Global Economic and Macro-Economic Conditions

The Group is engaged in exploration, mining, processing, and sale of gold and related products in China. The Group is facing the fluctuation in the gold price for gold mining business. The affecting factors including but not limited to the stability of the international economic situation and the fluctuation of the global political and social condition and the global gold reserves, all of which are beyond the control of the Group. Decline in gold price may cause pressure on the Company's production and operation. To ensure a stable production, the Company would fully leverage on its technological and managerial strength to raise efficiency and control costs strictly, monitor closely the commodity market and align its production plan and growth strategy.

Investment Risk

Balancing risk and return across investment types and geographic location are key considerations of investment framework. Risk assessment is an important aspect of the investment decision process. Management would regularly review and monitor the progress of the investments of the Group and submit to the board of directors of the Company.

Financial Risk

The Group's major financial instruments include financial assets measured at fair value through other comprehensive income, other receivables, bank balances and cash, other payables, lease liabilities, bank and other borrowings and contingent consideration payable. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Particulars of financial risk management of the Group for the year ended 31 December 2021 and the policies on how to mitigate these risks are set out in Note 38 to the consolidated financial statements. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group encourages environmental protection and complies with environmental legislation and promote awareness towards environmental protection to the employees.

Further information on environmental policy and performance of the Group is set out under the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2021, there has been no claim that the Group has breached any law or regulation, or indeed has exceeded its authority.

KEY RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group understands that it is important to maintain good relationship with its customers and suppliers to fulfil its immediate and long-term goals. During the year ended 31 December 2021, there was no material and significant dispute between the Group and its customers. The Group maintains good relationships with its customers and suppliers during the year ended 31 December 2021. The Group never stops perfecting its procurement process and mechanism. It also insists on the business principles of integrity and trustworthiness to enhance communications with suppliers by all available means, with the goal of seeking mutual benefit and prosperity for all.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

During the financial year under review, the coronavirus pandemic has continued to linger on in Hong Kong and in different parts of the world and the global economy was still adversely affected. Despite the challenging operating environment, our Group has strived to maintain normal operation in most of the time during the period and continued to pursue long-term business growth with sustainable profit growth. The Group has recorded improved profitability in the financial year of 2021 with the momentum of steady growth and the resilient nature of our business amid economic uncertainties.

After the trial running phase in the second half of 2020, the phase one of new processing plant has been fully operated in 2021 which provide the maximum processing capacity at 1,500 tonnes daily. With such increase in application of high-grade ores and the economies of scale brought about by the new processing plant, profitability in 2021 has improved significantly. The Board is confident that this positive trend will continue in the year ahead as production continues to ramp up.

In addition to the above, profitability of the Group also depends on the gold prices in domestic and international markets. The outlook on interest rates and inflation rates have significant roles to play in the global economic environment and stability and in turn, the trend of gold prices ahead. In the previous financial year, the Group sailed through a season of uncertainties in the global economy and we expect this to continue in the year ahead. Looking forward to 2022, the intensifying China-U.S. relations and prospective U.S. monetary policy measures will continue to fuel volatility in the choppy path of global economic recovery. We believe gold's role as a safe haven and store of value will be further enhanced. Therefore, we are confident that the trend of international gold prices will work in our Group's favour. The Group will continue to closely monitor market trends in commodity prices, stay alert and take any actions, if necessary, to control any potential risk.

The Group is committed to being a responsible corporate citizen and to fulfilling its corporate social responsibility while remaining competitive and sustainable in its business development. We have put in place measures in waste and pollution reduction in all our operating plants and strive to ensure workplace safety. We have also provide adequate training to all our workers and employees to improve their knowledge on relevant regulations and standards on environmental issues. To fulfill our corporate social responsibility, the Group continues to encourage and incentivize employees and promote the overall efficiency in our operations.

To conclude, the Group will maintain cautious in view of the ongoing uncertainties in the global market and strive to achieve a stable performance. Also, the Group will continue to seek for optimal investment opportunities to expand the existing gold mining portfolio.

APPRECIATION

On behalf of the board of directors of the Company (the "Board"), I would like to take this opportunity to express my appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

By Order of the Board
Tongguan Gold Group Limited

Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 28 March 2022

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

YEUNG Kwok Kuen

Mr. Yeung Kwok Kuen ("Mr. Yeung"), aged 48, was appointed as an executive director of the Company on 1 December 2014. Mr. Yeung is also the chief financial officer of the Company and a director of several subsidiaries of the Company.

Mr. Yeung graduated from The Chinese University of Hong Kong with a bachelor degree in Professional Accountancy and obtained a master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Yeung has over 20 years of experience in handling accounting and finance matters. Mr. Yeung was previously an executive director of the Company for the period from 17 January 2007 to 28 February 2014, and also held the position as the qualified accountant and chief financial officer of the Company during that period. From 2004 to 2006, Mr. Yeung was the chief financial officer of a trading and manufacturing group and prior to this, Mr. Yeung was the manager of an international accounting firm.

SHI Xing Zhi

Mr. Shi Xing Zhi ("Mr. Shi"), aged 66, was appointed as an executive director of the Company on 21 February 2017. Mr Shi is also a senior technical consultant of a subsidiary of the Company.

Mr. Shi graduated from the Chang An University (長安大學) in 1979. Mr. Shi is a senior geological engineer certified by the State Land and Resources Bureau. From 1980 to 2004, Mr. Shi has held various positions including geological technician, project team leader, project manager, deputy manager of technical department, head engineer, in Shaanxi Province and Guangzhou, the People's Republic of China. From 2005 to 2015, Mr. Shi held various positions at an exploration company in Shaanxi Province including the deputy manager and deputy general manager (technical). From June 2015 to September 2016, Mr. Shi was the head geological engineer of a gold mining company in Gansu Province. Immediately before his appointment as executive director of the Company, Mr. Shi was the senior technical consultant of Tongguan County Xiangshun Mining Development Co., Ltd. (潼關縣祥順礦業發展有限公司), a company which became a subsidiary of the Company since 27 January 2017.

SHI Sheng Li

Mr. Shi Sheng Li ("Mr. Shi SL"), aged 58, was appointed as an executive director of the Company on 14 June 2017. Mr. Shi SL is also a head engineer of a subsidiary of the Company.

Mr. Shi SL graduated from the China University of Geosciences (Beijing) (中國地質大學(北京)). Mr. Shi SL is a senior geological engineer certified by the Senior Professional Qualification of Shaanxi Provincial People's Government (陝西省人民政府高級專業技術任職資格). From 1985 to 2011, Mr. Shi SL has held various positions including geological technician, project team leader and project manager in Northwest Nonferrous Geological Bureau Team 712 in the PRC. From November 2011 to November 2013, Mr. Shi SL was the head engineer of a gold mining company in Tongguan County of Shaanxi Province. Immediately before his appointment as the executive director of the Company, Mr. Shi SL was the senior geological engineer of Tongguan County Xiangshun Mining Development Co., Ltd. (潼關縣祥順礦業發展有限公司), a company which became a subsidiary of the Company since 27 January 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHU Kang Nam

Mr. Chu Kang Nam ("Mr. Chu"), aged 65, was appointed as an independent non-executive director of the Company on 16 May 2007.

Mr. Chu graduated from Xiamen University with a Bachelor of Arts degree, and thereafter, has lectured at the Xiamen University. Mr. Chu has worked in government departments of the Fujian Province of the PRC for the period from June 1984 to November 1989, responsible for research and management positions in economics and foreign trade areas. Mr. Chu has also assumed senior management positions at various trading and retail companies since December 1989. In September 1995, he was employed as a research analyst at the Fujian Provincial Government Development Research Centre. Mr. Chu has over 20 years of management and operation experience in the areas of economics and trading.

LIANG Xu Shu

Mr. Liang Xu Shu ("Mr. Liang"), aged 55, was appointed as an independent non-executive director of the Company on 14 June 2017.

Mr. Liang graduated from University of Science and Technology Beijing（北京科技大學）. Mr. Liang has also obtained a master's degree and a doctorate degree in Engineering from University of Science and Technology Beijing（北京科技大學）. Mr. Liang has over 20 years of management and operation experience in the gold mining industry. From 1993 to 2000, Mr. Liang held various positions at China National Gold Group Corporation（中國黃金集團公司）including the supervisor, deputy manager and senior engineer. From 2001 to 2007, Mr. Liang was a deputy head engineer and production technology manager in Zhongjin Gold Corporation Limited（中金黃金股份有限公司）. From 2007 to 2014, Mr. Liang was a general manager of two mining investment companies in the PRC. From 2015 to 2016, Mr Liang was a general manager of Zhongjin Golden Valley Fund Management Co., Ltd.（中金金谷基金管理有限公司）. Currently, he is a vice secretary of China Occupational Safety and Health Association（中國職業安全健康協會）and the chairman of China Occupation Safety and Health (Beijing) Technology Development Co., Ltd.（中職安健（北京）科技發展有限公司）.

LEUNG Ka Wo

Mr. Leung Ka Wo ("Mr. Leung"), aged 48, was appointed as an independent non-executive director of the Company on 25 August 2017.

Mr. Leung is currently a director and chief financial officer of China TX IIOT Group (Hong Kong) Limited. He holds a Bachelor of Business Administration degree from Seattle University. Mr. Leung is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, certified public accountant of the American Institute of Certified Public Accountants and certified public accountant in the State of California in the United States of America. During the period from 14 June 2017 to 19 June 2019, Mr. Leung was an independent non-executive director of Rui Feng Group Holdings Company Limited (Formerly known as China Hanya Group Holdings Limited) (Stock Code: 8312), a company listed on The GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and delisted since 9 July 2019.

SENIOR MANAGEMENT

LEUNG Lai Ming

Ms. Leung Lai Ming ("Ms. Leung"), aged 45, is the company secretary and senior accounting manager of the Company. Ms. Leung graduated from The Hong Kong Polytechnic University with a bachelor degree in Accountancy. Ms. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). Ms. Leung has 20 years of experience in handling accounting matters and extensive experience in company secretarial practice. Ms. Leung joined the Company in July 2007. Ms. Leung is also a director of several subsidiaries of the Company.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company has a policy of seeking to comply with the established best practice in corporate governance. The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of its shareholders. For the year ended 31 December 2021, the Company has applied the principles of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") (the "Code"), and the associated Listing Rules. During the year ended 31 December 2021, the Company has complied with the code provisions of the Code ("Code Provision(s)"), except for certain deviations as specified and explained below with considered reasons for such deviations.

1. Under Code Provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same person.

   Since the resignation of Dr. You Xian Sheng as the chairman and the executive director of the Company on 31 January 2014, the Company has not appointed a new chairman of the Board (the "Chairman"). Until the appointment of the new Chairman, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board.

   Since the resignation of Mr. Wang Hui as the chief executive officer of the Company (the "Chief Executive Officer") on 1 June 2016, the Company has not appointed a new Chief Executive Officer. Until the appointment of the new Chief Executive Officer, the executive directors of the Company, possessing extensive relevant industry knowledge, collectively oversee the day-to-day management of the business and operations of the Group.

   The Board believes that this arrangement still enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

   The Board will review the current situation from time to time and shall make necessary arrangements when the Board considers appropriate.

2. Under Code Provision A.2.7 of the Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.

   Since the resignation of Dr. You Xian Sheng as the chairman and the executive director of the Company on 31 January 2014, the Company has not appointed a new Chairman, no meeting was held between the Chairman and the independent non-executive directors of the Company without the presence of other directors of the Company during the year ended 31 December 2021.

3. Under Code Provision E.1.2 of the Code, the Chairman should attend the annual general meeting. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014, Mr. Yeung Kwok Kuen, the executive director of the Company, has been elected by other directors of the Company present to act as the chairman of the annual general meeting of the Company held on 28 May 2021 in accordance with the Bye-laws of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES *(CONTINUED)*

4. Under Code Provision F.1.3 of the Code, the company secretary should report to the board chairman and/or the chief executive officer. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014 and the new Chief Executive Officer has not been appointed following the resignation of Mr. Wang Hui as the Chief Executive Officer on 1 June 2016, the company secretary of the Company reported to the executive directors of the Company since 1 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors of the Company regarding any non-compliance with the Model Code and its code of conduct regarding directors' securities transaction during the year ended 31 December 2021, and they all confirmed that they had fully complied with the required standards set out in the Model Code.

BOARD OF DIRECTORS

Composition

Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Yeung Kwok Kuen, *Chief Financial Officer*
Shi Xing Zhi
Shi Sheng Li

Independent Non-executive Directors:

Chu Kang Nam
Liang Xu Shu
Leung Ka Wo

The biographical details of the directors of the Company are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

BOARD OF DIRECTORS *(CONTINUED)*

Composition *(CONTINUED)*

The composition of the Board is well balanced with the directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

There is no relationship among the members of the Board.

During the year ended 31 December 2021, the Board had at all times at least three independent non-executive directors of the Company and at least one independent non-executive director of the Company who has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the independent non-executive directors of the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors of the Company to be independent.

Board Responsibilities and Delegation

The principal roles of the Board are to oversee the strategic development, to determine the objectives, strategies and policies of the Group, to monitor and control the financial performance and to ensure effective internal controls and risk management. Implementation of strategies and day-to-day operations are delegated to the management. In order to better understand the respective accountabilities and contributions of the Board and management, the Company has adopted written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

Board Meetings and General Meetings

During the year, a total of seven Board meetings (including four regular meetings) were held and the attendance records are as follows:

Name of Directors	**Number of Board Meetings Attended/Held**
Yeung Kwok Kuen	7/7
Shi Xing Zhi	7/7
Shi Sheng Li	7/7
Chu Kang Nam	7/7
Liang Xu Shu	7/7
Leung Ka Wo	6/7

BOARD OF DIRECTORS *(CONTINUED)*

Board Meetings and General Meetings *(CONTINUED)*

During the year, one general meeting of the Company was held and the attendance records are as follows:

Name of Directors	Number of General Meeting Attended/Held
Yeung Kwok Kuen	1/1
Shi Xing Zhi	1/1
Shi Sheng Li	1/1
Chu Kang Nam	1/1
Liang Xu Shu	1/1
Leung Ka Wo	1/1

Induction and Professional Development

Upon appointment to the Board, each director of the Company is provided with guideline and reference materials to enable them to be familiarised with the Group's business operations and Board's policies, as well as the general and specific duties of directors under general law (the common law and legislation) and the Listing Rules.

The directors of the Company have participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The continuous professional development programme comprised training seminars provided by professional bodies and reading regulatory updated materials. The costs for such trainings are borne by the Company.

During the year, all directors of the Company have participated in continuous professional development by reading regulatory updated materials and materials relevant to the Company's business, director's duties and responsibilities (including the director training webcasts and the directors' e-training launched by the Stock Exchange) and provided a record of training they received to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014, the Company has not appointed a new Chairman. Since the resignation of Mr. Wang Hui as the Chief Executive Officer on 1 June 2016, the Company has not appointed a new Chief Executive Officer.

The roles of Chairman and Chief Executive Officer are clearly defined by written terms of reference adopted by the Company in order to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Chairman and the Chief Executive Officer are independent and not connected with each other except for being officers of the same company.

NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company were appointed for an initial term of one year. All directors of the Company appointed during the year are subject to re-election by shareholders of the Company at the next general meeting after their appointment and every director of the Company (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in 2005. The current members of the Remuneration Committee are:

Chu Kang Nam, *Independent Non-executive Director, Chairman of the Remuneration Committee*
Liang Xu Shu, *Independent Non-executive Director*
Leung Ka Wo, *Independent Non-executive Director*
Yeung Kwok Kuen, *Executive Director*

The Remuneration Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Remuneration Committee is primarily responsible for the following duties:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to consult the chairman of the Board and/or the chief executive of the Company about their remuneration proposals for other executive directors of the Company;

4. to make recommendations to the Board on the remuneration packages of individual executive directors and senior management of the Company;

   This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

5. to make recommendations to the Board on the remuneration of non-executive directors of the Company;

6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

REMUNERATION COMMITTEE *(CONTINUED)*

7. to review and approve the compensation payable to executive directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and is otherwise fair and not excessive;

8. to review and approve compensation arrangements relating to dismissal or removal of directors of the Company for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

9. to ensure that no director of the Company or any of his associates is involved in deciding his own remuneration; and

10. to deal with any other matters delegated by the Board.

The Remuneration Committee met two times during the year to approve discretionary bonus payment to the executive directors and member of the senior management of the Company and review the special discretionary payments to the independent non-executive directors of the Company.

Individual attendance of each member of the Remuneration Committee during the year ended 31 December 2021 is set out below:

Name of Members	**Number of Remuneration Committee Meetings Attended/Held**
Chu Kang Nam	2/2
Liang Xu Shu	2/2
Leung Ka Wo	2/2
Yeung Kwok Kuen	2/2

Details of the emoluments of the directors of the Company for the year ended 31 December 2021 are set out in note 12 to the consolidated financial statements.

Senior Management Remuneration By Band

The emolument of the member of the senior management of the Group for the year ended 31 December 2021 fell within the following band:

Emolument band *(Note)*	**Number of individual**
HK$0 — HK$1,000,000	1

NOMINATION COMMITTEE

The Company established the Nomination Committee in March 2012. The current members of the Nomination Committee are:

Chu Kang Nam, *Independent Non-executive Director, Chairman of the Nomination Committee*
Liang Xu Shu, *Independent Non-executive Director*
Leung Ka Wo, *Independent Non-executive Director*

The Nomination Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Nomination Committee is primarily responsible for the following duties:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive directors of the Company;

4. to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive of the Company;

5. to make recommendations to the Board on the membership of Board committees e.g. audit committee and remuneration committee, in consultation with the chairman of the Board and the chairmen of such committees, as appropriate;

6. before recommending an appointment of the Board, to evaluate the existing balance of skills, knowledge and experience on the Board, and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment; and

7. to deal with any other matters delegated by the Board.

The Nomination Committee met two times during the year to review the size, composition and structure of the Board, assess the independence of the independent non-executive directors of the Company and review the suitability of the directors of the Company proposed for re-election at the annual general meeting.

NOMINATION COMMITTEE *(CONTINUED)*

Individual attendance of each member of the Nomination Committee during the year ended 31 December 2021 is set out below:

Name of Members	Number of Nomination Committee Meetings Attended/Held
Chu Kang Nam	2/2
Liang Xu Shu	2/2
Leung Ka Wo	2/2

Each director of the Company appointed during the year is subject to re-election by shareholders of the Company at the next general meeting of the Company after his appointment and every director of the Company (including those appointed for a specific term) is subject to retirement by rotation at least once every three years in accordance with the Bye-laws of the Company.

No director of the Company is involved in fixing his own terms of appointment and nominations and no independent non-executive director of the Company is involved in assessing his own independence.

Summary of the Board Diversity Policy

The Company recognises and embraces the benefits of diversity in the members of the Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of directors, in terms of skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be taken into account in determining the optimum composition of the Board. The Nomination Committee will discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption.

The Nomination Committee will report annually on the composition of the Board under diversified perspectives and monitor the implementation of this policy to ensure the effectiveness of this policy.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions including, but not limited to, developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors, the Company's policies and practices in compliance with legal and regulatory requirements.

The Board has adopted terms of reference of the Board on corporate governance which in line with the Code in March 2012.

Summary of the terms of reference on corporate governance are as follows:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of directors and senior management of the Company;

CORPORATE GOVERNANCE FUNCTIONS *(CONTINUED)*

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. to review the Company's compliance with the Code and disclosures in the corporate governance report of its annual reports.

During the year, the Board reviewed and discussed the corporate governance policy and practices of the Company and the Board discharged the abovesaid responsibilities or through delegation to the Audit Committee, Remuneration Committee and Nomination Committee during the year.

AUDIT COMMITTEE

The Company established the Audit Committee in 1998. The current members of the Audit Committee are:

Leung Ka Wo, *Independent Non-executive Director, Chairman of the Audit Committee*
Chu Kang Nam, *Independent Non-executive Director*
Liang Xu Shu, *Independent Non-executive Director*

The Audit Committee has adopted terms of reference which are in line with the Code. A copy of the terms of reference is posted on the Company's website.

The Audit Committee is primarily responsible for the following duties:

1. to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectively and the effectiveness of the audit process in accordance with applicable standard, to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

3. to develop and implement policy on the engagement of an external auditor to supply non-audit services, to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

AUDIT COMMITTEE *(CONTINUED)*

5. regarding No. (4) above:

   i. to liaise with the Board and senior management of the Company and to meet, at least twice a year, with the Company's external auditors; and

   ii. to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, to give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

6. to review the Company's financial control, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

7. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

8. to consider major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

9. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

10. to review the Group's financial and accounting policies and practices;

11. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

12. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

13. to report to the Board on the matters set out in Appendix 14 of the Listing Rules "Corporate Governance Code and Corporate Governance Report";

14. to consider the major findings of internal investigations and management's response;

15. to consider other topics, as defined by the Board or handle the job assigned by the Board;

16. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

17. to act as the key representative body for overseeing the Company's relations with the external auditor.

AUDIT COMMITTEE *(CONTINUED)*

The Audit Committee met four times during the year to review the Group's annual and interim financial statements, review the external auditor's plan for the audit of the Group's accounts, review the internal control procedures and the financial reporting systems of the Group, make recommendations with respect to the appointment and reappointment of the auditors of the Company and review the risk management and internal control review plan and reports.

Individual attendance of each member of the Audit Committee during the year ended 31 December 2021 is set out below:

Name of Members	Number of Audit Committee Meetings Attended/Held
Leung Ka Wo	4/4
Chu Kang Nam	4/4
Liang Xu Shu	4/4

The financial statements for the year ended 31 December 2021 have been reviewed by the Audit Committee.

AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the Group engaged CCTH CPA Limited ("CCTH"), auditors of the Company and BDO Limited ("BDO") to perform audit services. The fees were as follows:

Nature of services	Name of auditors	Amount *HK$'000*
Audit services in relation to annual results	CCTH	1,380
Others – outlays for the financial year ended 31 December 2020	BDO	61
		1,441

Note: CCTH were appointed as auditors of the Company on 21 January 2022. BDO was resigned as the auditors of the Company on 29 December 2021.

COMPANY SECRETARY

Ms. Leung Lai Ming ("Ms. Leung") was appointed as the company secretary of the Company on 16 July 2007. The biographical detail of Ms. Leung is set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

For purpose of the Rule 3.29 of the Listing Rules, Ms. Leung has taken not less than 15 hours of relevant professional training for the year ended 31 December 2021.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to the Bye-laws of the Company, a special general meeting of the Company ("SGM") can be convened by a written requisition signed by the shareholder(s) of the Company holding not less than one-tenth of the paid-up share capital of the Company carrying the right of voting at general meetings of the Company, stating the objects of the meeting, and deposited at the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong for the attention of the Board or the company secretary of the Board. Such meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting should be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, but any meeting so convened shall not be held after the expiration of three months from the said date.

Putting forward proposals at shareholders' meetings

The procedures for shareholder(s) to put forward proposals at SGM include a written notice of those proposals being submitted by the shareholder(s) of the Company, addressed to the Board or the company secretary of the Board at the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong.

The procedures for shareholders of the Company to propose a person for election as a director of the Company are available on the Company's website.

Enquiries to the Board

Shareholders of the Company may at any time send their enquiries and concerns to the Board in writing to the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

Information of the Group is delivered to the shareholders of the Company through a number of channels, which include annual reports, interim reports, announcements and circulars at the Company's website. The latest information of the Group together with the published documents are also available on the Company's website.

The general meeting of the Company provides a forum for communication between the Board and the shareholders of the Company. The Board members or their delegates are available to answer questions at the general meeting.

There had been no change in the Company's constitutional documents during the year ended 31 December 2021.

Shareholders of the Company should direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

Shareholders of the Company can mail other enquiries or comments to the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong or sent through email to enquiry@tongguangold.com.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

(CONTINUED)

Dividend Policy

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders"), provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group.

The Dividend Policy which aims to provide the Shareholders with a target annual dividend payout of approximately 20% of the net profit attributable to the Shareholders in any financial year, whether as interim and/or final dividends, the declaration and payment of dividends being determined at the sole discretion of the Board. The total dividend recommended, declared or paid in any financial year shall not exceed 30% of the total net profit attributable to the Shareholders, unless otherwise approved by the Board.

In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board shall also take into account, inter alia:—

(i) the actual and expected financial performance and financial conditions of the Group;

(ii) retained earnings and distributable reserves;

(iii) results of operation and cash flow;

(iv) the level of the Company's debts to equity ratio and return on equity;

(v) the ability of the Company's subsidiaries to make dividend payments to the Company;

(vi) restrictions on payment of dividends that may be imposed on the Company by any of its financing arrangements;

(vii) the Group's expected working capital requirements, the Group's expected capital expenditure, future expansion, other investment plans and other funding requirements;

(viii) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group, including such legal or contractual restrictions as may apply from time to time or which the Directors may consider appropriate in the interest of the Company; and

(ix) such other factors that the Directors deem appropriate.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

RISK MANAGEMENT AND INTERNAL CONTROLS

It is the policy of the Company to maintain a sound and effective risk management and internal control systems to safeguard the shareholders' investment and the Group's assets. No risk committee has been established and the Board is responsible for the risk management and internal control systems of the Group and reviewing their effectiveness and oversees the management of the Group in the design, implementation and monitoring of the risk management and internal control systems of the Group. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board continuously monitors the Group's risk management framework, reviews the Group significant risks and conducts an annual review of the effectiveness of the risk management and internal control systems. The Board determines the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group. The Group's risk management and internal control systems include, among others, the relevant financial, operational and compliance control and risk management procedures or policies, a well-established organizational structure with clearly defined lines of responsibilities and authorities. Each department is accountable for its daily operations and is required to implement the policies adopted from the Board from time to time.

The Board have reviewed the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2021, which covered all material controls, including financial, operational and compliance controls and risk management of the Group and considered that they are effective and adequate. The Board is also of the opinion that the resources for and qualifications of staff of the Company's accounting, internal audit and financial reporting functions are adequate and sufficient.

The Company does not have internal audit department and the company secretary of the Company are responsible to perform the internal audit function during the year ended 31 December 2021 according to an annual plan and routine checking. The Company would review the arrangement of the internal audit function from time to time. The Audit Committee have reviewed the Company's internal audit function and the risk management and the internal control systems for the year ended 31 December 2021 and considered that they are effective and adequate.

The Board approved and adopted an inside information policy and procedures for the handling and dissemination of inside information. The inside information policy provide the guidelines to the directors, management and relevant staff (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The procedures include, among others, regularly remind the directors, management and relevant staff about the compliance with the securities dealing restrictions as set out in the Model Code (Appendix 10 of the Listing Rules) and the notification of the regular "Blackout Period".

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The directors of the Company acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and any other rules and statutory requirements. The directors of the Company are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable; and the accounts are prepared on a going concern basis.

The responsibility of the external auditor of the Company is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the external auditors of the Company about their reporting responsibility is set out under the section headed "Independent Auditor's Report" of this annual report.

On behalf of the Board
Tongguan Gold Group Limited

Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 28 March 2022

DIRECTORS' REPORT

The directors of the Company submit herewith their annual report together with the audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 40 to the consolidated financial statements.

Further discussion and analysis of business review of the Group as required by Schedule 5 to the Company Ordinance (Chapter 622 of the laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, is set out under the section headed "Management Discussion and Analysis" of this annual report. This discussion forms part of this Directors' Report.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 and the Group's affairs as at that date are set out in the consolidated financial statements on pages 93 to 167.

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2021.

RESERVES

Movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 97 of this annual report.

DONATION

Donations made for charitable purposes by the Group during the year amounted to HK$361,000 (2020: HK$Nil).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to shareholders, comprising contributed surplus and retained earnings, amounted to approximately HK$320,239,000 (2020: HK$319,862,000).

The Company's contributed surplus represents the special reserve arising upon the reorganisation of the Company. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of its assets would thereby be less than its liabilities.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 15 to the consolidated financial statements.

DIRECTORS

The directors of the Company who were in office during the financial year and up to the date of this report were:

Executive Directors

Yeung Kwok Kuen *(Chief Financial Officer)*
Shi Xing Zhi
Shi Sheng Li

Independent Non-executive Directors

Chu Kang Nam
Liang Xu Shu
Leung Ka Wo

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Accordingly, Mr. Yeung Kwok Kuen and Mr. Shi Xing Zhi will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Yeung Kwok Kuen and Mr. Shi Xing Zhi, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2021, the interests or short positions of the directors and chief executives of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follow:

Interests in underlying shares of the Company — share options

Name of Directors	Number of share options	% of total issued ordinary shares of the Company
Yeung Kwok Kuen	10,000,000	0.29%
Shi Xing Zhi	12,000,000	0.35%
Shi Sheng Li	12,000,000	0.35%
Chu Kang Nam	1,000,000	0.03%
Liang Xu Shu	1,000,000	0.03%
Leung Ka Wo	1,000,000	0.03%

Save as disclosed above, as at 31 December 2021, none of the directors and chief executives of the Company or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2021, persons (other than directors or chief executives of the Company as disclosed above) who had interests or short positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in shares of the Company

Name of Shareholders	Capacity	Class of shares of the Company	Number of shares held	% of total issued share capital of the relevant class of shares *(Note 1)*
Huang Aidong	Interest in controlled corporation	Ordinary	508,334,000 *(Note 2)*	14.99%
Hu Jianzhong	Interest in controlled corporation	Ordinary	470,000,000 *(Note 3)*	13.86%
Lin Eddie Chang	Interest in controlled corporation	Ordinary	330,000,000 *(Note 4)*	9.73%
Lin Yuhua	Interest in controlled corporation	Ordinary	185,250,000 *(Note 5)*	5.46%
Ho Ping Tanya	Beneficial owner	Ordinary	330,000,000	9.73%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2021, which was 3,392,272,221.

2. These ordinary shares are held by Profit Linkage Enterprises Limited which is 100% beneficially owned by Ms. Huang Aidong.

3. These ordinary shares are held by Golden Blossom Investment Limited which is 100% beneficially owned by Mr. Hu Jianzhong.

4. These ordinary shares are held by Fung Wai Enterprises Ltd. which is 100% beneficially owned by Mr. Lin Eddie Chang.

5. These ordinary shares are held by Supreme Success Group Limited which is 100% beneficially owned by Ms. Lin Yuhua.

SHARE OPTION SCHEME

Pursuant to ordinary resolutions of the shareholders of the Company passed on 25 May 2012, the Company adopted a new share option scheme (the "New Share Option Scheme").

Particulars of the New Share Option Scheme are set out in note 33 to the consolidated financial statements.

Summary of main terms of the New Share Option Scheme are as follows:

1. The purpose of the New Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

2. The participants of the New Share Option Scheme are: (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or an entity in which any member of the Group holds any interest from time to time ("Invested Entity"); (ii) any discretionary trust who discretionary objects include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and (iii) the option may be granted to any corporation wholly-owned by any person mentioned in (i).

3. As at 28 March 2022, the total number of ordinary shares of HK$0.1 each in the capital of the Company ("Shares") available for issue under the New Share Option Scheme was 339,227,222 representing approximately 10% of the issued ordinary share capital of the Company.

4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued ordinary share capital of the Company from time to time.

5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.

6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.

7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations on the date of grant which must be a business day, (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.

8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 25 May 2012.

SHARE OPTION SCHEME *(CONTINUED)*

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the New Share Option Scheme for the year ended 31 December 2021 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options cancelled during the year	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share options granted in 2018										
Directors										
Yeung Kwok Kuen	7 December 2018	*(Note 1)*	10,000,000	–	–	–	10,000,000	HK$0.52	HK$0.51	–
Shi Xing Zhi	7 December 2018	*(Note 1)*	12,000,000	–	–	–	12,000,000	HK$0.52	HK$0.51	–
Shi Sheng Li	7 December 2018	*(Note 1)*	12,000,000	–	–	–	12,000,000	HK$0.52	HK$0.51	–
Chu Kang Nam	7 December 2018	*(Note 1)*	1,000,000	–	–	–	1,000,000	HK$0.52	HK$0.51	–
Liang Xu Shu	7 December 2018	*(Note 1)*	1,000,000	–	–	–	1,000,000	HK$0.52	HK$0.51	–
Leung Ka Wo	7 December 2018	*(Note 1)*	1,000,000	–	–	–	1,000,000	HK$0.52	HK$0.51	–
			37,000,000	–	–	–	37,000,000			
Former directors *(Note 2)*	7 December 2018	*(Note 1)*	4,000,000	–	–	–	4,000,000	HK$0.52	HK$0.51	–
Employees in aggregate	7 December 2018	*(Note 1)*	9,000,000	–	–	–	9,000,000	HK$0.52	HK$0.51	–
			50,000,000	–	–	–	50,000,000			

The options granted to the directors of the Company are registered under the names of the directors of the Company who are also the beneficial owners.

* Being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

Notes:

1. Exercisable from 7 December 2018 to 6 December 2023.
2. (a) 3,000,000 share options was granted to Mr. Fang Yi Quan on 7 December 2018 and Mr. Fang Yi Quan was resigned as a director of the Company on 22 November 2019.

   (b) 1,000,000 share options was granted to Mr. Ngai Sai Chuen on 7 December 2018 and Mr. Ngai Sai Chuen was retired and resigned as a director of the Company on 29 May 2020 (Annual general meeting of the Company).
3. The share options granted are vested upon granted.

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 4 and 33 to the consolidated financial statements respectively.

Apart from the foregoing, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws of the Company, every director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The permitted indemnity provision is in force for the benefit of the directors of the Company as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Directors' report is approved in accordance with section 391(1)(a) of the Companies Ordinance.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors of the Company and officers of the Group throughout the year ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" above, no equity-linked agreements were entered into by the Group, or existed during the year.

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

The Company has not redeemed any of its listed securities during the year ended 31 December 2021. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

CONNECTED TRANSACTION

None of the "Related party transactions" as disclosed in note 43 to the consolidated financial statements for the year ended 31 December 2021 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent of the above "Related party transactions" constituted connected transaction as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	97%	
Five largest customers in aggregate	100%	
The largest supplier		44%
Five largest suppliers in aggregate		66%

Sales to the five largest customers of the Company accounted for 100% of the Company's sales and related to the sale of gold concentrates. Due to the fact that pricing for the Company's gold concentrates products is based on prevailing market prices in accordance with the contract with the customers, the Company does not consider there to be any risks associated with reliance on major customers. The Company considers that its pricing structure based on prevailing gold prices mitigates against any adverse effects from concentration to few customers. The Company would continue explore business opportunities with other potential customers.

At no time during the year have the directors of the Company, their close associates or any shareholders of the Company (which to the knowledge of the directors of the Company owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

COMPETING INTEREST

None of the directors of the Company or their respective close associates had any interest in a business which competes with or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their respective shareholdings in the Company if new shares of the Company are issued.

TAX RELIEF

The Company is not aware of any relief on taxation available to the shareholders by reason of their holding of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2021 are set out in note 26 to the consolidated financial statements.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 168 of this annual report.

RETIREMENT SCHEMES

Details of the retirement benefit schemes operated by the Group are set out in note 42 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors of the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors of the Company to be independent.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out under the section headed "Corporate Governance Report" of this annual report.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2021 have been audited by CCTH CPA Limited ("CCTH"). CCTH were appointed as auditors of the Company on 21 January 2022 for the financial year ended 31 December 2021 upon the resignation of BDO Limited, who have acted as auditors of the Company for the financial years ended 31 December 2020 and 2019.

CCTH will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of CCTH as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Tongguan Gold Group Limited

Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 28 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. PREAMBLE

Tongguan Gold Group Limited (the "Company") and its subsidiaries (collectively, the "Group") have long been committed to implementing its sustainability strategies and fulfilling its environmental and social responsibilities in business operations. As a responsible enterprise engaged in the gold exploration, development and mining production activities, the Group upholds the Responsible Gold Mining Principles, namely Ethical Conduct, Understanding Our Impacts, Responsible Supply Chain, Promoting Safety and Health, Respecting Human Rights and Resolving Conflict, Treating Labours with Respect, Working with Communities, Fulfilling Environmental Responsibilities, Protecting Biodiversity, Land Use and Mine Closure, and Addressing Water, Energy and Climate Change Related Risks, and has been making a comprehensive and ongoing effort that spans various functions and involves a high level of external collaboration, robust governance and efficient project management. The Group is aware that the pursuit of responsible gold mining practices is not without the consideration of environmental protection and social wellbeing of our employees as well as our partners and communities associated with its business activities.

In March 2021, China rolled out its 14th Five-Year Plan (FYP) (2021–2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035, which reaffirmed its determination and ambition to implement a sustainable development strategy, improve the mechanism for improving ecological civilisation, establish an ecological civilisation system, accelerate the prosperity of green economy and society, and move towards the goal of building a Beautiful China（美麗中國）. As environmental, social and governance ("ESG") concept is increasingly important on the stage of global business development, the Group has been endeavouring to stand out in all three areas and will continue its efforts to make its operations more sustainable and resilient.

II. ABOUT THIS REPORT

In strict compliance with the requirement under Appendix 27 – Environmental, Social and Governance Reporting Guide ("ESG Guide") of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Group is pleased to present its seventh ESG Report to further demonstrate the Group's initiatives, programmes and performance in terms of sustainable development for the year ended on 31 December 2021 ("FY2021").

Reporting scope and boundary setting

Under the Operational Control Approach, the Group defines its reporting boundary by first considering its full spectrum of operating entities during the year under review and the ESG report primarily covers the Group's major business activities and management policies of its gold mining operations and office operations in the People's Republic of China (the "PRC") and Hong Kong. The reporting period of this ESG report is for the financial year 2021, from 1 January 2021 to 31 December 2021, unless specifically stated otherwise. For the corporate governance section, please refer to the Group's Annual Report 2021 (Page 14 to 28).

II. ABOUT THIS REPORT *(CONTINUED)*

Reporting Principles

The ESG Report has been prepared with reference to the Reporting Principles set forth in the ESG Guide of the Stock Exchange. The content of the ESG Report was determined, organised and presented under the principles of Materiality, Quantitative, Balance and Consistency, which were applied throughout the entire reporting process.

Materiality:

The Group adopted the principle of Materiality in defining its reporting boundary as well as determining the ESG issues and associated risks and opportunities that are significant and relevant to the Group's long-term value creation. In FY2021, the Group engaged with its key stakeholder representatives in an annual survey, soliciting their feedback about the Group's ESG management and material ESG risks and opportunities with reference to the procedures and principles recommended by the GRI Standards in choosing materials topics. To be valuable, credible and useful, the content of the ESG report as well as its reporting process has been based on a holistic approach that takes Materiality into considerations.

Quantitative:

The Group gathered and disclosed its ESG performance in accordance with the quantitative Key Performance Indicators ("KPIs") set forth in the ESG Guide. Specifically, the Group generated a comprehensive picture of its environmental and social performance by quantifying its performance and progress, including Greenhouse Gas (GHG) emissions, use of resources, number of employees, training time, etc, which have been laid out in different sections of the ESG Report.

Balance:

To delineate a balanced sustainability profile, the Group has unveiled its achievements in sustainable development and potential ESG-related risks including climate risks that the Group is or will possibly be facing in the long run in a transparent and impartial manner.

Consistency:

Over these years, the Group has adopted a coherent set of methodologies, frameworks and process for the reporting work on its ESG performance with gradual improvements that enable readers to have a clearer picture of the Group's sustainable development. The Group has referred to the framework and requirements of the ESG Guide in structuring information disclosure, made an assessment of its GHG profile in accordance with well-recognised standards including the recommendations in "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

Information disclosure

The information in the ESG Report was gathered through numerous channels, including official documents and statistics of the Group, the integrated information of supervision, management and operation in accordance with the relevant policy, the internal quantitative and qualitative questionnaires based on the reporting framework, and sustainability practices provided by different subsidiaries of the Group. A complete content index is available at the end of the ESG report for readers' convenience to check its integrity. This ESG report was written in both English and Chinese. If there is any conflict or inconsistency, the English version shall prevail.

III. ESG MANAGEMENT STRATEGY

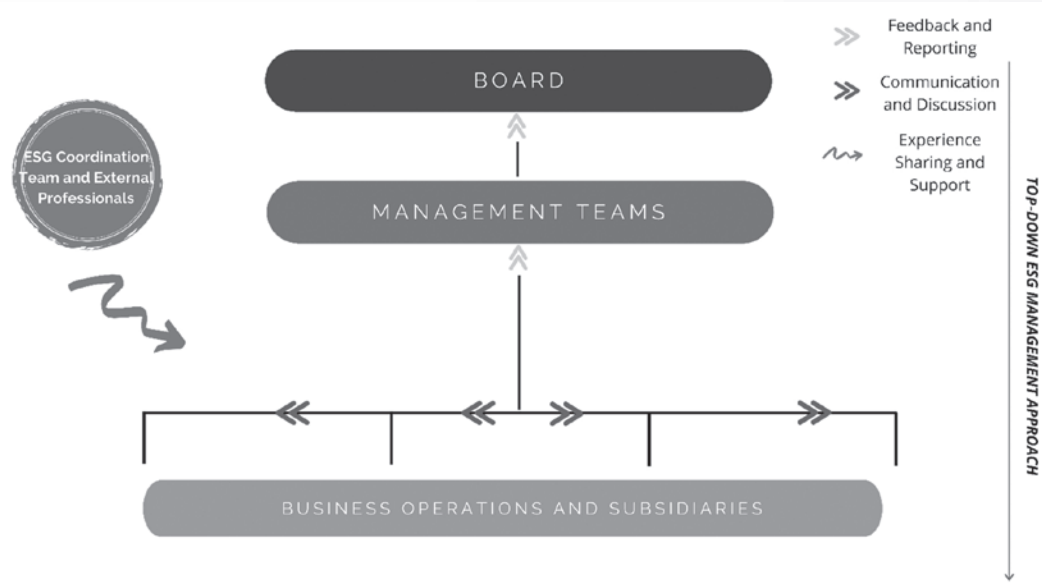
Adhering to the sustainability principle, namely "promoting environmental education, improving environmental management system, strengthening assessment and supervision, optimising governance framework, implementing accountability mechanism in delivering environmental target, exploring the application of clean energy, building a "green" corporate culture, accelerating technological transformation and innovation, and transforming into intensive pollution control mode", the Group's sustainability vision has been led by its objective to create long-term value for all stakeholders, and practised by embedding environmental, social and economic considerations into all its business operations and decisions.

As part of its governance framework, an ESG management approach has been built and implemented from the top to bottom within the Group. The Board of Directors (the "Board") of the Company takes the lead on and is responsible for overseeing the execution of relevant ESG issues, including ESG reporting. The Board assumes the ultimate responsibility for ensuring the effectiveness of the implementation of the Group's ESG policies and ESG report. By leveraging the tools including materiality assessment and the regular reports from the Management teams that are mainly responsible for identifying, evaluating, consolidating and addressing ESG-related risks from operations, the Board has continuously supervised and monitored the effectiveness of the implementation of ESG risk management through well-defined metrics including GHG emissions and use of various types of group-wise energy resources, which are believed to be highly relevant to the Group's business nature, and proposed appropriate objectives such as quantitative environmental targets and policies that guide the entire organisation to march towards sustainability. Facing a wide variety of ESG risks, the Group has adopted different approaches. Climate-related risk, for example, is an inherent risk element of ESG. The Group has partnered with external ESG professionals that have been assisting the Board and the Management team to understand those material physical and transition risks, which might cause significant repercussions on the Group's financial performance and position in the long run. The Board regularly reviews the Group's progress towards the goals through Board meetings and oral presentation from the Management teams. The responsibilities of the Board are mainly reflected from the aspects below:

- Overseeing the assessment of the Group's environmental and social risks, with the support of internal teams and expertise of external professionals;
- Analyse and prioritise the potential impacts of certain material ESG issues based on materiality assessment outcome on the Group's capability to create value for all in the long term; and
- Promote an ESG-oriented corporate culture from the top-down to facilitate all employees and operations to incorporate ESG considerations into business decision-making process.

III. ESG MANAGEMENT STRATEGY *(CONTINUED)*

The Management team also plays an important role in maintaining the efficient communication between the Board and frontline workers, and supervising all employees to execute the Group's policies effectively. Given the significance and value of ESG approaches, the Group's sustainability strategies have gradually become a running thread through its operations, under the leadership of the Board and guidance of corresponding Management teams.



The Group prides itself on the commitment to robust corporate governance that champions the ESG management from the top and has been working on integrating ESG risks and opportunities into its enterprise risk management system. The Group keeps reviewing and adjusting its sustainability policies on multiple fronts to meet the updated regulatory requirements, satisfy stakeholders' expectations as well as align its practices with what the transition towards sustainability demands. For instance, the Group has been formulating its Climate Policy that oversees and regulates the Group's mining operations, in order to minimise its impacts on climate change and exposure to climate-related risks (for more information, please refer to Section **A.4. Climate Change**)

Details of the Group's management approach in both the environmental and social aspects can be found throughout different sections of the ESG Report.

IV. MESSAGES FROM THE BOARD

Dear valued stakeholders,

As a growing gold mining operator, the Group has long been looking to drive long-term strategic value by incorporating ESG mindsets, principles and best practices in daily operations. ESG, to the Group, has been more than compliance. The Group works on making sustainability engrained into the core of its business strategy and purpose, and importantly, a catalyst of driving resilience and sustainability. To this end, the Group has set targets regularly, reviewed and reported its progress transparently, and refined its management approach continually. The Group is deeply aware that mining industry causes dramatic impacts on the natural environment and human health, should no attention be paid, or no solid actions be taken to regulate business operations from the perspective of sustainability. Therefore, we are committed to making every step with innovative solutions to optimise our business model and to lower our potential negative social and environmental impacts.

We fulfil our environmental responsibilities

In 2020, China set a national target to achieve its carbon peak by 2030 and carbon neutrality by 2060, facilitating the country's mining industry to seek industry transition and implement a low-carbon operation plan. In April 2021, the China Nonferrous Metals Industry Association released the carbon peaking implementation plan for the nonferrous industry, aiming to guide the sector in a smooth but effective transition to a carbon neutral future. As low carbon is the codeword for sustainable mining practice and green metals are increasingly in high demand, the Group has actively responded to the decarbonisation trend, making an effort to stay ahead of the curve by developing its carbon goals and setting up its Climate Policy that administers the Group's management approach and operations to mitigate and adapt to climate change.

Aiming to realise the integration of Production, Life and Ecosystem（生產、生活、生態）, the Group keeps building and improving its environmental management system, and fully studying and implementing the latest regulatory requirements of governments, including the "Classification of Solid Mineral Tailings"《固體礦產尾礦分類》, "Specifications for sample proportioning of mineral processing"《固體礦產選冶試驗樣品配製規範》, "Codes for utilization of solid mine waste"《礦山固體廢棄物資源化利用指標及計算方法》. The Group has built internal teams that are in charge of regularly inspecting and controlling potential environment-related risks. The Group has set up environmental protection and performance monitoring taskforces, established a corporate environmental protection network that is composed of corporate leaders and other personnel, and held relevant meetings for internal discussion. The internal taskforces have been equipped with necessary expertise and knowledge. A factory-level leader is required to be responsible for the overall environmental protection work, supported by well-selected technicians to assist the leadership.

Under the robust government structure and leadership, all departments and employees have conscientiously implemented the relevant policies and regulations, organised internal environmental monitoring, mastered the original records, established the operating account of environmental protection facilities, fulfilled their responsibilities for archiving environmental protection data and timely reporting to the management.

IV. MESSAGES FROM THE BOARD *(CONTINUED)*

We care about our people's wellbeing

Guided by our core value of "Putting People's Health & Safety In The First Place"（以人為本、生命第一）, the Group has prioritised the health and safety of its employees, developing internal mechanism and teams responsible for coordinating operational responses and launching protective protocols for both the workforce and communities.

Over years, the Group has been in strict compliance with safety regulations in the jurisdictions where it operates, including the newly revised Safe Production Law of the People's Republic of China ("PRC")《中華人民共和國安全生產法》. The Group has been committed to building and promoting a culture of safety from within, where all workers can be provided with a secure workplace, quality equipment and comprehensive training in relation to occupational health and safety. With safety at the heart, the Group has proactively carried out risk management and incorporated hazard identification in all its operational processes.

Rather than viewing ESG as a box-ticking exercise, we see it as a modern and sustainable way to drive value creation. Looking ahead, we will unlock more opportunities for sustainable growth, decarbonising our value chain while enlarging our positive contributions to the entire society.

Last but not least, I would like to take this opportunity to thank all of our employees for their continued dedication to delivering on our values and principles, and our stakeholder communities for their partnership and support. On behalf of the Board, I am pleased to present you the ESG report of FY2021, demonstrating the progress of the Group's sustainability journey and unwavering efforts in leading the whole industry towards responsible mining.

On behalf of the Board
Tongguan Gold Group Limited

Yeung Kwok Kuen
Executive Director and Chief Financial Officer

28 March 2022

V. STAKEHOLDER ENGAGEMENT

As an integral part of the Group's sustainability, stakeholder communication is vital for the Group to understand the concerns and expectations of its key stakeholders. The Group has put tremendous efforts in connecting with its stakeholders through a wide variety of channels as shown below, striving to actively communicate its sustainability approach and progress to all and adjusting its business operations based on the valuable feedback from its stakeholders.

In FY2021, the Group continuously engaged with its stakeholders and timely responded to their significant concerns. The Group highly values the feedback from its stakeholders and takes an initiative to utilise different platforms to maintain a barrier-free communication with different stakeholder groups.

V. STAKEHOLDER ENGAGEMENT *(CONTINUED)*

Communication with Stakeholders

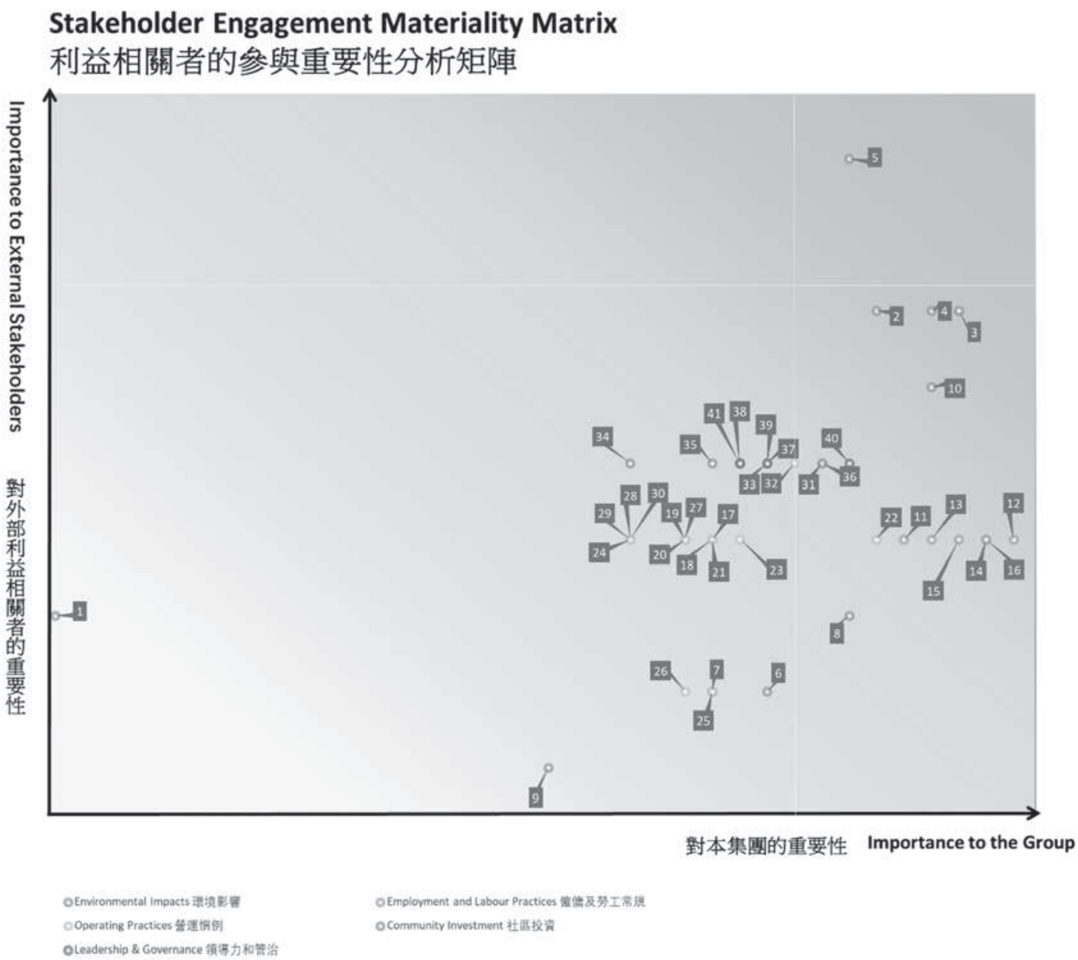
Stakeholders	Expectations and Concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations – Anti-corruption policies – Occupational health and safety	– Supervision on the compliance with local laws and regulations – Routine reports and tax payments
Shareholders	– Return on investments – Corporate governance – Business compliance	– Regular reports – Announcements – General meetings – Official website of the Group
Employees	– Employees' remuneration and benefits – Career development – Health and safety in the workplace – Education on environmental protection – Smooth internal communication	– Performance appraisals – Regular meetings and training – Emails, notice boards, hotline, team building activities with the management
Senior management	– Monitoring on the disposal of solid waste – Business practice in compliance with laws and regulations – Prevention of occupational diseases – Technology innovation on "Green" development – Green development and quality control	– Internal meetings – Online conference – Emails and telephone calls – Regular reports
Customers	– Production quality assurance – Protection of customers' privacy and rights	– Customers' satisfaction surveys – Face-to-face meetings and onsite visits – Customer service hotline and emails
Suppliers	– Fair and open procurement – Win-win cooperation – Environmental protection – Protection of intellectual property rights – Insistence on sustainable development	– Open tendering – Contracts and agreements – Suppliers' satisfaction assessment – Telephone discussions – Face-to-face meetings and onsite visits – Industry seminars
General public	– Involvement in communities – Business ethics – Environmental protection awareness – Consumption of packaging materials	– Media conferences and responses to enquiries – Public welfare activities

V. STAKEHOLDER ENGAGEMENT *(CONTINUED)*

Materiality Assessment

As ESG risks and opportunities for companies vary across industries and depend on factors including corporate culture, business models and operational characteristics, the Group undertook an annual materiality assessment based on dialogues with external stakeholders and internal impact analysis in FY2021, the outcome of which was approved by the Board.

In FY2021, the Group selected a range of its key stakeholders to participate in a materiality assessment survey initiated by an independent professional party. The key internal and external stakeholder representatives including suppliers, general employees and senior management were invited to prioritise the relevant ESG issues from a list of 41 topics from five pillars including environmental impacts, operating practices, leadership & governance, employment and labour practices, and community investment. The Group mapped the results into the matrix below, showing the rank of ESG topics in terms of their significance and relevance to the Group.



V. STAKEHOLDER ENGAGEMENT *(CONTINUED)*

Materiality Assessment *(CONTINUED)*

1	GHG Emissions	15	Preventing Child and Forced Labour	29	Product Design & Lifecycle Management
2	Air Pollution	16	Labour Practices	30	Access & Affordability
3	Energy Management	17	Green Procurement	31	Business Ethics & Anti-corruption
4	Water & Wastewater Management	18	Communication and Engagement with Suppliers	32	Internal Communication & Grievance Mechanism
5	Solid Waste Stewardship	19	Environmental Risk (e.g. pollution) Management of Supply Chain	33	Community Engagement
6	Materials Management	20	Social Risk (e.g. human rights or corruption) Management of Supply Chain	34	Participation in Philanthropy
7	Land Use, Ecosystem and Biodiversity	21	Supply Chain Materials Sourcing & Efficiency	35	Cultivation of Local Employment
8	Climate Change Mitigation & Adaptation	22	Health and Safety Relating to Products/Services	36	Local Environmental Protection
9	Packaging Material Management	23	Customers Welfare	37	Support of Local Economic Development
10	Renewable and Clean Energy	24	Marketing and Promotion	38	Business Model Adaptation and Resilience to Environmental, Social, Political and Economic Risks and Opportunities
11	Diversity & Equal Opportunity	25	Intellectual Property Rights	39	Management of the Legal & Regulatory Environment (regulation-compliance management)
12	Employee Remuneration and Benefits	26	Product Quality	40	Critical Incident Risk Responsiveness
13	Occupational Health and Safety	27	Customer Privacy and Data Security	41	Systemic Risk Management (e.g. Financial Crisis)
14	Employee Development and Training	28	Labelling Relating to Products/Services		

The Group identified "Solid Waste Stewardship" as the ESG topic that is of the most importance to the Group and its stakeholders. The results from the evidence-based materiality matrix are conducive to enhancing sustainability decision-making and have been used to inform the content of this report.

Stakeholders Feedback

The Group welcomes stakeholders' feedback and advice on the improvement of corporate ESG approach and performance, especially related to topics listed as highly important to the Group and its stakeholders in the materiality assessment. Readers are also welcomed to share their views with the Group and send in writing to the head office and principal place of business of the Company in Hong Kong at Room 1306, 13/F., Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong.

VI. ENVIRONMENTAL SUSTAINABILITY

Management Approach

As part of its overall effort in meeting the environmental requirements and balancing its business development with considerations into ecological protection, the Group seeks the long-term sustainability of the environment and the community where it operates, and has been prudent in controlling its emissions and consumption of resources in compliance with relevant environmental laws and regulations in Hong Kong and the PRC during its daily operations, including but not limited to the:

- Environmental Protection Law of the People's Republic of China(中華人民共和國環境保護法);
- Environmental Impact Assessment Law of the People's Republic of China(中華人民共和國環境影響評價法);
- Environmental Protection Tax Law of the People's Republic of China(中華人民共和國環境保護稅法);
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution(中華人民共和國大氣污染防治法);
- Law of the People's Republic of China on Prevention and Control of Water Pollution(中華人民共和國水污染防治法);
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes(中華人民共和國固體廢物污染環境防治法);
- Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise(中華人民共和國環境噪聲污染防治法);
- Law of the People's Republic of China on Conserving Energy(中華人民共和國節約能源法);
- Mineral Resources Law of the People's Republic of China(中華人民共和國礦產資源法);
- Regulations of the Management of Economical Use of Urban Water(城市節約用水管理規定);
- Regulation on the Administration of Permitting of Pollutant Discharges (排污許可管理條例);
- Emission standards for industrial enterprises noise at boundary (GB12348-2008)(工業企業廠界環境噪聲排放標準);
- Standards for pollution control on the storage and disposal site for general industrial solid wastes (GB18599-2001)(一般工業固體廢物貯存、處置場污染控制標準);
- Technical Policy of Gold Industrial Pollution Control(黃金工業污染防治技術政策);
- Guiding Opinions on Comprehensive Utilisation of Bulk Solid Waste During the 14th Five-Year Plan (關於"十四五"大宗固體廢棄物綜合利用的指導意見); and
- List of Administrative Penalties of the Ministry of Natural Resources(自然資源部行政處罰事項清單)

The dedicated Environmental Protection Department that is comprised of professional management staff is responsible for identifying and addressing environment-related issues in business operations of the Group according to internal policies.

This section mainly discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2021.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions

The Group has been in compliance with relevant national and local environmental laws in terms of industrial emissions set out in the operating regions during mining operations. In FY2021, the Group found no disregard to influential laws relevant to air and GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste, and noise. Adhering to the concept of "lucid waters and lush mountains are invaluable assets" and following the principles of "Reduce at source, Control in the process, Remedy at the end, Reuse the waste"（源頭減量、過程控制、末端治理、資源化利用）, the Group insists on implementing the principles of scientific and green development, conforming to industry regulations and norms and vigorously developing circular economy. Thus, various effective measures to mitigate its negative impacts on the environment have been taken in accordance with the technical approaches to pollution control as recommended in the Technical Policy of Gold Industrial Pollution Control over years. In particular, the Group has focused its efforts on improving the energy efficiency during mining operations and exploring the practicality of installing environmentally friendly facilities and energy resources to transition from fossil fuel-based model to low-carbon development.

In FY2021, key air pollutants from the mining process were sulphur oxides ("SO_x"), nitrogen oxides ("NO_x") and particulate matter ("PM"). The air emissions of the Group mainly came from fuel combustion for machinery operations, vehicle transportation and other operational processes. The air emissions of SO_x, NO_x and PM amounted to 0.6, 65.4 and 2.7 kg, respectively. In 2021, the 26th UN Climate Change Conference concluded on November 12th, reiterating the urgency of actions to control GHG emissions to limit global warming below 2°C. In the Group, GHG emissions were primarily due to the combustion of fossil fuels and electricity consumption during industrial operations. Specifically, the Group's total GHG emissions were 14,151.1 tonnes CO_2e, with an intensity of 69.0 tonnes CO_2e/employee during the year under review. The Group generated certain amounts of solid waste and wastewater from its mining sites and offices, including but not limited to waste by-products in the form of tailings and sludge during gold mining and processing. In FY2021, a total of 29.8 tonnes of non-hazardous general and industrial wastes, and 68.1 m^3 of non-hazardous wastewater were generated during the Group's operations. As the Group has promoted the recycling and reuse of non-hazardous wastewater, the onsite wastewater of the Group was practically 100% recycled in FY2021. During the year under review, the Group did not discharge significant amounts of hazardous waste to the environment during its operations. The Group's total emissions in FY2021 are summarised in Table 1 below, with a comparison with the figures in FY2020 (for the year ended on 31 December 2020).

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Table 1 The Group's Total Emissions by Category in FY2021 and FY2020 [5]

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2021	Intensity[1] (Unit/ employee) in FY2021	Amount in FY2020[2]	Intensity[1] (Unit/ employee) In FY2020)
Air Emissions[3]	SO_x	Kg	0.6	–	0.4	–
	NO_x	Kg	65.4	–	42.9	–
	PM	Kg	2.7	–	1.6	–
GHG Emissions	Scope 1 (Direct Emissions)	Tonnes of CO_2e	164.8	–	117.7	–
	Scope 2 (Energy Indirect Emissions)	Tonnes of CO_2e	13,980.0	–	12,384.4	–
	Scope 3[4] (Other Indirect Emissions)	Tonnes of CO_2e	6.3	–	8.6	–
	Total (Scope 1 & 2 & 3)	Tonnes of CO_2e	14,151.1	69.0	12,510.7	61.3
Non-hazardous Waste	Solid Wastes	Tonnes	29.8	0.15	27.3	0.13
	Wastewater	M^3	68.1	0.33	40.0	0.20

1. Intensities in FY2021 and FY2020 were calculated by dividing the amount of air, GHG and other emissions by the total workforce of the Group in FY2021 and FY2020, which was 205 and 204, respectively;

2. For consistency, the amount of air emissions in FY2020 was adjusted according to the updated industry standards;

3. Air emissions included only the air pollutants in the exhaust gas from vehicles for transportation;

4. The Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed of at landfills, electricity used for processing fresh water and sewage by government departments and business air travel. Since FY2020, emissions by business air travel have been taken into considerations by the Group and incorporated into the computation of Scope 3 GHG emissions; and

5. The methodology adopted for reporting on GHG emissions set out above was based on "How to Prepare an ESG Report? — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, GHG Protocol Corporate Standards, EMEP/EEA air pollutant emission inventory guidebook 2019 – Update Oct. 2021 and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

Hong Kong Office

The principal types of emissions from the Hong Kong office were municipal solid waste, wastewater and indirect GHG emissions from the purchase and consumption of electricity. During the year under review, no hazardous waste was generated from the Group's Hong Kong office.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Solid Wastes

The solid waste generated from the Group's Hong Kong Office was mainly commercial solid waste. Under proposed amendments to the Waste Disposal Ordinance for municipal solid waste, the Group has remained staunch champions of scheme and been committed to encouraging its employees in making behavioural changes that reduce, reuse and recycle the commercial waste from the office. For example, the Hong Kong office has put a centralised rubbish bin for the collection of waste. With the effective training and implementation of Waste Classification System, for instance, the Group collected the packaging materials of takeaway food from employees in the office for other uses. The non-recyclable municipal solid waste from offices was handled by the property management of the building and ultimately disposed of at landfills by the government department.

Wastewater

Wastewater generated from Hong Kong Office was mainly commercial wastewater. The wastewater was directly discharged into the building sewerage network and handled by the property management. Since the amount of wastewater highly depends on the amount of water used, the Group has adopted specific measures, further described in the next subsection under **Water**, to reduce its water consumption in the office.

GHG emissions

Despite not being a carbon-intensive business, the Group's Hong Kong Office has energetically aligned its practices with Hong Kong Climate Action Plan 2030+ and supported the goal of Hong Kong to achieve carbon neutrality before 2050. To this end, the Group has implemented a series of measures to lower its electricity consumption in the office. For example, the Group has encouraged the use of multi-media systems and the internet so as to minimise the frequency of and dependence on business travels. The Group encourages its employees to use public transportation or carpool when possible, and to take an initiative through actions, including avoid unnecessary printing, to make positive changes to the environment and planet. The details of actions taken by the Group in saving electricity and improving energy efficiency are further introduced in the next subsection under **Electricity** and **Other energy resources**.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Gold Mining Business

In FY2021, the principal emissions in the Gold Mining Business of the Group included GHG emissions from the electricity consumption and combustion of fossil fuels for machinery operations, SO_x, NO_x, smoke, slag, noise, wastewater, tailings, mine waste, rock waste and domestic waste from workers during the mining process. To ensure that all emissions from the mining sites could be effectively monitored and managed, the Group normally performs comprehensive environmental impact assessments for facility expansion and mining operations according to the government's requirements. An Environmental Monitoring Team comprised of professional inspectors has been commissioned to continuously monitor the emissions and evaluate the potential environmental impacts of operations. Further, the Group has mainly been working on the following aspects to minimise its environmental impacts:

- Purchasing the operational facilities including the dust removal equipment in accordance with national standards, and strengthening internal training and examination of personnel in construction operations to enhance internal awareness of environmental protection;

- Deploying automatic technologies and processes in production workshops to reduce the discharge of waste and introducing comprehensive recycling and reuse of water resources; and

- Continuously making innovations to optimise the production process that realises the improvement of recycling rate.

Air & GHG Emissions

Air and GHG emissions from this business segment mainly came from the use of electricity, consumption of gasoline and dust during mining operations such as blasting, hauling, crushing and stockpiling rock. For instance, a fleet of heavy machinery for mining and transporting ore and other solid waste may produce certain amounts of exhaust fumes, while the transportation of light vehicles for workers commuting back and forth between dormitories and mining sites is another main contributor to air emissions.

In strict compliance with national and local requirements, the Group has implemented internal policies and effective measures to abate the negative impacts on the surrounding areas. For dust suppression and control, professional equipment and facilities that conform with the national standards including bag-house dust collectors and closed hoods have been adopted to ensure that the air quality onsite meets the requirements. To further reduce the generation of dust, the Group has strictly adopted the Six Major System for field operations, including the use of wet drilling and blasting, installing sprinkler systems on vehicles to minimise the dust on the mining sites and ore transportation routes.

With a commitment to decarbonise its operations that mitigate and adapt to the consequences of climate change, the Group understands that it has a natural role to play in embracing a zero-carbon energy and operation revolution, thus adopting multiple measures to lower its GHG emissions. For instance, the Group seeks the opportunities associated with low-carbon and energy-efficient technologies, including fuel-switching, exploration of the use of renewable energy sources, and considering energy efficiency as an important criterion in the procurement process.

To further lower the air & GHG emissions from mining operations, the Group has set up internal policies, which are further described in the **A.2.Use of Resources**, to reduce energy use through advanced energy management systems and energy efficiency initiatives.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Wastewater

The wastewater from mining activities of the Group was mainly the industrial sewage during mining operations and the domestic wastewater from workers. Based on the principle of "Circular Economy", the Group has set a target of "Zero Water Discharge" for its mining business and achieved that the sewage has fully been recycled on site for planting or irrigation. In FY2021, the Group continued to promote its sustainable water stewardship strategy, stepping up efforts to measure its withdrawal of freshwater, generation of wastewater and its recycling rate. In FY2021, the gold mining business generated and recycled approximately 22,000 m^3 of wastewater on site.

As part of its environmental assessment and policies, the Group has been focusing on the internal treatment of wastewater according to national standards and based on its comprehensive water management plans. The sedimentation tanks, automatic valveless filters and drainage ditches have been set on the periphery of the mining area, with a catch basin set in the mining pit. Automation equipment, such as drainage pump stations, has been installed on site to recycle the industrial wastewater. All industrial wastewater must be processed in the sedimentation tank, in which the floating mud should be collected and transported to the certified external environmental organisations, while effluents are used for agricultural irrigation or being discharged. With the effective implementation of internal policies and practices, the domestic and industrial wastewater from the Group's mining operations meets the standard of "Integrated waste discharge standard (GB 8978-1996)(污水綜合排放標準)". Various types of wastewater should be collected, stored and treated in special containers given their different characteristics and properties. The site-level environment teams of the Group take the responsibility for water management, including the supervision and coordination of sustainable water usage and sewage treatment.

Solid Wastes

The solid waste in this business segment mainly consisted of industrial solid waste including tailings, waste rock, mineral processing waste, as well as other hazardous and non-hazardous materials. For the domestic solid waste generated by its employees, mainly comprised of paper, glass and plastic-made products, was well-sorted, recycled and handled by the certified municipal department during the year under review.

Tailings and mineral processing waste were the two key materials that came from the gold mining and processing. The Group has benchmarked the Global Industry Standard on Tailings Management and strictly implemented the Work Plan for Preventing and Resolving Tailings Pond Safety Risks(防範化解尾礦庫安全風險工作方案), aiming to move towards the ambition of zero harm to people and the environment from tailings facilities. In FY2021, the Group's tailings were piled up in its internal tailing warehouses, where facilities for processing fine-grained water-containing tailings that consisted of three main systems: Plunger pump tailings transportation, Tailings ponds and Return pumping station facilities (including return water which is all reused), were established. Upholding the mindset of "zero waste", the Group strives to maximise the recycling rate of tailings. After passing through its processing facilities, the tailings are normally delivered to the tailing ponds.

- Achieve reduction at source
- Strengthen process control
- Standardise the disposal of bulk solid waste

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Solid Wastes *(CONTINUED)*

In FY2021, the hazardous wastes were carefully stored by the Group in special containers and warehouses under strict surveillance in accordance with the requirements of Guiding Opinions on Comprehensive Utilisation of Bulk Solid Waste During the 14th Five-Year Plan（關於「十四五」大宗固體廢棄物綜合利用的指導意見）and the Regulations on the Safety Management of Hazardous Chemicals（危險化學品安全管理條例）. The Group has been in partnership with certified companies that are responsible for the recycling and handling of wasted hazardous materials. The Group regulates that all hazardous waste be strictly separated from the general waste and stored at special warehouse installed with stringent monitoring procedures and systems.

To keep a sound management of tailings, waste rock and other valuable solid waste, the Group has established the Solid Waste Stewardship Strategy to promote the good practices in construction, operation, maintenance, monitoring and the disposal of waste.

Noise

The Group has built professional teams inspecting the perceived impacts of operations including the noise from operations, and run participatory monitoring sessions for the surrounding area on noise levels. In FY2021, noise emissions of the Group mainly came from heavy machinery and drills. The Group has been committed to keeping its vehicles and machines below the noise limit and taking necessary measures to ensure the correct use of hearing protection equipment among workers. In strict compliance with national and local regulations in terms of noise emissions such as Emission standards for industrial enterprises noise at boundary (GB12348-2008), the Group has adopted various noise-reducing facilities and measures to lower the impact of noise on the surroundings. Low-noise equipment and pumps with better performance in noise control have been selected by the Group, while shock pads, air compressors and mufflers were installed on site. Advanced mining technology such as Millisecond deep-hole blasting has also been applied for better noise control.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Trend Analysis and Goals

Areas	Trend Analysis	Targets	Proposed Steps
GHG emissions	As compared with FY2020, the Group's GHG emissions in FY2021 rose by approximately 13%, primarily due to the increase in energy resources consumption.	In line with the global trend of decarbonisation and national carbon neutrality goal by 2060, the Group has been focusing on the control of its GHG emissions. Taking FY2020 as the baseline year, the Group targets to lower its GHG emissions (scope 1 + scope 2) to 10,939 tonnes CO_2e, by 12.5% by 2025, with reference to Science-Based Targets initiative.	The Group commits to improve its energy efficiency by applying innovative technologies, optimising production process and strengthening internal monitoring and management on energy consumption. Meanwhile, the Group will seek opportunities to offset its carbon emissions through investment and planting activities.
Solid wastes	As compared with FY2020, the Group's solid waste amount in FY2021 went up slightly by 9.2%.	Gold mining and its multiple processes including extraction, processing and refining, create waste including tailings. Based on an in-depth analysis, the Group believes that an indefinite target that aims to ensure no catastrophic or major environmental incidents in relation to its tailings management is appropriate at the current stage. In the long run, the Group commits to achieve "Zero Discharge of Solid Waste" by fully integrating Circular Economy into practices.	The Group commits to allocate more resources to implement its Sustainable Waste Management that steadily intensifies efficient extraction and overall utilisation of valuable components of tailings through external partnerships and internal growth.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.2. Use of Resources

In FY2021, the main resources consumed by the Group were electricity, gasoline, diesel, water and paper. Since the final products of the Group are gold concentrate that is sold by pour-out, the gold mining business does not require or consume any packaging materials. Table 2 illustrates the amount of different resources used by the Group in FY2021 and FY2020.

Table 2 Group's Total Use of Resources by Category in FY2021 and FY2020

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2021	Intensity[1] (Unit/ employee) in FY2021	Amount in FY2020	Intensity[1] (Unit/ employee) in FY2020
Energy[2]	Electricity	kWh'000	22,912	111.8	18,561	91.0
	Diesel	L (kWh'000)	18,462 (186.1)	90.1	18,496 (186.4)	90.7
	Gasoline	L (kWh'000)	44,125 (402.2)	215.2	27,025 (246.3)	132.5
	LPG	L (kWh'000)	3,493 (25.2)	17.0	2,477 (17.9)	12.1
	TOTAL	kWh'000	23,526	114.8	19,012	93.2
Water	Water	M^3	22,248	108.5	19,163	93.9
Paper[3]	Paper	Kg	332	1.6	350	1.7
Raw Materials	Metal	Tonnes	856	4.2	811	4.0
	Concrete	Tonnes	777	3.8	685	3.6
	Wood	Tonnes	386	1.9	376	1.8
	Paper	Tonnes	196	1.0	200	1.0

1. Intensity for FY2021 and FY2020 was calculated by dividing the amount of resources the Group consumed in FY2021 and FY2020 by the total workforce in FY2021 and FY2020 respectively, which was 205 in FY2021 and 204 in FY2020;

2. The methodology adopted for energy conversion of the energy resources of the Group was based on the IPCC Default Net Calorific Values Database; and

3. Paper consumption = paper inventory at the beginning of reporting period + paper added to inventory during reporting period – paper collected for recycling purposes – paper inventory at end of the reporting period.

Management Approach

The Group has built Environmental Protection Departments for formulating implementation plans and monitoring the progress in energy efficiency improvement and resource conservation. Based on the accountability system of the Group, the specialists from Environmental Protection Departments are responsible for performing regular assessments on the energy performance of various operating sites and processes.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.2. Use of Resources *(CONTINUED)*

Electricity

Electricity was purchased from the utility company by the Group and consumed in the office and during mining operations. Both offices and mining sites of the Group have stringently complied with relevant regulations and the Group's policy of electricity conservation. The Group has set up the policy of "Cut off electricity during operation shutdown and re-operate after returning to work"(停轉停工，復轉復工)and established a reward and punishment system for electricity management. In FY2021, the Group implemented the following practices to control its electricity usage:

- Switch off all idle lights and air conditioners (e.g. most electrical equipment will be turned off during lunch time);
- Place "Save electricity and turn off the light when you leave please" posters to encourage workers and employees to conserve energy;
- Advocate energy conservation through seminars and training courses among employees;
- Purchase and install new electric generators and transformers with high energy efficiency on site;
- Use more efficient LED bulbs for office lighting instead of energy-intensive lamps;
- Monitor equipment operation by carrying out energy audit continuously; and
- Adopt natural ventilation or ventilation fans for areas not requiring air-conditioning.

Other energy resources

Gasoline and diesel were the primary energy resources used by the Group for digging, loading and transportation of ore and waste rock, comminution process, and heating. As energy is essential for mining businesses, optimising the mining operations and ensuring the access to secure and reliable energy sources are key to the long-term stability of the Group's business.

Over years, China has made notable progress in its clean energy transition and in 2021, the National Development and Reform Commission set 2025 efficiency goals for energy-intensive industries, envisaging tougher energy efficiency standards by 2030. In response to China's commitment to achieving carbon neutrality by 2060, the Group has been endeavouring to ratchet up its ambitions on improving energy efficiency and transitioning to scale up its application of clean and renewable energy resources. Specifically, the Group has set up internal energy-related policies that quantify and track the amount of different energy resources consumed during mining operations. The Group performs energy consumption audits on its vehicle performance regularly. In the cases where the Group outsources the transportation work, the Group undertakes thorough background check on the outsourcers in advance to assess their performance in energy efficiency. During procurement, the Group prioritises environmentally friendly vehicles for transportation and operations, in order to make a smooth transition towards a "low-carbon and low-consumption" business model.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.2. Use of Resources *(CONTINUED)*

Water

The Group recognises the value of water as a shared resource and has long been committed to responsible water stewardship, in order to minimise the potentially detrimental impact on water resources during operations.

The Group is committed to taking effective measures that prioritise water conservation based on the "3R rules – Reduce, Reuse and Recycle" in its daily operations. With the implementation of robust water resource protection and monitoring measures, such as the installation of flow metres on the control of the withdrawal of water resources, the Group did not face any problem in sourcing water during the year under review.

The Group's mining sites, where water could be largely consumed, have been encouraged to reuse the wastewater properly. In FY2021, as the Group held and supported multiple water recycling initiatives, the goal of "Zero Water Discharge" on site was basically achieved. The Group has also put its focus on the education of water conservation among its employees, who are expected to efficiently practise the Group's water conservation and security strategy, as well as accumulate practical experience for future improvement. To further enhance the utilisation efficiency of water resources, the Group has adopted the following practices:

- Fix dripping taps timely to avoid further leakage of the water supply system;
- Monitor and ensure the compliance with industry standards by optimising chemical dosage and management procedures in the wastewater treatment processes;
- Strengthen the inspection and maintenance on water taps, water pipelines and water storage; and
- Run regular leakage test on water taps, joint rings and other components in the water supply system.

Paper

The Group has implemented its Quantification Management Policy as an efficient tool to control the paper usage in the organisation. A variety of Office Automation ("OA") solutions have been put into practice from document transfer, information communication, all the way to the review, approval and signing of relevant decisions within the Group. To further reduce the use of paper, the Group has implemented the following policies in order to promote a paperless office:

- Promote the procurement and use of recycled paper;
- Set duplex printing as the default mode for most network printers when printouts are needed;
- Spread the idea of "Think before print" by using posters and stickers in offices to remind the staff of avoiding unnecessary printings;
- Put boxes and trays as containers beside photocopiers to collect single-sided paper for reuse;
- Use the back of old single-sided documents for printing or draft paper; and
- Recycle used stationery whenever possible.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.2. Use of Resources *(CONTINUED)*

Trend Analysis and Goals

Areas	Trend Analysis	Targets	Proposed Steps
Energy Efficiency	As compared with FY2020, due to business development, the Group's electricity consumption in FY2021 increased by approximately 23.4%. The usage of gasoline in FY2021 grew by 63.3% whilst diesel consumption and intensity dropped moderately when compared with FY2020. In FY2021, the Group's LPG consumption climbed by 41%.	In line with the goals of GHG emissions reductions, the Group targets to lower the GHG emissions in the purchase of electricity for operations, which is the largest contributor to the Group's GHG profile, by 13% by 2025.	On top of electricity conservation, the Group commits to focus its efforts on improving energy efficiency of its equipment through upgrades and procurement.
Water	As compared with FY2020, the Group's water consumption in FY2021 went up by 16.1%.	The Group targets to maintain its water recycling rate at 100% and pursues an effort to lower its consumption of freshwater in operations.	The Group plans to improve water recirculating system and employ advanced water recycling facilities to enhance water efficiency.

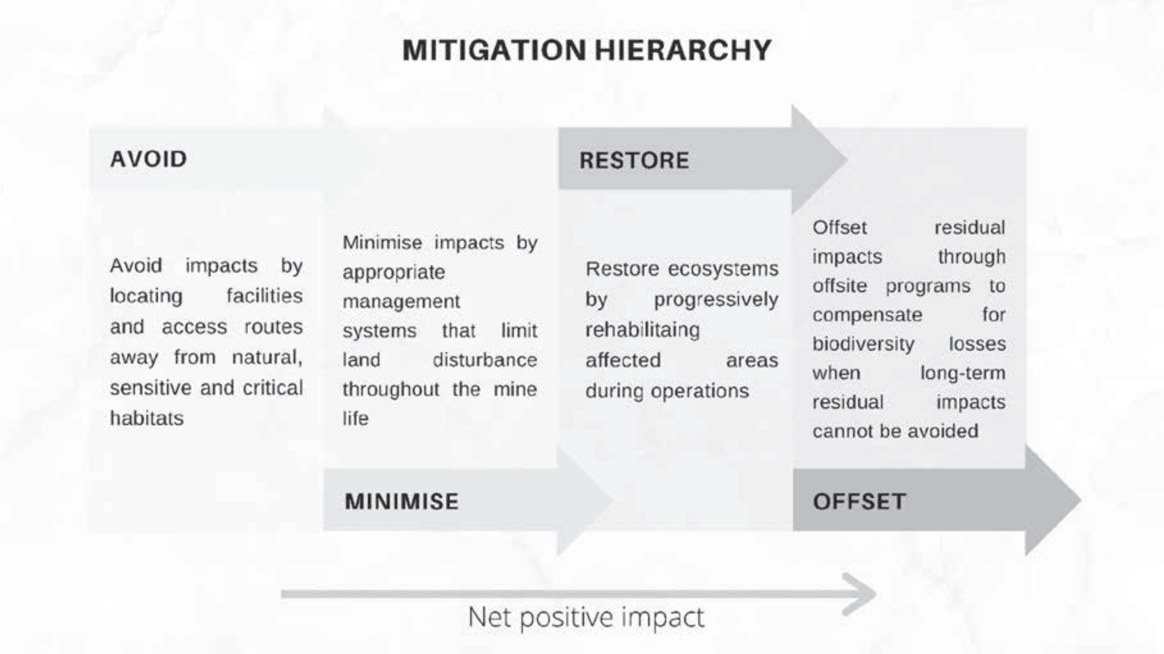
A.3. The Environment and Natural Resources

Gold mining operation is an intensive type of land use and energy consumption with the potential for environmental impact. The Group has been highly conscious of the detrimental effects caused by its mining and any associated operations, and made tremendous efforts to address the underlying environmental impacts and risks with a coordinated and sustainable longer-term vision.

Over years, the Group has been focusing on the identification, evaluation and monitoring of its significant environmental impacts, as well as the development of feasible and effective solutions to mitigate and control the risks. The Group has integrated the Mitigation Hierarchy concept into its environmental management and risk control system, in order to pursue efforts to achieve net positive impact of its operations. In FY2021, mining waste management (e.g. tailings management) and GHG emission control, among other environmental topics, were two types of environmental impacts that were considered material to the Group. The Group's approach to waste management, especially the treatment of tailings and onsite sewage has been guided and strictly based on the requirements of national and local regulations. The Group has deeply been aware that its mining processes may produce large amounts of waste, with mine tailings being generated in mineral processing plants after separation, and tailings can pose a threat to the ecosystems and water resources should no proper management be in place. As such, the Group has implemented or planned for sustainable mine tailings management. For instance, the Group is committed to minimising the impacts of tailing facilities on water resources by monitoring and preventing acid mine drainage and the release of hazardous chemicals. Further, the Group has built professional taskforces that are responsible for performing environmental impact assessment of tailing facilities and dams regularly. In line with regulations and standards including the Provisions on the Protection of the Geologic Environment of Mines(礦山地質環境保護規定)and Technical Policy of Gold Industrial Pollution Control(黃金工業污染防治技術政策), the Group continues to formulate and implement its internal policies for more effective waste stewardship onsite.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.3. The Environment and Natural Resources *(CONTINUED)*



GHG emission control is another material topic under the Group's environmental management system. As China's 2060 carbon neutrality commitment plays a pivotal role in accelerating its low-carbon energy transition to rapidly reduce economy-wide emissions towards net-zero, diminishing the reliance on fossil fuel consumption and transitioning towards cleaner energy sources including "green" electricity have been the top priorities of the Group in accelerating its transformation. To lower its GHG footprint, the Group's initiatives touch upon three aspects, namely innovative R&D investment and technology deployment, opportunities through partnerships and collaboration, education to facilitation behaviour change. Since 2020, the Group has been devising and formulating its climate strategy, and has put forward its carbon reduction target with reference to Science-Based Targets initiative that corresponds with the ambition of Paris Agreement in driving climate actions.

While the Group has focused its efforts on addressing its material impacts on the environment and natural resources, a multitude of actions have been taken by the Group to protect local biodiversity through ecological restoration. For example, the Group has been backfilling the mined-out areas, which props up the surrounding rock mass, reduces wasteful dilution and further lowers the potential risk of surface subsidence.

A.4. Climate Change

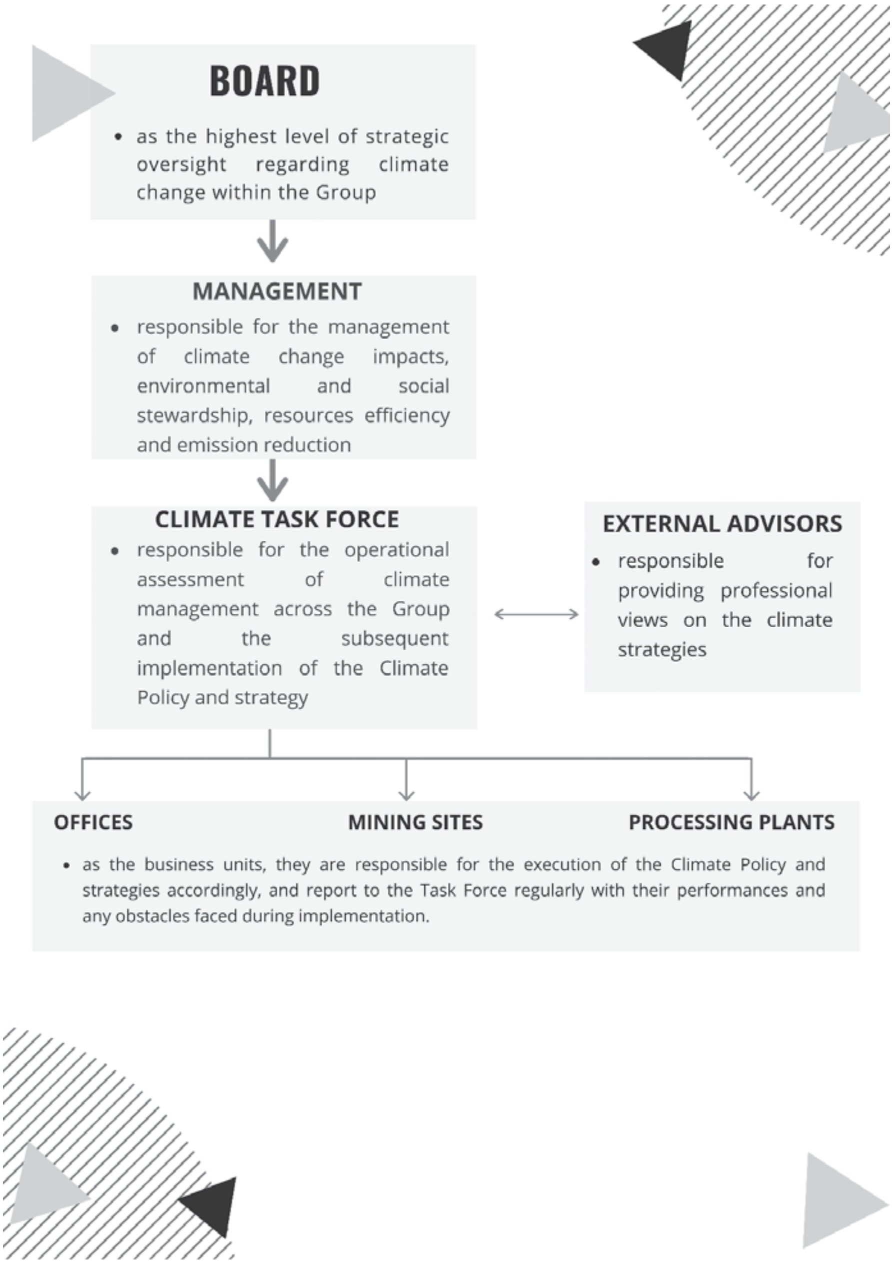
It is universally acknowledged that climate change amplifies operating risks, causing a significant increase in the intensity and frequency of extreme weather events with far-reaching consequences. In COP 26 held in 2021, adaptation, mitigation and financing tools were reiterated and will be jointly strengthened in a balance supported by all parties. The Group understands that mining is a sector that is particularly vulnerable to climate change, thereby developing and formulating a group-wide climate policy, outlining its strategic management approach and being taken as a starting point for defining the practices that the Group should do in facing climate-related risks.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.4. Climate Change *(CONTINUED)*

As a supporter of Task Force on Climate-related Financial Disclosure (TCFD) framework, the Group is committed to closing the gaps of climate-proof policies and security strategies, improving its environmental standards and augmenting the resilience, and supporting national and regional economic growth and development through responsible mining. The Group's preliminary analysis of climate-related risks and planning for climate actions can be found in the following sub-sections which highlights the Group's climate policy under development.

Governance



VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.4. Climate Change *(CONTINUED)*

Strategy

The Group has assessed its business operations against key elements under different climate projections, and prioritised the implications of both physical and transition climate-related risks on its financial planning and development strategy through a preliminary climate scenario analysis. Specifically, two IPCC emissions scenarios (RCP 2.6 and RCP 8.5) and two IEA scenarios (ETP 2DS and WEO Current Policies) were adopted. Set out below are a highlight of the identified climate-related risks that impact the Group's business.

Key
Material risks
Less material risks
Not significant risks

Physical risks	Potential impact on the Group	Significance
Acute risks	– Reduced revenue from decreased production capacity (e.g. transport difficulties, supply chain interruptions) – Reduced revenue and higher costs from negative impacts on workforce (e.g. health, safety, absenteeism) – Write-offs and early retirement of existing assets (e.g. damage to property and assets in "high-risk" locations) – Increased capital costs due to physical damage to facilities – Increased insurance premiums and potential for reduced availability of insurance on assets in locations vulnerable to the impact of extreme climate events	
Increased severity of extreme weather events such as cyclones and floods		
Chronic risks		
Changes in precipitation patterns and extreme variability in weather patterns		
Rising mean temperatures		
Rising sea levels		

Transition risks	Potential impact on the Group	Significance
Compliance risks		
Increased pricing of GHG emissions	– Increase operating costs including compliance costs (e.g. Chinese national carbon trading scheme) – Write-offs, asset impairment, and early retirement of existing carbon-intensive assets due to policy requirements – Increased costs and/or reduced demand for products and services resulting from fines and judgements	
Enhanced emissions-reporting obligations		
Technological risks		
Substitution of existing products and services with lower emissions options	– Reduced demand for existing products and services that rely on carbon-intensive operations – Research and development (R&D) expenditures in new and alternative technologies (e.g. renewable energy resources) – Costs to benchmark and integrate new practices and processes into operations	
Costs to transition to lower emissions technology		

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.4. Climate Change *(CONTINUED)*

Risk Management

The Group is committed to integrating climate risk management into its enterprise risk management approach and mechanism, and performs climate risk analysis by following three steps, namely evaluating implications of relevant climate-related risks on business through internal discussions and by the support from external advisers, undertaking materiality assessment to prioritise the risks that need immediate attention, performing feasibility analysis of its response actions for implementation.

Climate risk is planned to be a part of the agenda at the Board's Audit and Risk Committee meetings. A quarterly meeting is planned to be held between the Board and the Management to discuss the identification of potential climate risks, in which mitigation measures and tracking plans are raised.

Metrics and Targets

With reference to the seven cross-industry, climate-related metric categories recommended by TCFD, the Group has built both directional and quantitative metrics and targets to assess and manage relevant climate-related risks and opportunities. Below are the highlight of the climate-related metrics and targets established by the Group:

Metrics

- Annual GHG emissions – Scope 1
- Annual GHG emissions – Scope 2
- Annual Water consumption/Revenue
- Resources allocated to climate-related measures and campaigns

Goals

Target Type	Base Year	Target Year	Target Methodology	Scope	Targeted Reduction from Base Year
Total GHG Emissions (Scope 1 + Scope 2)	FY2020	FY2025	SBTi Absolute Contraction Approach	• Tongguan County Xiangshun Mining Development Co., Ltd.（潼關縣祥順礦業發展有限公司） • Luonan Jinhui Mining Co. Ltd.（洛南縣金輝礦業有限公司） • Shaanxi Tongxin Mining Co. Ltd.（陝西潼鑫礦業有限公司） • Tongguan County De Xing Mining LLC（潼關縣德興礦業有限責任公司） • Tongguan Tongjin Mining Company Limited（潼關縣潼金礦業有限責任公司） • Hong Kong Office	12.5%

VII. SOCIAL SUSTAINABILITY

Employment and Labour Practices

B.1. Employment

In pursuit of creating and maintaining an appealing workplace and great career development opportunities for all employees, the Group treasures its employee's talent and commits to provide all employees with a suitable platform, compensate them equally and fairly and respect their fundamental labour rights. The Group's human resources management approach prioritises talent, learning, diversity and culture of its people. As at the end of FY2021, the Group had a total of 205 full-time employees.

Table 3 Number of Employees by Age Group, Gender, Employment Type, Position Type, Geographic Locations of The Group in FY2021 [1]

Unit：Number of employees	Age group				
Gender	Below 30	Between 31 and 40	Between 41 and 50	Above 51	Total
Male	27	47	37	60	171
Female	4	12	10	8	34
Total	31	59	47	68	205

Unit: Number of employees	Position Type			
Gender	General staff	Senior employee, manager and senior manager	Director and the management	Total
Male	135	23	13	171
Female	32	1	1	34
Total	167	24	14	205

Employment type		
Full time	Part time	Total
205	0	205

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Geographic location

Locations	Number of employees
PRC	200
Hong Kong	5
Total:	205

1 The employment data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. The data covered employees engaged in a direct employment relationship with the Group according to relevant local laws and workers whose work and/or workplace was controlled by the Group. The methodology adopted for reporting on employment data set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

Table 4 Employee Turnover Rate by Age Group, Gender and Geographic Locations in FY2021[1]

Unit : Number of employees	Age group				
Gender	Below 30	Between 31 and 40	Between 41 and 50	Above 51	Total
Male	10	5	6	8	29
Employee turnover rate (%)	37.0%	10.6%	16.2%	13.3%	17.0%
Female	1	0	2	5	8
Employee turnover rate (%)	25.0%	0.0%	20.0%	62.5%	23.5%
Total	11	5	8	13	37
Total employee turnover rate (%)	35.5%	8.5%	17.0%	19.1%	18.0%

Geographic locations

Locations	Employee turnover	Employee turnover rate
PRC	37	18.%
Hong Kong	0	0.0%
Total:	37	18.0%

1 The turnover data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered into between the Group and its employees. Turnover rate was calculated by dividing the number of employees who resigned in FY2021 by the number of employees in FY2021. The methodology adopted for reporting on turnover data set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Law compliance

In FY2021, the Group abided by applicable employment laws and regulations in Hong Kong and the PRC that were material to the Group's businesses, including but not limited to the:

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);
- Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong);
- Labour Law of the People's Republic of China（中華人民共和國勞動法）;
- Insurance Law of the People's Republic of China（中華人民共和國社會保險法）;
- Labour Contract Law of the People's Republic of China（中華人民共和國勞動合同法）;
- Minimum Wage Regulations（最低工資規定）; and
- Regulations on the Supervision of Labour Security（勞動保障監察條例）.

The Human Resource Department of the Group is responsible for monitoring the implementation of relevant company policies, including Measures of Employee Recruitment（員工招聘）, Employment Management（錄用管理）, Employee Training Management（員工培訓管理）, Employee Transfer Management（員工調動管理）, Employee Leave and Attendance Management（員工休假及考勤管理）, Performance Management（績效管理）, Compensation Management（薪酬管理）and Human Resources Management System（人力資源管理制度）, as well as reviewing and updating internal procedures on a regular basis in accordance with the latest laws and regulations.

Recruitment and promotion

Following a set of transparent and clear procedures in annual recruitment, the Group ensures that its recruitment practice conforms to the principles of "Openness, Fairness, Transparency, Standardisation"（公開、公平、透明、規範）. For instance, the General Office formulates the recruitment plan according to internal procedures with considerations of the vacancy status of positions in various departments, and performs the recruitment through identifying recruitment sources and selecting the eligible candidates, in which CV screening, interviews, internal discussion and approval, and entry health examination are normally carried out step by step.

The Group offers fair, competitive remuneration and benefits with due considerations of applicants' past performance, personal attributes, job experiences and career aspirations. The Group refers to market benchmarks in relation to staff promotion and provides equal promotion opportunities to eligible employees who have exhibited outstanding performance and potential. The promotion within the Group is strictly based on clear and legitimate procedures.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Compensation and dismissal

The Group benchmarks the standard of local markets, company performance, economic circumstances, individual development and position type, in order to review and adjust the compensation policy for employees annually after evaluation and approval. The termination of employment contract is implemented in accordance with reasonable, lawful grounds and internal policies such as the Staff Handbook（員工手冊） of the Group. The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those who have violated the Group's employment policies, the Group would warn verbally before issuing a warning letter. The employees who remain untamed despite making the same mistakes repeatedly would be dismissed by the Group following the standard procedures set out in the laws of Hong Kong and the PRC. For employee falling under of the circumstances defined to be serious by the Group, the Group may consider terminating the labour contract according to laws and regulations:

(1) Employees who fail to meet the employment conditions during the probationary period;

(2) Serious violation of labour discipline or internal rules and regulations; and

(3) Serious dereliction of duty, malpractice and cause damage to the interests of the Group, etc.

Working hours and rest periods

The Staff Handbook（員工手冊）specifies the terms and policies in the Group's management of working hours and rest periods, which are based on local employment laws including Provisions of the State Council on Employees' Working Hours（國務院關於職工工作時間的規定）. The attendance management system enables the Group to monitor its employee's working hours and compensate those who work overtime with extra pay or additional days off.

The Group's employees are entitled to the leave benefits including statutory holidays, marriage leave, bereavement leave, maternity leave, breastfeeding leave, sick leave, personal leave, family visit leave, annual leave, etc.

Equal opportunity and anti-discrimination

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. Training and promotion opportunities, dismissals and retirement policies of the Group are all on the basis of factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related elements in all business units of the Group. Meanwhile, the equal opportunity policy of the Group allows zero tolerance in relation to any workplace discrimination, harassment or vilification according to local ordinances and regulations. Employees can report any incidents involving discrimination to the Human Resource Department of the Group that is responsible for making investigations and taking any necessary disciplinary actions on the responsible individuals.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Equal opportunity and anti-discrimination (CONTINUED)

The Group upholds the value of equality in the workplace and encourages barrier-free internal communication through various channels. The Human Resource Departments and Staff committees at all levels of the Group, as the main units responsible for managing employee relations and communication within the organisation, provide assistance to employees in improving job satisfaction, labour security, occupational psychological counselling and listening to their suggestions. All staff can equally give feedback to the Group without any concerns. The Group regularly informs its employees of the Group's recent operation and management information through emails, bulletin boards, meetings and other channels, in order to create a corporate culture that respects all.

Other benefits and welfare

To bring employees a sense of belonging, the Group has provided a wide variety of corporate benefits to its employees according to internal policies. The Group purchases various social insurance items stipulated by relevant laws and regulations such as endowment insurance, work-related injury insurance, medical insurance and housing provident fund for employees. To protect the physical and mental health of employees, the Group provides routine physical examinations and organises regular physical exercises and recreational activities. In FY2021, the Group's employees participated in the sports meeting organised by the country where it operated.

During the year under review, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.2. Health and Safety

Law compliance

It has long been one of the top priorities of the Group to minimise and eliminate its employees' exposure to occupational health and safety, and promote the wellbeing of its staff by creating a secure work environment supported by systematic safety management strategy, approach and regulations. In FY2021, the Group was in strict compliance with national and local regulations in relation to applicable occupational health and safety in Hong Kong and the PRC, namely:

- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);
- Law of the People's Republic of China on the Protection of Production Safety（中華人民共和國安全生產法）;
- Law of the People's Republic of China on Prevention and Control of Occupational Diseases（中華人民國和國職業病防治法）;
- Mine Safety Law of the People's Republic of China（中華人民共和國礦山安全法）;
- Regulations for the Implementation of the Mine Safety Law of the People's Republic of China（中華人民共和國礦山安全法實施條例）;
- Regulation on Work Safety Licenses（安全生產許可證條例）;
- Regulation on Work-Related Injury Insurance（工傷保險條例）;
- Notice of the State Administration of Work Safety on the strengthening of dust hazard control work in the gold mining enterprises（國家安全監管總局關於加強金礦開採企業粉塵危害治理工作的通知）;
- Warning Signs for Occupational Hazards in the Workplace（工作場所職業病危害警示標識）; and
- Notice on Issuing the Work Plan for Preventing and Resolving the Safety Risks of Tailings Pond（關於印發防範化解尾礦庫安全風險工作方案的通知）.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.2. Health and Safety *(CONTINUED)*

Management approach

"Safety first, Prevention Crucial, Integrated Management"（安全第一，預防為主，綜合治理）

The Group has incorporated safety into its corporate values, and set up a comprehensive mechanism and a list of effective policies managing safety and labour practices in line with applicable health and safety standards, in order to minimise the risks of accidents on mine sites and enhance employees' health and safety awareness. The internal policies and guidelines, including Work Safety Manual（工作安全手冊）, Internal Control Manual（內部控制手冊）and Management Manual of Safe Production Standardisation（安全生產標準化管理手冊）, have been set up to facilitate and maintain a safe working environment. In accordance with the Interim Provisions on the Installation, Use, Supervision and Inspection of the "Six Major Systems" for Safety Risk Avoidance in Metal and Non-metallic Underground Mines issued by the State Administration of Work Safety, the Group has formulated a detailed construction plan for the "Six Major Systems", comprehensively improving the level of safety management.

The Human Resource Department and the Administrative Department are responsible for monitoring and ensuring that all the safety policies are in place and enforced properly in the office. The Group has built a full-time Safety, Environmental Protection, Production and Technology Department that is equipped with full-time safety officers to facilitate the Group's safety management onsite. The Group has established Safety Production Management Committees, which are responsible for organising educational workshops under the topic of safe production, formulating safety measures and supervising the implementation of internal policies.

Striving for the elimination of fatalities and life-altering injuries from its operations, and to continuously reduce potential injury and health hazards onsite, the Group has focused on the effective implementation of the following measures:

Emergency preparedness programs

- Train and build mine rescue team
- Improve its real-time monitoring and alerting system

Management of hazardous materials

- Promote the lifecycle management of purchase, use, storage, transportation and disposal

Technical safety training

- Machine safeguarding training
- Simulator training
- Equipment operation training

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.2. Health and Safety *(CONTINUED)*

Management approach (CONTINUED)

Suitable protective gears and rescue plans for emergency have been provided to the mining rescue team. Professional emergency facilities and sufficient supplies are all in reserve for unpredicted circumstances, which are guarded and managed by designated staff to make sure that the contingency plan could be perfectly carried out during the outbreak of unwanted environmental and operational incidents that might threaten the health and safety of workers. The Group is committed to optimising its countermeasures to emergency according to the National Emergency Plans in Response to the Outbreak of Environmental Incidents（國家突發環境事件應急預案）and to intensify emergency drills in both frequency and quality in the near future. The Group has also set up policies to guide the correct handling of hazardous materials, to align the procurement practice, operations in the mining sites, storage in warehouses, transportation to another place, and disposal measures with industry standards. The Group has also been working on improving the awareness and knowledge of employees in occupational health and safety through training programmes.

The Group has continuously assessed the safety risks that are material to the Group's operations and committed to timely and effectively addressing the underlying threats by taking a precautionary approach. Specifically, the potential safety risks include the inadequate implementation of safety and environmental protection education and training, "three violations"（三違行為）that have caused casualties and property losses, etc. To address the relevant safety risks, the Group has strictly implemented its aforementioned internal policies under the accountability system. All units and mining areas of the Group are required to regularly check the achievement of safety-related goals and report to the Safety, Environmental Protection, Production and Technology Department.

Table 6 Number of work-related fatalities and lost days due to work injury of the Group in past three financial years [1]

Year	FY2021	FY2020	FY2019
Number of work-related fatalities	0	0	0
Lost days due to work injury	90	–	–

1 The information about injury and fatality was obtained from the Group's Human Resources Department. The methodology adopted for reporting the number and rate of work-related fatalities set out above was based on "How to Prepare an ESG Report? — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

In FY2021, the health and safety policies or initiatives of the Group covered all business units. The Group was in compliance with relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that may have a significant impact on the Group.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.2. Health and Safety *(CONTINUED)*

Resilience in Post-Pandemic Era

Since the Pandemic began in early 2020, the impetus to set the world on a more secure and sustainable footing has taken on new urgency. The promotion of employee's wellbeing, in particular, has become one of many corporate priorities in pursuing sustainability. In the post-pandemic era, the Group has resolutely adhered to the national and local requirements of epidemic prevention and control measures, and established and implemented internal policies and contingency plans, including Epidemic Prevention and Control Emergency System (疫情防控應急制度) and Hygiene and Epidemic Prevention System (衛生防疫制度). The Group has developed empathy with its employees, aiming to build trust and strengthen unity within the organisation to tide over the crisis.

B.3. Development and Training

The goal of corporate training to the Group is to improve its employees' capabilities and make the workforce more productive and efficient. Over years, the Group has organised a great many training programmes for employees in different positions, and highly encouraged its employees to take advantage of spare time to study more work-related knowledge.

The Group has allocated sufficient resources to training development and provision, aiming to create more opportunities for its employees to improve themselves. A complete training package is normally designed and arranged to all new hires, which covers the History of Company, Corporate Governance Structure, Corporate Culture, Business Processes, and Management System. For experienced employees, courses that match the corporate demands and employees' interest are offered regularly. To further enhance the professional skills of its employees and meet the Group's development goals, signing up for professional qualification examinations and external training is highly encouraged. Employees who have taken external qualification examinations and obtained vocational qualification certificates could receive a reimbursement from the Group.

Given the business nature, the Group's training can mainly be split into safety management and technical knowledge.

Safety Management Training

The Safety, Environmental Protection, Production and Technology Department assists the General Office in formulating an annual safety training plan. The Safety, Environmental Protection, Production and Technology Department is responsible for organising relevant business departments and production units to carry out group-wide and company-level safety educational courses and workshops. Each production unit launches workshop-level safety training on a regular basis according to the annual safety training plan. Personnel from relevant business departments and production units need to participate in the Three-Level Safety Training (三級安全培訓) and fills in the "Training Attendance Form". The General Office, Safety, Environmental Protection, Production and Technology Department and the production unit regularly perform the assessment of the Three-Level Safety Training.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.3. Development and Training *(CONTINUED)*

Technical Knowledge Training

The Safety, Environmental Protection, Production and Technology Department, mining sites and mineral processing workshops are collectively responsible for the technical knowledge training. The Group organises its employees to keep learning the latest production processes, familiarising themselves with the characteristics of main facilities of the workshop, and mastering the performance of the machines, equipment and tools. When introducing a new process, technology, equipment and material, the operator shall be trained by the technical personnel of the supplier, and strictly follow the technological processes and requirements to operate equipment. The Group provides training of business skills and knowledge for employees in key positions every six months with assessments, and archives all training plans, teaching documents, curriculums and other relevant information in the corporate training files.

In FY2021, a multitude of training opportunities were provided to employees by the Group, including but not limited to Compilation of Commonly Used Comprehensive Graphs(常用綜合性圖件的彙編), Mineral Processing Technology and Control(選礦技術及控制), Equipment Maintenance(設備維護保養), Safety, Environmental Protection and Occupational Hygiene(安全環保職業衛生), Construction Engineering Management(建設工程施工管理), Green Mine Construction Knowledge Learning and Training(綠色礦山建設知識學習培訓).

Table 7 Number and Percentage of Employees Trained in the Group by Gender and Position Type in FY2021[1]

Unit：Number of employees	Position			
Gender	General staff	Senior employee, manager and senior manager	Director and the management	Total
Male	107	23	9	139
% of employees trained	70.4%	15.1%	5.9%	91.4%
Female	12	1	0	13
% of employees trained	7.9%	0.7%	0.0%	8.6%

Total Employees Trained:

	General staff	Senior employee, manager and senior manager	Director and the management	Total
Total	119	24	9	152
% of employees trained	78.3%	15.8%	5.9%	74.1%

1 The training information was obtained from the Group's Human Resources Department. Training refers to the vocational training that the Group's employees attended in FY2021. The methodology adopted for reporting on the number and percentage of employees trained set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.3. Development and Training *(CONTINUED)*

Table 8 Training Hours Received by the Employees of the Group by Gender and Position Type in FY2021[1]

Unit：Training Hours	Position			
Gender	General staff	Senior employee, manager and senior manager	Director and the management	Total
Male	198	64	50	312
Average training hours	1.5	2.8	3.8	1.8
Female	24	20	0	44
Average training hours	0.8	20.0	0.0	1.3
Total	222	84	50	356
Average training hours	1.3	3.5	3.6	1.7

1 The training information was obtained from the Group's Human Resources Department. The methodology adopted for reporting training hours set out above was based on "How to Prepare an ESG Report — Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

B.4. Labour Standards

Respecting for and protecting labour rights is a central part of the Group's sustainability vision. In FY2021, the Group abided by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China（中華人民共和國勞動法）and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child and forced labour employment. To combat illegal employment of child labour, underage workers and forced labour, the Group's Human Resource Department requires all job applicants to provide valid identity documents to ensure that they are lawfully employable prior to the confirmation of any employment. The Group's Human Resource Department is responsible for the conformance of corporate policies and practices with the relevant laws and regulations that prohibit child labour and forced labour. The subsidiaries of the Group report on its new hires and the Group reviews all employment information on a monthly basis. Once any case that fails to comply with the relevant labour laws, regulations or standards is found, the relevant employment contract will be immediately terminated and the individuals responsible for the management of human resources will be disciplined accordingly.

In FY2021, the Group was in compliance with the relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices

B.5. Supply Chain Management

As a socially responsible enterprise, the Group has invariably been committed to maintaining a sustainable and reliable value chain by considering the environmental and social risks. With the effective implementation of supply chain management policies of the Group, all operating subsidiaries of the Group effectively managed its suppliers in FY2021.

As a gold mining operator, the Group's main suppliers include partners providing machinery and equipment, raw materials and labour and transportation services for the Group. In the selection of eligible suppliers that meet corporate requirements and comply with relevant laws and regulations, the Group has established a supply chain management ledger system, which enables the Group to effectively classify and register suppliers according to supply categories, corporate strengths and other factors. The Group prioritises the suppliers with good credibility and reputation, industry qualifications, best product quality, fair quotation and experience, and assesses the candidates through inquiries, onsite investigation, benchmarking, bidding and other channels. Normally, the department submits the plan of procurement for the approval of the management. The Procurement Department is responsible for the submission of procurement application and purchasing relevant materials.

The Group keeps monitoring the performance of its suppliers and its supply chain practice on a continuous basis through engagement. The Group requires that all its suppliers and contractors follow the policy that has been agreed upon in the contract during the business partnership with Group. The Group regularly evaluates its supplier chain to avoid major risks. An emergency plan will be timely activated by which the Group organises professionals and allocates emergency fund to minimise the risk and prevent subsequent losses. The Group has formulated "Supplier Management Procedures"（供應商管理辦法）and other internal policies, to manage its suppliers who are required to consistently conform to the Group's policies.

Social and Environmental Risk Control

To identify and minimise the underlying social and environmental risks that might arise from its supply chain, the Group's Procurement Department is responsible for preventing any potential threats and monitoring the process in collaboration with its suppliers. The Group ensures that each business division has specific employee(s) in charge of the communication with its suppliers. To effectively control the risks, the Group has implemented the following practices:

- Perform interviews with suppliers, through which the Group assesses its suppliers' environmental performance and compliance, in particular their significant environmental hazards in operations;

- Evaluate the candidate suppliers' legality, technical level, production capacity, quality assurance and industry certificates regularly;

- Maintain close contact with suppliers to adapt to any potential changes that might affect the stability of supply chain;

- Pay attention to the suppliers' progress in improving the performance of abiding by labour standards, human rights, code of conduct, anti-corruption policies, and health and safety-related standards;

- Strengthen internal collaboration and participation in supplier selection and management;

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

B.5. Supply Chain Management *(CONTINUED)*

Social and Environmental Risk Control (CONTINUED)

- Promote the integration of Green Procurement into operations, by taking into considerations energy efficiency, geographic locations, environmental management related certificates and other criteria, such as whether the dust collector and water purification system have been installed in accordance with relevant national requirements, in supplier selection and collaboration, and aim to enlarge its influence to more partners in the value chain to make changes towards environmentally friendly business models.

In the future, the Group will continue to strengthen the scientific management of supplier's online platform system, and automatically and more accurately classify and evaluate its suppliers' performance. During the year under review, the Group had a total of 30 major suppliers located in the PRC with whom the Group did not experience any material delays, conflict or other significant accidents. The Group's supply chain management policy applies to all its major suppliers and approximately 98% of its suppliers are covered by the Group's Green Procurement principle in collaborations.

B.6. Product Responsibility

In pursuit of a high level of reliability, quality and robustness of products and services, the Group has adhered to its business operation philosophy of "Steady operation, Pioneering and innovative, Upholding integrity, and Enhancing social responsibility(穩健經營、開拓創新、篤守誠信、增強社會責任感), aiming to fulfil its product responsibility, namely "People-Oriented, Quality Assurance, Environmental Protection and Scientific Management"(以人為本、保證質量、保護環境、科學管理).

With regard to the Group's health and safety, advertising, labelling and privacy matters of its products and services, the Group was in compliance with the relevant rules, regulations and standards in the PRC and Hong Kong in FY2021, including:

- Product Quality Law of the People's Republic of China(中華人民共和國產品質量法);
- Mineral Resources Law of the People's Republic of China(中華人民共和國礦產資源法);
- The Notice of Gold Tax Policy(關於黃金税收政策問題的通知); and
- Ambient air quality standards(環境空氣質量標準).

Product quality and operation safety

The major product of the Group is Gold Concentrate. To produce consistently top-notch products that satisfy customers' needs, the Group insists on the production of high quality Gold Concentrate, which is "No Impurity and Uniform Colour". In particular, the Group has formulated a series of strict rules and brought in effective measures in an effort to standardise the production and sale process, including the requirements of the laboratory report(檢驗結果報告單), water content test report(水分檢測報告單), gold concentrate delivery measurement order(金精粉出庫計量單), gold concentrate mental concentration confirmation slip (金精粉金屬含量確認單) and gold concentrate advice of settlement(金精粉銷售結算單).

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

B.6. Product Responsibility *(CONTINUED)*

Product quality and operation safety (CONTINUED)

The Group product quality must strictly meet certain requirements under different indicators. To support the quality assurance, the relevant personnel responsible for quality control is assessed on a regular basis. The production process is monitored and regulated by a series of parameters. An automated management process has been applied through the entire production process. To control product quality, the Group has formulated and implemented internal policies, including the Product Plan Management, Production Process Management, Engineering Management, Equipment Management and Production Compliance Management. In compliance with relevant international and national standards in the mining industry, the Group has acted in accordance with YS/T 3004-2011 Gold Concentrate（金精礦行業標準）in quality classification in order to deliver reliable and trustworthy products to its clients. The key production aspects such as the ore dressing test and quality measurement of the flotation-enriched gold concentrate, are supervised and monitored strictly by the Group's functional units, including mineral processing workshops and Internal Quality and Technique Control Station. Specifically, the Internal Quality and Technique Control Station is responsible for the sampling, testing and issuing certification on the quality of gold. Before the delivery of gold concentrate, the sample extraction is conducted by the person designated by the buyer under the supervision of the sales team. The sample must be put in clean and dry vessels, and transferred to the laboratory of the Quality and Technique Control Station for testing. The experimenter performs chemical examinations and the final test report should be signed by relevant staff on the test report. In FY2021, the Group did not encounter any products subject to recalls.

As part of its environmental stewardship and safety protection policies, tailing management has been vital to the Group. The Group has set up comprehensive tailing dam management plans and performed safety inspections regularly to ensure that its operations do not jeopardise the wellbeing of surrounding residents:

- Project geological surveys and stability analysis of the tailing dam are carried out when the pond accumulation is up to two-thirds of the designed height;

- To ensure the good permeability and stability of the tailing dam, upstream tailing ores are dispersed evenly so that both the coarse and fine participles can be deposited in the correct place;

- The length and slope of the sedimentation beach are verified to meet the requirement in design, preventing the slurry from brushing the dam body;

- In later stage, the internal and external slopes of the dam are built strictly based on the requirements in terms of factors including the stacking quality and the uniform rise of the dam to avoid significant height difference between the two ends of the dam axis;

- The inner water edge line is maintained parallel to the dam axis; and

- Seepage prevention and drainage of the dam are maintained through practices including building the flood interception ditch at the dam abutment, reducing the dam body's infiltration line and preventing mountain torrents from scouring the dam body.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

B.6. Product Responsibility *(CONTINUED)*

Complaint handling, Privacy matters & Advertising

The general office（綜合辦公室）of the PRC subsidiaries is responsible for dealing with customers' complaints. As the Group values clients' feedback, a follow-up mechanism is initiated and set up timely once any complaint is received. After investigation, the Group makes corresponding rectifications based on the results and notifies the result to the complainant in a timely manner.

The Group abided by the laws in relation to customer privacy and ensures that its customers' rights are strictly protected, including Law of the People's Republic of China on the Protection of Consumer Rights and Interests（中華人民共和國消費者權益保護法）; and Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) in FY2021. According to the confidentiality terms in the contract, employees are not allowed to disclose any information of the Group and its customers to any third party. Information collected by the Group from its customers would be used only for the purpose for which it has been collected. In FY2021, the Group did not receive any complaint or was involved in any legal case concerning breaches of customer privacy and losses of customer data.

In compliance with the Advertising Law of the People's Republic of China（中華人民共和國廣告法）, the Group's Marketing Department is responsible for verifying and providing accurate marketing materials in line with applicable laws and regulations to the public and its clients, supported by multiple departments.

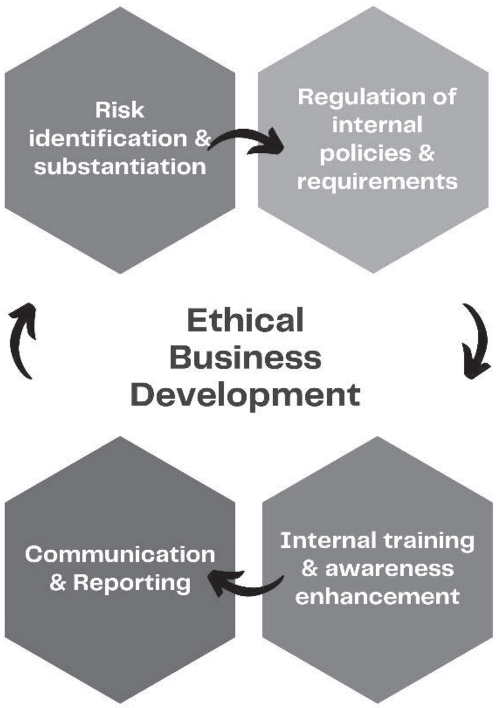
Given the business nature of the Group, the labelling, intellectual property rights and recall-related matters are relatively insignificant or not applicable to the Group. In FY2021, the Group was in compliance with the relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products and services that have a significant impact on the Group. Looking ahead, the Group will keep adjusting its thinking towards value-oriented mindset and commits to forge a business that manufactures unique and leading products and services. To this end, the Group continues to solidify its absolute leading uniqueness, precision and authority in the business field, and establish a multi-dimensional and systematic competitive advantage in the high-precision field.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

B.7. Anti-corruption

The Group is deeply aware that maintaining a sound anti-corruption culture and system throughout the organisation protects the Group against the risk of the reputation being stained and a decline in the value of business. The Group has committed to maintaining a workplace free from corruption and requires that all employees behave in compliance with the requirements set forth in the code of conduct and internationally recognised standards for ethical behaviour. In FY2021, the Group abided by the laws and regulations relating to anti-corruption and bribery in the PRC and Hong Kong, including the Anticorruption Law of the People's Republic of China（中華人民共和國反腐敗法）, the Law of the People's Republic of China on Anti-money Laundering（中華人民共和國反洗錢法）, Interim Provisions on Banning Commercial Bribery（關於禁止商業賄賂行為的暫行規定）, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).



The Group has zero tolerance for any practice in relation to bribery and corruption, and has strictly enforced its anti-corruption internal policies, such as its Staff Handbook（員工手冊）, to manage any fraudulent practices. The Group advocates the conformance to professional ethics of law-abiding, honesty, integrity and dedication. All employees should safeguard the interests of the Group and be responsible for the wellbeing of society. For those who have violated professional ethics and caused significant economic losses to the Group, the Group will take immediate actions in accordance with the laws and regulations. In the recruitment or appointment of employees, the Group upholds the principle of addressing nepotism. The Group promotes mutual supervision between superiors and subordinates in the organisation to prevent bribery, extortion, fraud and money-laundering. The Group has formulated a draconian Group-level internal control management system that supervises its business departments to prevent corruption. During the year under review, no concluded legal cases regarding corrupt practices were brought against the Group or its employees.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

B.7. Anti-corruption *(CONTINUED)*

As part of its anti-corruption strategy, relevant training workshops have been organised by the Group regularly that aim to enhance its employees' awareness. In FY2021, around 10 training courses that totalled 40 hours in topics related to anti-corruption were arranged by the Group for its employees, including the study and interpretation of news about national anti-corruption campaigns and actions. 42 members in the management team and 130 general employees enrolled in the training courses.

Whistle-blowers can report verbally or in writing to the Human Resource Department of the Group for any suspected misconduct with full details of the incident and supporting evidence. The Human Resource Department of the Group is responsible for carrying out investigations against any suspected or illegal behaviour to protect the Group's interests. The Group has set up an effective grievance mechanism to protect whistle-blowers from unfair dismissal or victimisation. Where any crime is substantiated by the Group, a report will be submitted promptly to relevant regulators or law enforcement authorities when the management of the Group considers it necessary.

In FY2021, the Group was in compliance with relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Community

B.8. Community Investment

The Group has been fully aware of its corporate citizenship and committed to volunteering and providing financial support to the disadvantaged community groups over these years. The Group is dedicated to encouraging and engaging its employees on a variety of different levels to drive sustainability and welfare of communities where it operates, in response to the national Common Prosperity initiative, and has focused its community investment and efforts mainly on supporting community education, green development of infrastructure as well as cultural and sports activities.

In FY2021, the Group organised and participated in a number of community events. For instance, the Group continued to financially support the education of students in the high school and made donations to nearby villages, counties and units that were in close contact with the Group. Specifically, the Group sponsored Yao Qing County（姚青村）by donating CNY20,000 and supported the programme of Tongguan Middle School Love Teaching Assistant by donating CNY 300,000. In addition, the Group actively responded to the ambitious plan of constructing a "Beautiful China"（美麗中國）, donating CNY30,000 to the landscape engineering project of Haochayu（蒿岔峪）Road.

Looking forward, the Group will unswervingly fulfil its social responsibility by being a trailblazer in strengthening its bond with local communities and exploring more opportunities to create value for society.

VIII. REPORT DISCLOSURE INDEX

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
A. Environmental				
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note:* Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 305: Emissions, and GRI 306: Effluents and Waste) GRI 305: Emissions: Management approach disclosures guidance GRI 307: Environmental Compliance: Disclosure 307-1	46
	KPI A1.1	The types of emissions and respective emissions data.	GRI 305: Emissions: Disclosures 305-1, 305-2, 305-3, 305-6, and 305-7	47
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 305: Emissions: Disclosures 305-1, 305-2, 305-4	48
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306: Waste: Disclosure 306-3 (a)	47
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	GRI 306: Waste: Disclosure 306-3 (a)	48
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 305: Emissions) GRI 305: Emissions: Clause 1.2 and Disclosure 305-5	53
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 306: Waste) GRI 306: Waste: Disclosures 306-4 and 306-5	49, 51

VIII. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
A. Environmental				
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. *Note:* Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 301: Materials, GRI 302: Energy, and GRI 303: Water and Effluents)	54
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	GRI 302: Energy: Disclosures 302-1 and 302-3	54
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	GRI 303: Water and Effluents: Disclosure 303-5	54
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 302: Energy) GRI 302: Energy: Disclosures 302-4 and 302-5	57
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 303: Water and Effluents) GRI 303: Water and Effluents: Disclosure 303-1	56
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	GRI 301: Materials: Disclosure 301-1	54
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 301: Materials, GRI 302: Energy, GRI 303: Water and Effluents, GRI 304: Biodiversity, GRI 305: Emissions, and GRI 306: Waste)	57
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GRI 103: Management Approach: Disclosures 103-1 and 103-2 (used together with GRI 301: Materials, GRI 302: Energy, GRI 303: Water and Effluents, GRI 304: Biodiversity, GRI 305: Emissions, and GRI 306: Waste) GRI 303: Water and Effluents: Disclosure 303-1 GRI 304: Biodiversity: Disclosure 304-2 GRI 306:: Waste: Disclosures 306-1 and 306-2	57

VIII. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
A. Environmental				
Aspect A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	GRI 103: Management approach: Disclosure 103-2 (c-i) (used together with GRI 201: Economic Performance) GRI 102: General Disclosures: Disclosure 102-29	58
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	GRI 201: Economic Performance: Disclosure 201-2	60
B. Social				
Employment and Labour Practices				
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 202: Market Presence, GRI 401: Employment, GRI 405: Diversity and Equal Opportunity, GRI 406: Non-discrimination) GRI 419: Socioeconomic Compliance: Disclosure 419-1	64
	KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	GRI 102: General Disclosures: Disclosures 102-8 (a), 102-8 (b), and 102-8 (c) GRI 405: Diversity and Equal Opportunity: Disclosure 405-1(b)	62
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	GRI 401: Employment: Disclosure 401-1 (b)	63

VIII. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
B. Social				
Employment and Labour Practices				
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 403: Occupational Health and Safety) GRI 403: Occupational Health and Safety: Disclosure 403-1 GRI 419: Socioeconomic Compliance: Disclosure 419-1	67
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	GRI 403: Occupational Health and Safety: Disclosure 403-9, 403-10	69
	KPI B2.2	Lost days due to work injury.	N/A	69
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	GRI 103: Management Approach: Disclosure 103-2 and 103-3 (a-i) (used together with GRI 403: Occupational Health and Safety) GRI 403: Occupational Health and Safety: Disclosures 403-1, 403-3, 403-5, 403-7	68
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 404: Training and Education) GRI 404: Training and Education: Disclosure 404-2 (a)	70
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A	71
	KPI B3.2	The average training hours completed per employee by gender and employee category.	GRI 404: Training and Education: Disclosure 404-1	72

VIII. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
B. Social				
Employment and Labour Practices				
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 408: Child Labour and GRI 409: Forced or Compulsory Labour) GRI 419: Socioeconomic Compliance: Disclosure 419-1	72
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 408: Child Labour and GRI 409: Forced or Compulsory Labour) GRI 408: Child Labour: Disclosure 408-1(c) GRI 409: Forced or Compulsory Labour: Disclosure 409-1(b)	72
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 408: Child Labour and GRI 409: Forced or Compulsory Labour) GRI 408: Child Labour: Disclosure 408-1(c) GRI 409: Forced or Compulsory Labour: Disclosure 409-1(b)	72

VIII. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
B. Social				
Operating Practices				
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 308: Supplier Environmental Assessment and GRI 414: Supplier Social Assessment)	73
	KPI B5.1	Number of suppliers by geographical region.	GRI 102: General Disclosures: Disclosure 102-9	74
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	GRI 102: General Disclosures: Disclosure 102-9 GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 303: Water and Effluents, GRI 308: Supplier Environmental Assessment and GRI 414: Supplier Social Assessment) GRI 303: Water and Effluents: Disclosure 303-1 (c) GRI 308: Supplier Environmental Assessment: Disclosures 308-1 and 308-2 GRI 414: Supplier Social Assessment: Disclosures 414-1 and 414-2	73
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	GRI 102: General Disclosures: Disclosure 102-9 GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 303: Water and Effluents, GRI 308: Supplier Environmental Assessment and GRI 414: Supplier Social Assessment) GRI 303: Water and Effluents: Disclosure 303-1 (c) GRI 308: Supplier Environmental Assessment: Disclosures 308-1 and 308-2 GRI 414: Supplier Social Assessment: Disclosures 414-1 and 414-2	73
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	GRI 103: Management Approach: Disclosure 103-2 (used together with GRI 306: Waste and GRI 308: Supplier Environmental Assessment)	74

VIII. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
B. Social				
Operating Practices				
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 416: Customer Health and Safety, GRI 417: Marketing and Labelling, and GRI 418: Customer Privacy) GRI 416: Customer Health and Safety: Disclosure 416-2 GRI 417: Marketing and Labelling: Disclosures 417-2 and 417-3 GRI 418: Customer Privacy: Disclosure 418-1 GRI 419: Socioeconomic Compliance: Disclosure 419-1	74
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	75
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	GRI 102: General Disclosures: Disclosures 102-43 and 102-44 GRI 103: Management Approach: Disclosure 103-2 (c-vi) GRI 418: Customer Privacy: Disclosure 418-1	76
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	76
	KPI B6.4	Description of quality assurance process and recall procedures	N/A	74
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	GRI 103: Management Approach: Disclosures 103-2 and 103-3 (a-i) (used together with GRI 418: Customer Privacy)	76

VIII. REPORT DISCLOSURE INDEX *(CONTINUED)*

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
B. Social				
Operating Practices				
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 205: Anti-corruption) GRI 205 Anti-corruption: Disclosure 205-3 GRI 419: Socioeconomic Compliance: Disclosure 419-1	77
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	GRI 205: Anti-corruption: Disclosure 205-3	77
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	GRI 102: General Disclosures: Disclosure 102-17 GRI 103: Management Approach: Disclosures 103-2 and 103-3 (a-i) (used together with GRI 205: Anti-corruption) GRI 205: Anti-corruption: Clause 1.2	77
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	GRI 205: Anti-corruption: Disclosure: 205-2: Communication and training about anti-corruption policies and procedures	78
Community				
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	GRI 103: Management Approach: Disclosure 103-2 (c-i) (used together with GRI 413: Local Communities)	78
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	GRI 203: Indirect Economic Impacts: Disclosure 203-1(a)	78
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	GRI 201: Economic Performance: Disclosure 201-1(a-ii)	78

* The linkage between the GRI standards and disclosures that relate to each aspect in HKEX ESG Reporting Guide refers to the summary table from the 'Linking the GRI Standards and HKEX ESG Reporting Guide' (updated July 2020).

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF TONGGUAN GOLD GROUP LIMITED (潼關黃金集團有限公司)
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Tongguan Gold Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 93 to 167, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of exploration and evaluation assets, property, plant and equipment and goodwill

As at 31 December 2021, the carrying amounts of the Group's exploration and evaluation assets and property, plant and equipment relating to the gold mining operation amounted to approximately HK$1,467,151,000 and HK$1,396,068,000, respectively, details of which are disclosed in notes 16 and 15 to the consolidated financial statements. Based on the impairment assessments, the management concluded that no impairment loss is required to be made against the Group's exploration and evaluation assets and property, plant and equipment for the year ended 31 December 2021.

As disclosed in note 17 to the consolidated financial statements, the carrying amount of goodwill of the Group relating to the gold mining operation is HK$654,817,000 at 31 December 2021 and no impairment loss is required to be recognised on goodwill in the Group's profit or loss in respect of the year ended 31 December 2021.

We identified the impairment assessment of exploration and evaluation assets, property, plant and equipment and goodwill relating to the gold mining operation as a key audit matter due to significant judgements and estimations are required by the management in assessing the impairment of these assets and the significance of their carrying amounts recognised in the consolidated financial statements.

For the cash-generating unit ("CGU") of One Champion International Limited and its subsidiaries ("One Champion Group"), the management assessed the impairment of these assets by comparing its recoverable amount with the carrying amount at the end of the reporting period. The recoverable amount was determined with reference to the value in use of the CGU, by applying a suitable discount rate, growth rates and expected changes in selling prices of gold and direct costs in order to calculate the value in use.

For the CGUs of Perfect Major Holdings Limited and its subsidiaries ("Perfect Major Group"), Pride Success Investment Limited and its subsidiaries ("Pride Success Group") and Best Income Limited and its subsidiaries and Max Paramount Holdings Limited and its subsidiaries ("Best Income and Max Paramount Group"), the management assessed the impairment of these assets based on their estimated fair value less costs of disposal, using a market approach essentially for the exploration licenses of respective gold mines.

How our audit addressed the key audit matter:

Our procedures in relation to evaluating the impairment assessment of exploration and evaluation assets, property, plant and equipment and goodwill relating to the gold mining operation included:

— Understanding the key controls relating to the impairment assessment process used by the management including the value in use calculation;

— Evaluating the competence, capabilities and objectivity of the valuer;

— Evaluating the reasonableness of the input data of the cash flow forecast by comparing the historical financial forecast against the actual performance of the CGU and the input data of comparable companies under market approach;

— Evaluating the reasonableness of the assumptions made by the management in determining the value in use of these assets relating to the gold mining operation, including the suitable discount rate, growth rates and expected changes in selling prices of gold and direct costs; and

— Evaluating management's assessment of the potential impact on the value in use calculations due to reasonably possible changes on growth rates and discount rate.

Assessment of the Group's ability to continue as a going concern

Refer to note 3 to the consolidated financial statements.

At 31 December 2021, the Group had net current liabilities of HK$454,759,000, total borrowings of HK$177,019,000 and capital commitments of HK$42,790,000.

The Group finances its operating and exploration and development activities using a combination of cash on hand and operating and financing cash flows, which are generated mainly from the sales of gold and borrowings.

Based on the cash flow forecasts of the Group, the management has concluded that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date of the consolidated financial statements.

We identified the assessment of the Group's ability to continue as a going concern as a key audit matter because the assessment is dependent upon certain management assumptions and judgements, in particular in relation to future revenue from sales of gold and the ability of the Group to renew or obtain new financing facilities upon expiry of the existing financing facilities, which may be inherently uncertain and could be subject to management bias.

How our audit addressed the key audit matter:

Our audit procedures in relation to the assessment of the Group's ability to continue as a going concern included:

— Walking through the business planning process and assessing the design, implementation and operating effectiveness of management's key internal controls over the assessment of the Group's ability to continue as a going concern, including the preparation of cash flow forecasts;

— Evaluating the key assumptions adopted by management in the preparation of the cash flow forecast including, comparing future gold prices with gold futures contracts in the market; comparing forecast production quantities and future cost projections with historical information for the past two years;

— Comparing future expected cash flows with historical data and assessing whether any variations were consistent with our expectations based on our understanding of the Group's business;

— Considering the accuracy and reliability of past cash flow forecasts made by management by comparing them with the current year's results;

— Comparing the available financing facilities and arrangements to underlying documentation and assessing the impact of any covenants and other restrictive terms attached thereto;

— Assessing the sensitivities of the key assumptions adopted by management in the going concern assessment and considering whether management had incorporated any bias in the selection of such assumptions; and

— Evaluating the disclosures in the consolidated financial statements in respect of the going concern assumption with reference to the requirements of the prevailing accounting standards.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 24 March 2021.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGE WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

CCTH CPA Limited
Certified Public Accountants

Hong Ting
Practising Certificate Number: P07069

Hong Kong, 28 March 2022

Unit 1510–1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	6	**681,721**	327,710
Cost of sales		**(444,857)**	(255,198)
Gross profit		**236,864**	72,512
Other income	7	**1,308**	2,030
Other net gains and losses	8	**6,980**	(11,838)
Administrative and other expenses		**(60,032)**	(66,761)
Finance costs	9	**(6,669)**	(166)
Share of result of an associate		**—**	—
Profit (loss) before tax	10	**178,451**	(4,223)
Income tax (charge) credit	11	**(23,151)**	2,710
Profit (loss) for the year		**155,300**	(1,513)
Other comprehensive income, net of tax			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		**6,440**	15
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**61,497**	115,531
Other comprehensive income for the year, net of tax		**67,937**	115,546
Total comprehensive income for the year		**223,237**	114,033

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Profit (loss) for the year attributable to:			
— Owners of the Company		**138,677**	(6,330)
— Non-controlling interests		**16,623**	4,817
		155,300	(1,513)
Total comprehensive income for the year attributable to:			
— Owners of the Company		**197,628**	94,894
— Non-controlling interests		**25,609**	19,139
		223,237	114,033
Earnings (loss) per share – Basic and diluted	14	**HK4.09 cents**	HK(0.19) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	15	**1,396,068**	1,303,782
Right-of-use assets	32	**34,813**	33,534
Exploration and evaluation assets	16	**1,467,151**	1,409,990
Goodwill	17	**654,817**	636,132
Other intangible assets	18	**119,355**	147,229
Other financial assets	19	**13,636**	6,989
Interest in an associate	20	**3,620**	3,517
		3,689,460	3,541,173
Current assets			
Inventories	21	**7,287**	61,674
Other receivables	22	**40,748**	42,912
Amount due from an associate	20	**1,832**	1,779
Bank balances and cash	23	**157,700**	130,293
		207,567	236,658
Current liabilities			
Other payables	24	**412,233**	437,588
Bank and other borrowings	26	**61,155**	121,791
Contract liabilities	25	**3,302**	68,700
Lease liabilities	32	**2,110**	1,303
Tax payables		**183,526**	161,266
		662,326	790,648
Net current liabilities		**(454,759)**	(553,990)
Total assets less current liabilities		**3,234,701**	2,987,183

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Bank and other borrowings	*26*	**115,864**	117,905
Other payables	*24*	**589,703**	571,662
Provision for restoration and environmental costs	*29*	**13,358**	12,973
Lease liabilities	*32*	**639**	102
Deferred tax liabilities	*28*	**342,762**	335,403
		1,062,326	1,038,045
Net assets		**2,172,375**	1,949,138
Capital and reserves			
Share capital	*30*	**339,227**	339,227
Share premium and reserves		**1,676,178**	1,478,550
Equity attributable to owners of the Company		**2,015,405**	1,817,777
Non-controlling interests	*34*	**156,970**	131,361
Total equity		**2,172,375**	1,949,138

The consolidated financial statements on pages 93 to 167 were approved and authorised for issue by the Board of Directors on 28 March 2022 and are signed on its behalf by:

Yeung Kwok Kuen
Director

Shi Xing Zhi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 30)	Share premium HK$'000 (Note 31(a))	Statutory surplus reserve HK$'000 (Note 31(b))	Contributed surplus HK$'000 (Note 31(c))	Share option reserve HK$'000 (Note 31(d))	Investment revaluation reserve HK$'000 (Note 31(e))	Translation reserve HK$'000 (Note 31(f))	Retained earnings HK$'000 (Note 31(g))	Sub-total HK$'000	Non-controlling interests HK$'000 (Note 34)	Total HK$'000
At 1 January 2020	339,227	1,090,897	1,326	287,496	10,235	(49,020)	(59,923)	102,645	1,722,883	112,222	1,835,105
(Loss) profit for the year	–	–	–	–	–	–	–	(6,330)	(6,330)	4,817	(1,513)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	101,209	–	101,209	14,322	115,531
Fair value changes in other financial assets	–	–	–	–	–	15	–	–	15	–	15
Other comprehensive income for the year	–	–	–	–	–	15	101,209	–	101,224	14,322	115,546
Total comprehensive income (expense) for the year	–	–	–	–	–	15	101,209	(6,330)	94,894	19,139	114,033
Appropriation to statutory reserve	–	–	6,650	–	–	–	–	(6,650)	–	–	–
At 31 December 2020	339,227	1,090,897	7,976	287,496	10,235	(49,005)	41,286	89,665	1,817,777	131,361	1,949,138
At 1 January 2021	339,227	1,090,897	7,976	287,496	10,235	(49,005)	41,286	89,665	1,817,777	131,361	1,949,138
Profit for the year	–	–	–	–	–	–	–	138,677	138,677	16,623	155,300
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	52,511	–	52,511	8,986	61,497
Fair value changes in other financial assets	–	–	–	–	–	6,440	–	–	6,440	–	6,440
Other comprehensive income for the year	–	–	–	–	–	6,440	52,511	–	58,951	8,986	67,937
Total comprehensive income for the year	–	–	–	–	–	6,440	52,511	138,677	197,628	25,609	223,237
Appropriation to statutory reserve	–	–	21,304	–	–	–	–	(21,304)	–	–	–
At 31 December 2021	339,227	1,090,897	29,280	287,496	10,235	(42,565)	93,797	207,038	2,015,405	156,970	2,172,375

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Profit (loss) before tax		**178,451**	(4,223)
Adjustments for:			
Interest income	7	**(959)**	(990)
Interest expenses	9	**6,669**	166
Depreciation of property, plant and equipment	10	**33,612**	32,796
Depreciation of right-of-use assets	10	**4,022**	4,625
Amortisation of other intangible assets	10	**47,218**	20,511
Fair value loss of a contingent consideration payable	8	**–**	13,074
Gain on modification of financial liabilities	8	**(9,124)**	—
Impairment loss of other receivables	8	**222**	265
Loss on disposal of property, plant and equipment	8	**60**	–
Written off in respect of other receivables	8	**1,802**	–
Provision for restoration and environment costs	29	**1,303**	2,647
Reversal of impairment loss written off in respect of other receivables	8	**—**	(1,225)
Share of result of an associate		**—**	—
		263,276	67,646
Decrease (increase) in inventories		**55,348**	(41,943)
Decrease in other receivables		**2,165**	22,628
(Decrease) increase in other payables		**(30,068)**	17,570
(Decrease) increase in contract liabilities		**(66,069)**	56,417
Cash generated from operations		**224,652**	122,318
Income tax expenses paid		**(7,337)**	—
Net cash generated from operating activities		**217,315**	122,318

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK$'000	2020 HK$'000
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	**(71,090)**	(75,885)
Payment for purchase of other intangible assets	**(15,361)**	(9,658)
Payment for restoration and environment costs	**(1,303)**	–
Expenditure paid on exploration and evaluation assets	**(14,900)**	(41,476)
Interest received	**959**	990
Net cash used in investing activities	**(101,695)**	(126,029)
Cash flows from financing activities		
Repayment of bank and other borrowings	**(122,271)**	(64,990)
New bank and other borrowings raised	**54,207**	129,306
Payment of principal portion of lease liabilities	**(3,041)**	(3,834)
Interest paid on lease liabilities	**(101)**	(166)
Interest paid	**(19,897)**	(18,130)
Net cash (used in) generated from financing activities	**(91,103)**	42,186
Net increase in cash and cash equivalents	**24,517**	38,475
Cash and cash equivalents at beginning of the year	**130,293**	90,277
Effect of exchange rate changes on cash and cash equivalents	**2,890**	1,541
Cash and cash equivalents at end of the year, represented by bank balances and cash	**157,700**	130,293

1. GENERAL INFORMATION

Tongguan Gold Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at Room 1306, 13th Floor, Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong. The Company is an investment holding company.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in gold mining operation, which includes exploration, mining, processing and sale of gold concentrates and related products. The Group's gold mining operation is mainly carried out in the People's Republic of China (the "PRC").

The functional currency of the Group's operating subsidiaries is Renminbi ("RMB"), while the consolidated financial statements are presented in Hong Kong dollars ("HK$") which is also the Company's functional currency, for the convenience of the investors as its shares are listed on the Stock Exchange. All values are rounded to the nearest thousand except when otherwise indicated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to the Group for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year had no material impact on the Group's consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS standards that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective for annual periods beginning on or after a date to be determined

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

New and amendments to HKFRSs in issue but not yet effective *(CONTINUED)*

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have a significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Basis of measurement and going concern assumption

The Group had net current liabilities of approximately HK$454,759,000 at 31 December 2021.

Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the Directors have given careful consideration to the current and anticipated future liquidity needs of the Group and is satisfied that the loan facilities from the Group's financial institutions for its working capital requirement for the next twelve months will be available as and when required, having regard to the following: (i) undrawn financing facilities and (ii) enhancing the Group's operational efficiency and implementing cost control measures. The Group will actively negotiate with the financial institution for the renewal of the Group's borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. In the opinion of the Directors, the Group will be able to roll over or refinance the borrowings upon their maturity.

Having taken into account the above, the Directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation *(CONTINUED)*

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity, which represent present ownership interests entitling their holders to a proportionate share of the net assets of the relevant subsidiaries upon liquidation.

Goodwill

Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represents the lowest level at which goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

On the disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Interest in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, that is, when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group recognises revenue on sale of gold concentrates and related products at a point in time when control of the goods has transferred, being when the goods are delivered to the customer. Transportation and other related activities that occur before customers obtain control of the related goods are considered as fulfilment activities.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment, except for mining structures, are depreciated so as to write off their costs net of expected residual values over their estimated useful lives on a straight-line basis. The useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Buildings	Shorter of lease term of land or 10-40 years
Plant and machinery	3-10 years
Furniture, fixtures and equipment	5-10 years
Motor vehicles	4-10 years

Mining structures located in the mining site are depreciated using the Unit-of-Production ("UOP") method to write-off cost of the assets proportionately to the extraction of the proven and probable mineral reserves. A stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

Construction in progress represents mining structures, buildings and machinery in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount or if any indication of impairment is identified.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net disposal proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases *(CONTINUED)*

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies the practical expedient not to separate non-lease components from lease components, and instead accounts for the lease components and any associated non-lease components as a single lease component.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments represent fixed payments (including in-substance fixed payment) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Exploration and evaluation assets

All costs directly associated with exploration and evaluation are initially capitalised. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment loss. Exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not been determined. Exploration and evaluation assets include acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, sampling and trenching and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

Exploration and evaluation assets which became demonstrable and reached the development phase are transferred to mining rights and property, plant and equipment. Exploration and evaluation assets are assessed for impairment annually and before reclassification.

Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Except for mining rights, amortisation is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative and other expenses.

Mining rights with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided using the UOP method based on the actual volume mined over the estimated total proven and probable reserves of the ore mine within the terms of the mining license.

Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- exploration and evaluation assets;
- other intangible assets;
- investments in subsidiaries in the Company's statement of financial position; and
- interest in an associate

If the recoverable amount (that is, the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU, 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 or CGU.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial assets *(CONTINUED)*

Classification and subsequent measurement of financial assets *(CONTINUED)*

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including other receivables, amount due from an associate and bank balances) which are subject to impairment assessment under HKFRS 9 "Financial Instruments". The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial assets *(CONTINUED)*

Impairment of financial assets *(CONTINUED)*

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial assets *(CONTINUED)*

Impairment of financial assets *(CONTINUED)*

(i) Significant increase in credit risk (CONTINUED)

- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial assets *(CONTINUED)*

Impairment of financial assets *(CONTINUED)*

(iii) Credit-impaired financial assets (CONTINUED)

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial assets *(CONTINUED)*

Impairment of financial assets *(CONTINUED)*

(v) Measurement and recognition of ECL (CONTINUED)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Purchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities including other payables and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial liabilities and equity *(CONTINUED)*

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

Inventories

The Group's inventories include raw materials, work in progress, finished goods and consumable materials.

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, costs of processing and other expenditures incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income taxes *(CONTINUED)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (that is, HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On the disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant, using a binomial option pricing model. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions for land reclamation and cavity refill costs and environmental rehabilitation are based on estimates of required expenditure on the mines in accordance with the relevant rules and regulations in the PRC. The Group estimates its liabilities for land reclamation and cavity refill, and environmental rehabilitation based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. Provisions for land reclamation and cavity refill cost, and environmental rehabilitation are recognised in profit or loss in the period when the obligation is identified.

Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Related parties

(a) A person or a close member of that person’s family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company’s parent.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties *(CONTINUED)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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 the employees of 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 key management personnel of the entity (or of a parent of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective 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 on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment losses.

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. In the absence of active market of the CGU, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation models. Assumptions and inputs used in valuation techniques vary and depend on the nature of business of the CGU. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and a suitable discount rate. Where other pricing models are used, inputs are based on observable market data at the end of each reporting period. However, where market data are not available, management needs to make estimates on such unobservable market inputs based on assumptions. Changes in assumptions about these factors could affect the estimated fair value of the CGU. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Key sources of estimation uncertainty *(CONTINUED)*

(iii) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 4. The non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(iv) Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable amount. The assessment of the recoverable amount involves judgment as to (i) the likely future commercial viability of the asset and when such commercial viability should be determined; (ii) future revenues based on forecasted gold prices; (iii) future development costs and production expenses; (iv) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable amount; and (v) potential value to future exploration and evaluation activities of any geological and geographical data acquired. Any material adverse changes of these factors may cause impairment of the carrying value of the exploration and evaluation assets.

(v) Impairment of other receivables

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The impairment allowances are based on assumptions about risk of default and expected credit loss rates. The Group makes its estimates based on the ageing of its loan balances, customers/debtors' creditworthiness, historical write-off experience and existing market condition including forward-looking estimates as at the reporting date. If the financial condition of its debtors were to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Key sources of estimation uncertainty *(CONTINUED)*

(vi) Fair value measurement

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (that is, not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Certain of the Group's financial assets/liabilities measured at FVTOCI/FVTPL are disclosed in Note 37 are measured at fair value.

(vii) Going concern and liquidity

A explained in Note 3 to the financial statements, the Group had net current liabilities of approximately HK$454,759,000. The Directors consider that the Company has ability to continue as a going concern and details of which are set out in Note 3 to the financial statements.

6. REVENUE AND SEGMENT REPORTING

Information is reported internally to the board of directors of the Company (the "Board"), being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered or services provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the Board have been aggregated in arriving at the reporting segments of the Group.

Segment revenue and results

Reporting segment	**Nature**	**Place of operation**
Gold mining operation	Exploration, mining, processing and sale of gold concentrates and related products	The PRC

The principal activity of the Group is the production and sale of gold concentrates and related products for the years ended 31 December 2021 and 2020.

6. REVENUE AND SEGMENT REPORTING *(CONTINUED)*

The Group's revenue are derived from contracts with customers recognised at a point in time during the year as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
Exploration, mining, processing and sale of gold concentrates and related products	**681,721**	327,710

As no discrete information in respect of segment assets, segment liabilities and other information is used for the assessment of performance and allocation of resources, thus no analysis of segment assets and segment liabilities is presented.

No geographical analysis is presented as the Group's revenue and profit from operations were primarily derived from operating activities in the PRC.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Customer A *(Note (a))*	**N/A**	232,388
Customer B	**660,728**	95,322

Note:

(a) The corresponding revenue in the year ended 31 December 2021 for Customer A did not contribute over 10% of the total revenue of the Group.

7. OTHER INCOME

	2021 *HK$'000*	2020 *HK$'000*
Government grants *(Note (a))*	**121**	477
Interest on bank deposits	**959**	990
Others	**228**	563
	1,308	2,030

Note:

(a) Included in profit or loss is nil (2020: HK$298,000) of government grants obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

8. OTHER NET GAINS AND LOSSES

	2021 *HK$'000*	2020 *HK$'000*
Net foreign exchange gains	**186**	276
Gain on modification of financial liabilities *(Note (a))*	**9,124**	–
Fair value loss of a contingent consideration payable *(Note 27)*	**–**	(13,074)
Written off in respect of other receivables *(Note 22)*	**(1,802)**	–
Impairment loss of other receivables *(Note 22)*	**(222)**	(265)
Reversal of impairment loss written off in respect of other receivables	**—**	1,225
Loss on disposal of property, plant and equipment	**(60)**	—
Others	**(246)**	—
	6,980	(11,838)

Note:

(a) During the year ended 31 December 2021, the maturity date of the promissory note was extended from 36 months to 60 months. The original promissory note payable was derecognised and a new financial liability with the modified maturity date is recognised at fair value at the date of such modification. As a result, a gain on modification of financial liabilities of HK$ 9,124,000 was recognised in the current year.

9. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on unsecured bank and other borrowings	**18,790**	16,627
Interest on secured bank borrowings	**—**	331
Interest on secured other borrowing	**1,211**	1,172
Interest on promissory note payable at amortised cost	**2,552**	—
Less: Amount capitalised *(Note (a))*	**(15,985)**	(18,130)
Interest expenses on leases liabilities	**101**	166
	6,669	166

Note:

(a) Borrowing costs capitalised during the year arose on the Group's general borrowing pool calculated by applying a capitalisation rate of 8.06% (2020: general borrowing pool and specific borrowing at a capitalisation rate of 7.65% and 1.86%, respectively) to expenditure on qualifying assets.

10. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax is arrived at after charging:

	2021	2020
	HK$'000	*HK$'000*
Director's emoluments *(Note 12)*	**3,098**	3,371
Staff's salaries, bonus and allowances	**18,951**	16,743
Contributions to staff's retirement benefits schemes	**2,302**	1,670
Total staff costs	**24,351**	21,784
Amortisation of other intangible assets	**47,218**	20,511
Auditor's remuneration	**1,441**	1,850
Costs of inventories recognised as an expense *(Note (a))*	**440,106**	241,399
Depreciation charges		
— property, plant and equipment	**33,612**	32,796
— right-of-use assets		
— office premise and factories	**2,660**	3,248
— motor vehicle	**469**	525
— office equipment	**17**	34
— prepaid lease payments	**876**	818

Note:

(a) Costs of inventories recognised as an expense mainly include mining extraction costs, documentation transferring fee, transportation cost and amortisations and depreciation charges of HK$251,794,000 (2020: HK$174,149,000), HK$19,013,000 (2020: HK$26,621,000), HK$3,521,000 (2020: HK$3,548,000) and HK$52,109,000 (2020: HK$46,958,000) respectively.

11. INCOME TAX (CHARGE) CREDIT

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2021 and 2020.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Pursuant to the Notice of the Ministry of Finance, 財政部國家税務總局海關總署關於深入實施西部大開發戰略有關税收政策問題的通知(財税〔2011〕58號)(transliterated as General Administration of Customs and the State Administration of Taxation on the Issues of Preferential Taxation Policies for Further Implementing the Western Development Strategy (Cai Shui 2011 No. 58)*), from 1 January 2011, the enterprises in the western region, which engaged in encouraged industries as indicated in the 西部地區鼓勵類產業目錄 (transliterated as Catalogue of Encouraged Industries of Western Region*) and 產業結構調整指導目錄(2011年本)(修正)(transliterated as Catalogue of Industrial Structure Adjustment Guidance (2011 Revised)*)(國家發改委令2013年第21號)(transliterated as National Development and Reform Commission Order 2013 No. 21*) and which derive 70% of their operating income from the encouraged industries could apply for a tax incentive. After getting in-charge tax bureau's approval, those enterprises could enjoy a reduced EIT rate of 15% from the statutory EIT rate of 25%.

For the years ended 31 December 2021 and 2020, 潼關縣祥順礦業發展有限公司 and 潼關縣德興礦業有限責任公司 (transliterated as Tongguan County Xiangshun Mining Development Co., Ltd.*) ("Xiangshun") and Tongguan County De Xing Mining LLC ("De Xing"), the operating subsidiaries of One Champion International Limited and its subsidiaries ("One Champion Group") and Pride Success Investment Limited and its subsidiaries ("Pride Success Group") respectively, obtained the in-charge tax bureau's approval and were granted a reduced EIT rate of 15%.

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2021	2020
	HK$'000	*HK$'000*
Current tax — PRC Enterprise Income Tax	**24,652**	—
Deferred tax *(Note 28)*	**(1,501)**	(2,710)
	23,151	(2,710)

11. INCOME TAX (CHARGE) CREDIT *(CONTINUED)*

The income tax charge (credit) for the year can be reconciled to the profit (loss) before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK$'000	2020 HK$'000
Profit (loss) before tax	**178,451**	(4,223)
Notional tax on profit (loss) before tax, calculated at 25% (2020: 25%)	**44,613**	(1,056)
Differential tax rates	**(16,027)**	796
Tax effect of expenses not deductible for tax purposes	**4,574**	4,189
Tax effect of income not taxable for tax purposes	**(2,415)**	(2,566)
Tax losses and temporary differences not recognised	**(7,594)**	(4,073)
Income tax charge (credit)	**23,151**	(2,710)

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

	2021 HK$'000	2020 HK$'000
Fees	**540**	615
Other emoluments		
Salaries and other benefits	**2,198**	2,084
Performance related incentive payments *(Note (a))*	**290**	602
Contributions to retirement benefits schemes	**70**	70
	3,098	3,371

Directors' and chief executives' emoluments are disclosed as follows:

For the year ended 31 December 2021

	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors					
Yeung Kwok Kuen	–	1,200	200	70	1,470
Shi Xing Zhi	–	497	–	–	497
Shi Sheng Li	–	501	–	–	501
Independent non-executive directors					
Chu Kang Nam	180	–	30	–	210
Liang Xu Shu	180	–	30	–	210
Leung Ka Wo	180	–	30	–	210
	540	2,198	290	70	3,098

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(CONTINUED)*

For the year ended 31 December 2020

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Performance related incentive payments *HK$'000*	Contributions to retirement benefits schemes *HK$'000*	Total *HK$'000*
Executive directors					
Yeung Kwok Kuen	–	1,200	200	70	1,470
Shi Xing Zhi	–	442	160	–	602
Shi Sheng Li	–	442	152	–	594
Independent non-executive directors					
Chu Kang Nam	180	–	30	–	210
Ngai Sai Chuen *(Note (b))*	75	–	–	–	75
Liang Xu Shu	180	–	30	–	210
Leung Ka Wo	180	–	30	–	210
	615	2,084	602	70	3,371

Notes:

(a) The performance related incentive payments are determined by reference to the financial performance of certain subsidiaries of the Group and the market environment during the year.

(b) Mr. Ngai Sai Chuen resigned as an independent non-executive director of the Company with effect from 29 May 2020.

The executive directors' and chief executives' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(CONTINUED)*

Five highest paid employees

The five highest paid employees of the Group during the year included two directors (2020: two directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are not a director of the Group are as follows:

	2021	2020
	HK$'000	*HK$'000*
Salaries and other benefits	**1,996**	1,972
Performance related incentive payments *(Note (a))*	**333**	328
Contributions to retirement benefits schemes	**74**	73
	2,403	2,373

The remaining highest paid employees' remuneration was each within Nil to HK$1,000,000 (2020: within Nil to HK$1,000,000).

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to the directors or employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

13. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2021 or since the end of the reporting period (2020: Nil).

14. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit for the year attributable to owners of the Company of approximately HK$138,677,000 (2020: loss for the year of approximately HK$6,330,000) and the weighted average number of ordinary shares of approximately 3,392,272,000 (2020: 3,392,272,000) in issue during the year.

Diluted earnings (loss) per share equals to basic earnings (loss) per share, as the exercise prices of the Company's outstanding options were higher than the average market price for the year and there were no other potential shares in issue during the years ended 31 December 2021 and 2020.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Mining structures *HK$'000*	Total *HK$'000*
Cost							
At 1 January 2020	35,722	74,542	1,659	1,871	736,769	386,018	1,236,581
Exchange adjustments	8,414	7,978	112	121	43,480	24,863	84,968
Additions	787	21,060	126	–	72,042	–	94,015
Transfer	106,958	34,933	199	–	(142,090)	–	–
Disposals	–	–	(67)	–	–	–	(67)
At 31 December 2020 and 1 January 2021	151,881	138,513	2,029	1,992	710,201	410,881	1,415,497
Exchange adjustments	4,826	3,944	57	63	21,996	12,069	42,955
Additions	1,702	1,630	149	499	82,969	–	86,949
Transfer	7,324	–	–	–	(7,324)	–	–
Disposals/written off	–	–	(16)	(216)	–	–	(232)
At 31 December 2021	165,733	144,087	2,219	2,338	807,842	422,950	1,545,169
Accumulated depreciation and impairment							
At 1 January 2020	9,182	24,559	1,597	438	–	36,702	72,478
Exchange adjustments	861	2,093	94	48	–	3,412	6,508
Charge for the year	4,809	9,072	41	340	–	18,534	32,796
Eliminated on disposals	–	–	(67)	–	–	–	(67)
At 31 December 2020 and 1 January 2021	14,852	35,724	1,665	826	–	58,648	111,715
Exchange adjustments	299	1,243	46	27	–	2,381	3,996
Charge for the year	10,363	13,013	66	403	–	9,767	33,612
Eliminated on disposals/ written off	–	–	(16)	(206)	–	–	(222)
At 31 December 2021	25,514	49,980	1,761	1,050	–	70,796	149,101
Net book value							
At 31 December 2021	140,219	94,107	458	1,288	807,842	352,154	1,396,068
At 31 December 2020	137,029	102,789	364	1,166	710,201	352,233	1,303,782

16. EXPLORATION AND EVALUATION ASSETS

	2021	2020
	HK$'000	*HK$'000*
Cost		
At 1 January	**1,409,990**	1,270,375
Exchange adjustments	**42,261**	84,922
Additions	**14,900**	54,693
At 31 December	**1,467,151**	1,409,990
Carrying amount		
At 31 December	**1,467,151**	1,409,990

The Group's exploration and evaluation assets relate to exploration licenses and assets situated in Shaanxi Province, PRC, which are under the exploration and evaluation stage as at 31 December 2021 with a carrying value of HK$1,467,151,000 (2020: HK$1,409,990,000). These assets are not subject to amortisation until they are placed in use.

17. GOODWILL

	2021	2020
	HK$'000	*HK$'000*
Cost		
At 1 January	**687,980**	646,349
Exchange adjustments	**20,207**	41,631
At 31 December	**708,187**	687,980
Accumulated impairment		
At 1 January	**51,848**	48,711
Exchange adjustments	**1,522**	3,137
At 31 December	**53,370**	51,848
Carrying amount		
At 31 December	**654,817**	636,132

17. GOODWILL *(CONTINUED)*

Impairment testing

For the purpose of impairment testing, goodwill arising from business combinations has been allocated to the following CGUs under gold mining operation segment. The CGUs were identified as follows:

	Segment	2021 HK$'000	2020 HK$'000
One Champion Group	Gold mining operation	**397,045**	385,716
Perfect Major Holdings Limited and its subsidiaries ("Perfect Major Group")	Gold mining operation	**85,627**	83,184
Pride Success Group	Gold mining operation	**81,878**	79,542
Best Income Limited and its subsidiaries and Max Paramount Holdings Limited and its subsidiaries ("Best Income and Max Paramount Group")	Gold mining operation	**90,267**	87,690
Carrying amount		**654,817**	636,132

One Champion Group primarily operates in Tongguan County, Shaanxi Province of the PRC and engages in the operation of exploration, mining, processing and sale of gold concentrates and related products through its indirect equity interests in Xiangshun.

Perfect Major Group primarily operates in Tongguan and Luonan Counties, Shaanxi Province of the PRC and engages in the exploration of gold and related minerals through its indirect equity interests in Luonan Jinhui Mining Co. Ltd. and Shaanxi Tongxin Mining Co. Ltd. ("Tongxin Mining"), which have a portfolio of mineral tenements comprising two exploration licences.

Pride Success Group primarily operates in Tongguan County, Shaanxi Province of the PRC and engages in the exploration and mining of gold and related minerals through its indirect equity interests in De Xing, which has a portfolio of mineral tenements comprising one exploration licence and one mining licence.

Best Income and Max Paramount Group primarily operates in Tongguan County, Shaanxi Province of the PRC and engages in the exploration and mining of gold and related minerals through its indirect equity interests in Tongguan Tongjin Mining Company Limited. ("Tongjin"), which has a portfolio of mineral tenements comprising three exploration licences and one mining licence.

Impairment testing:

Valuations were carried out by an independent valuer, Valtech Valuation Advisory Limited ("Valtech") to assess the recoverable amount of the goodwill arising from business combinations. Management considered that there were synergies expected to arise from the combination of the acquired businesses with the existing operations of the Group, however, for purpose of impairment testing, the goodwill generated from each business combinations is allocated to corresponding CGUs.

17. GOODWILL *(CONTINUED)*

Impairment testing *(CONTINUED)*

(a) One Champion Group

As at 31 December 2021 and 2020, the recoverable amounts of the CGU has been determined from value in use calculations based on cash flow projections which are based on long term mining plans covering the expected life of 10 years of the operation and are in line with normal practice in the mining industry. Therefore, the projections cover periods will in excess of five years. Management determined the budgeted gross margin based on past performance and the future gold price outlook. The discount rate reflects the specific risks relating to the CGUs. Gold price and exchange rate used are with reference to current market information available at the time of impairment assessment.

	2021	2020
Pre-tax discount rate	**16.26%**	16.47%
Spot price of Gold	**USD1,829/Oz**	USD1,898/Oz
Exchange rate (RMB:US$)	**RMB6.3561: US$1**	RMB6.5272: US$1
Growth rate	**2%**	2%

No impairment is recognised as a result of the annual impairment testing of goodwill for the years ended 31 December 2021 and 2020. The Directors believe that any reasonably possible further change in key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount for the years ended 31 December 2021 and 2020.

(b) Perfect Major Group, Pride Success Group and Best Income and Max Paramount Group

As at 31 December 2021 and 2020, the Group assessed the recoverable amounts of these CGUs based on their estimated fair value less costs of disposal, using market approach based on available market information essentially for business in engaging in holding exploration licenses of gold mine. The fair value on the recoverable amounts is categorized as a level 3 measurement. Data of several companies with business operations of holding gold mining licenses or exploration licenses were referenced to be comparable businesses. The application of the Comparable Transaction Method is subject to the following requirements:

— Existence of historical (and recent) comparable transactions;

— Quoted selling price of the Gold Mine with similar characteristics to the CGUs;

— Availability of public information on comparable transactions of relevant or similar assets; and

— Arm's length transactions between the independent uncontrolled parties.

No impairment is recognised as a result of the annual impairment testing of goodwill for the years ended 31 December 2021 and 2020.

Any reasonably possible further change in key assumptions on which the recoverable amounts of the CGUs are based would not cause their carrying amounts to exceed their recoverable amounts for the years ended 31 December 2021 and 2020.

18. OTHER INTANGIBLE ASSETS

	Mining rights *HK$'000* *(Note)*
Cost	
At 1 January 2020	159,884
Additions	39,210
Exchange adjustments	12,523
At 31 December 2020 and 1 January 2021	211,617
Additions	15,361
Exchange adjustments	6,667
At 31 December 2021	233,645
Accumulated amortisation and impairment	
At 1 January 2020	40,128
Exchange adjustments	3,749
Charge for the year	20,511
At 31 December 2020 and 1 January 2021	64,388
Exchange adjustments	2,684
Charge for the year	47,218
At 31 December 2021	114,290
Carrying amount	
At 31 December 2021	119,355
At 31 December 2020	147,229

Note: Mining rights (included in the CGU of gold mining operation)

The mining licences and gold mining permit of the relevant gold mining projects have been granted to the Group, which allow the Group to mine up to a predetermined level of ore every year from the date of grant through the expiry of the mining licences, which ranged from 2 to 5 years.

19. OTHER FINANCIAL ASSETS

	2021	2020
	HK$'000	*HK$'000*
Equity securities listed in overseas stock exchange — as financial assets measured at FVTOCI	**13,636**	6,989

The equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

20. INTEREST IN AN ASSOCIATE

	2021	2020
	HK$'000	*HK$'000*
Share of net assets	**3,620**	3,517
Amount due from an associate*	**1,835**	1,782
Less: allowance	**(3)**	(3)
	1,832	1,779

* The amount is unsecured, interest free and with no fixed repayment terms.

Movement in impairment loss on amount due from an associate:

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**3**	3
Impairment loss recognised	**—**	—
At 31 December	**3**	3

20. INTEREST IN AN ASSOCIATE *(CONTINUED)*

Details of the Group interest in an associate is as follows:

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests
Shaanxi Tongguan Siu Qin Ling Gold Mining Country Park Limited (陝西潼關小秦嶺金礦國家礦山公園有限公司) *(Note (b))*	Manufacturing of arts and crafts and park management in the PRC	30

Notes:

(a) The primary business of Shaanxi Tongguan Siu Qin Ling Gold Mining Country Park Limited is manufacturing of arts and crafts and park management of Siu Qin Ling Gold Mining Country Park.

(b) This company is a limited liability company established in the PRC. The English translation of the company name is for reference only.

In the opinion of the Directors, the above associate is not material to the Group and its summarised financial information is set out below.

	2021	2020
	HK$'000	*HK$'000*
Loss for the year	**—**	—
Other comprehensive income	**343**	710
Total comprehensive income	**343**	710

21. INVENTORIES

	2021	2020
	HK$'000	*HK$'000*
Raw materials and consumables materials	**3,244**	6,536
Finished goods	**4,043**	55,138
	7,287	61,674

The Group's inventories mainly include finished goods comprises of gold concentrates and related products and raw materials and consumables materials for operation.

22. OTHER RECEIVABLES

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Other receivables	*(a)*	**2,995**	11,184
Less: allowances	*(b)*	**(490)**	(268)
		2,505	10,916
Deposits and prepayments		**36,614**	29,986
Value added tax recoverable		**1,629**	2,010
		40,748	42,912

Notes:

(a) As at 31 December 2021, included in the Group's other receivables balances are debtors with aggregate carrying amount of HK$1,802,000 (2020: Nil) which are past due over 90 days or more and is considered as credit-impaired. The Group writes off these other receivables in full as there is no realize prospect of recovery.

(b) Movement in impairment loss on other receivables:

	2021 *HK$'000*	2020 *HK$'000*
At 1 January	**268**	104
Reversal of impairment loss previously recognised	**–**	(101)
Impairment loss recognised	**222**	265
At 31 December	**490**	268

The Group does not hold any collateral over these balances.

23. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0.001% to 0.29% per annum (2020: 0.001% to 0.45% per annum) at 31 December 2021.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferrable:

	2021 *HK$'000*	2020 *HK$'000*
Amounts denominated in:		
RMB	**123,483**	80,174

24. OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Other payables and accruals *(Note (a))*	**446,924**	475,430
Amounts due to related parties *(Note (b))*	**497,296**	469,532
Promissory note payable *(Note (c))*	**57,716**	64,288
	1,001,936	1,009,250
Analysed for reporting purposes as:		
— Current portion	**412,233**	437,588
— Non-current portion	**589,703**	571,662
	1,001,936	1,009,250

Notes:

(a) Included in other payables were (i) amounts payable to subcontractors of HK$264 million (2020: HK$306 million) for mining extraction and construction and (ii) retention payable for mining extraction and construction of HK$51 million (2020: HK$52 million).

(b) The amounts are due to certain beneficial owners of the shareholders of the Company and are non-trade in nature, unsecured, interest-free and repayable one year after the end of the reporting period.

(c) Promissory note payable carried at zero interest rate, unsecured and repayable on 9 October 2025 (2020: repayable on 9 October 2023).

25. CONTRACT LIABILITIES

The Group has recognised the following revenue — related contract liabilities:

	2021 HK$'000	2020 HK$'000
Contract liabilities arising from:		
Sale of goods	**3,302**	68,700

The deposit of the Group received on sales of gold concentrate remains as a contract liability until the date the goods are delivered to customer.

Movements in contract liabilities:

	2021 HK$'000	2020 HK$'000
Balance as at 1 January	**68,700**	9,800
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(68,700)**	(9,800)
Increase in contract liabilities as a result of receipt in advance of sales of gold concentrate not yet delivered at year end	**3,302**	68,700
Balance at 31 December	**3,302**	68,700

26. BANK AND OTHER BORROWINGS

	2021 *HK$'000*	2020 *HK$'000*
Current		
Unsecured other borrowings *(Note (a))*	—	23,764
Unsecured bank borrowing *(Note (b)&(d))*	**11,008**	46,934
Secured other borrowing *(Note (c))*	—	43,964
Bill payables *(Note (d))*	**62,378**	30,893
Less: Cash deposit *(Note (e))*	**(12,231)**	(23,764)
	61,155	121,791
Non-current		
Unsecured other borrowings *(Note (a))*	**98,741**	95,923
Unsecured bank borrowing *(Note (b)&(d))*	**17,123**	21,982
	115,864	117,905
Bank and other borrowings repayable:		
Within one year	**61,155**	121,791
More than one year but not more than two years*	**115,864**	117,905
	177,019	239,696

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

(a) The effective interest rates (which also equal to contracted interest rates) on the Group's other borrowings included the fixed rates at 12% per annum (2020: 12% per annum).

(b) The effective interest rates on the Group's bank borrowings included the variable market rates which are loan prime rate ("LPR"), LPR+2.025%, LPR+2.088% and LPR+2.95% per annum (2020: LPR+0.95%, LPR+2.025% and LPR+2.088% per annum).

(c) At 31 December 2020, the Group pledged machineries with an aggregate carrying amount of HK$55,217,000 to secure the other borrowing granted to the Group. The effective interest rates on the other borrowing was fixed at 6% per annum. The other borrowing is fully repaid during the current year.

(d) Personal and corporate guarantees were given to banks for the bank borrowings and bill payables by a subsidiary and/or certain independent third parties.

(e) Xiangshun is required to maintain cash on deposit of HK$12,231,000 (2020: HK$23,764,000) in respect of bill payables. The cash cannot be withdrawn or used by the company whilst the bill payables are outstanding. Upon maturity of the borrowing, the company and the lender intend to settle net. As a result, Xiangshun's borrowings have been presented net of the cash on deposit.

27. FINANCIAL LIABILITIES MEASURED AT FVTPL (NON-CURRENT)

	2021	2020
	HK$'000	*HK$'000*
Contingent consideration payable	—	—

A contingent consideration payable represented a promissory note issued for the acquisition of subsidiaries during the year ended 31 December 2018. The promissory note with principal amount of HK$80,000,000 carried zero interest rate and with a maturity date of 36 months from the date of registration approval of mining licence. The date of registration approval of mining license, which must fall (i) within 12 months after the date of issuance of the promissory note or (ii) on such other date as the Company and the acquiree may agree in writing ("the Expiry Date"). If such approval was not obtained on or before the Expiry Date, the promissory note will be invalidated and will no longer be enforceable against the Company.

The fair value of the contingent consideration payable was HK$51,214,000 determined at 31 December 2019 with reference to a professional valuation performed by Valtech Valuation Advisory Limited and with the effective interest rate of 11.89%. During the year ended 31 December 2020, the promissory note became effective upon the date of registration approval of mining license, therefore, the promissory note is no longer a contingent consideration payable and is recognised as other payables (note 24).

28. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised and movements thereon during current and prior years:

	Accelerated tax depreciation	**Exploration and evaluation assets**	**Other intangible assets**	**Right-of-use assets**	**Lease liabilities**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	16,879	266,581	33,900	852	(828)	417	317,801
Exchange adjustments	1,051	17,170	2,066	11	(12)	26	20,312
(Credit) charge to profit or loss *(Note 11)*	(640)	–	(2,064)	(568)	573	(11)	(2,710)
At 31 December 2020	17,290	283,751	33,902	295	(267)	432	335,403
Exchange adjustments	46	7,826	972	6	(1)	11	8,860
(Credit) charge to profit or loss *(Note 11)*	(1,488)	–	15	(447)	430	(11)	(1,501)
At 31 December 2021	15,848	291,577	34,889	(146)	162	432	342,762

At the end of the reporting period, the Group has unused tax losses of approximately HK$568,774,000 (2020: approximately HK$562,091,000) available for offset against future profits. No deferred tax asset has been recognised in relation to such tax losses due to the unpredictability of future profit streams available in the relevant tax jurisdictions and entities. The tax losses arising from the PRC operations expire five years after the relevant accounting year end. The tax losses arising from other operations do not expire under current tax legislation in the relevant tax jurisdiction.

28. DEFERRED TAX LIABILITIES *(CONTINUED)*

Below tax losses arising from the PRC operations will be expired as follows:

	2021 HK$'000	2020 HK$'000
Year 2021	–	4,914
Year 2022	10,251	9,959
Year 2023	424,709	419,370
Year 2024	38,827	61,403
Year 2025	34,036	42,012
Year 2026	31,310	–

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences amounting to HK$281,731,000 (2020: HK$124,498,000) representing the accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. PROVISION FOR RESTORATION AND ENVIRONMENT COSTS

	2021 HK$'000	2020 HK$'000
At 1 January	12,973	9,560
Exchange adjustments	385	766
Additions to site reclamation	1,303	2,647
Payment during the year	(1,303)	–
At 31 December	13,358	12,973

In accordance with relevant PRC rules and regulations, if any damage is caused to cultivated land, grassland or forest as a result of exploration or mining activities, a mining enterprise must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or to take such other measures, as appropriate, after the mining has been completed. The Group provides for the present obligations of the cost of the restoration.

30. SHARE CAPITAL

	Number of ordinary shares at HK$0.1 each *'000*	*HK$'000*
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**46,223,810**	**4,622,381**

	Number of ordinary shares at HK$0.1 each *'000*	*HK$'000*
Issued and fully paid:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**3,392,272**	**339,227**

All the shares rank pari passu with the other shares in all respects.

31. RESERVES

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of changes in equity.

(a) Share premium

Share premium represents the amount subscribed for shares issued in excess of their nominal value.

(b) Statutory surplus reserve

According to the relevant rules and regulations in the PRC, subsidiaries established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to set-off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

(c) Contributed surplus

The contributed surplus represents the excess amount of capital reduction and share premium cancellation over the accumulated losses of the Company pursuant to the capital reorganisation on 29 February 2016.

31. RESERVES *(CONTINUED)*

(d) Share option reserve

Share option reserve recognised is based on the fair value of equity-settled share options granted to key management personnel and employees as at the date of grant.

(e) Investment revaluation reserve

Investment revaluation reserve represents the gains or losses arising on recognising financial assets classified as FVTOCI at fair value.

(f) Translation reserve

Translation reserve represents the gains or losses arising on retranslating the net assets of foreign operations into the presentation currency.

(g) Retained earnings

Retained earnings represents the cumulative net gains and losses recognised in profit or loss.

32. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2021	2020
	HK$'000	*HK$'000*
Right-of-use-assets		
Office premise and factories	**2,823**	1,114
Motor vehicles, carried at depreciated cost	—	462
Office equipment, carried at depreciated cost	—	17
Prepaid lease payments	**31,990**	31,941
	34,813	33,534
Lease liabilities		
Current liabilities	**2,110**	1,303
Non-current liabilities	**639**	102
	2,749	1,405

Addition to the right-of-use assets during the 2021 financial year were HK$4,363,000 (2020: HK$660,000).

The prepaid lease payments represented land in the PRC under a lease term of 50 years.

32. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(CONTINUED)*

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021	2020
	HK$'000	*HK$'000*
Depreciation charge of right-of-use-assets		
Office premise and factories	**2,660**	3,248
Motor vehicles, carried at depreciated cost	**469**	525
Office equipment, carried at depreciated cost	**17**	34
Prepaid lease payments	**876**	818
	4,022	4,625
Interest expense (included in finance costs) *(Note 9)*	**101**	166

The total cash outflow for leases in 2021 was HK$3,142,000 (2020: HK$4,000,000).

33. SHARE OPTIONS SCHEME

2012 Option Scheme

The Company has a share option scheme which was adopted on 25 May 2012 (the "2012 Option Scheme") whereby the directors might, at their discretion, invite directors and employees of the Company or its subsidiaries to subscribe for shares in the Company subject to terms and conditions stipulated therein. The options granted were vested immediately at the date of grant and were exercisable within a period of five years. Each option gave the holder the right to subscribe for one ordinary share in the Company. The Scheme is deemed to be an equity-settled share based remuneration scheme for employees. All Hong Kong employees are eligible to participate in the scheme. All unexpired share options granted under the 2012 Option Scheme had been cancelled during the year ended 31 December 2014.

Option granted

On 7 December 2018, the Company has granted, subject to acceptance of the grantees, 50,000,000 share options to certain eligible persons under the 2012 Option Scheme of the Company adopted on 25 May 2012, to subscribe for a total of 50,000,000 ordinary shares of HK$0.1 each in the Company. The validity period and exercisable period of the Share Options are within 5 years from the date of grant.

The exercise price of the options granted is set as the highest of (i) the closing price of HK$0.51 per Share as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant; (ii) the average closing price of HK$0.519 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) HK$0.1, being the nominal value of a Share on the date of the offer.

33. SHARE OPTIONS SCHEME *(CONTINUED)*

The following share options were outstanding under the scheme during the year:

	Weighted average exercise price 2021 *HK$*	**Number of shares issuable under options 2021** *'000*	Weighted average exercise price 2020 *HK$*	Number of shares issuable under options 2020 *'000*
Outstanding at beginning of the year	**0.52**	**50,000**	0.52	50,000
Granted during the year	**—**	**—**	—	—
Forfeited during the year	**—**	**—**	—	—
Exercised during the year	**—**	**—**	—	—
Outstanding at the end of the year	**0.52**	**50,000**	0.52	50,000

All options granted were at an exercise price of HK$0.52 per share (2020: HK$0.52) and the remaining contractual life was 2 years (2020: 3 years).

The fair value of the equity-settled share options granted in 2018 was HK$10,235,000, which was estimated as at the date of grant, using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2018
Underlying stock price (HK$)	0.51
Exercise price (HK$)	0.52
Expected life of option (years)	5
Expected volatility (%)	51.84
Expected dividend yield (%)	—
Risk-free interest rate (%)	1.98

The risk-free rate was based on market yield rate of Hong Kong Sovereign Government Bond Curve with maturity on 7 December 2018 as of the date of valuation. Expected volatility was based on the share prices of Company's historical 5-year weekly volatility that is equal to the expected life before the grant date.

33. SHARE OPTIONS SCHEME *(CONTINUED)*

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the scheme for the years ended 31 December 2021 and 2020 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at the beginning of the year	No. of options granted during the year	No. of options cancelled during the year	No. of shares acquired on exercise of options during the year	No. of options outstanding at the year end	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share options granted in 2018										
Directors										
Yeung Kwok Kuen	7 December 2018	*(Note 1)*	10,000,000	–	–	–	10,000,000	HK$0.52	HK$0.51	–
Shi Xing Zhi	7 December 2018	*(Note 1)*	12,000,000	–	–	–	12,000,000	HK$0.52	HK$0.51	–
Shi Sheng Li	7 December 2018	*(Note 1)*	12,000,000	–	–	–	12,000,000	HK$0.52	HK$0.51	–
Chu Kang Nam	7 December 2018	*(Note 1)*	1,000,000	–	–	–	1,000,000	HK$0.52	HK$0.51	–
Liang Xu Shu	7 December 2018	*(Note 1)*	1,000,000	–	–	–	1,000,000	HK$0.52	HK$0.51	–
Leung Ka Wo	7 December 2018	*(Note 1)*	1,000,000	–	–	–	1,000,000	HK$0.52	HK$0.51	–
			37,000,000	–	–	–	37,000,000			
Former directors *(Note 2)*	7 December 2018	*(Note 1)*	4,000,000	–	–	–	4,000,000	HK$0.52	HK$0.51	–
Employee	7 December 2018	*(Note 1)*	9,000,000	–	–	–	9,000,000	HK$0.52	HK$0.51	–
			50,000,000	–	–	–	50,000,000			

The options granted to the directors of the Company are registered under the names of the directors of the Company who are also the beneficial owners.

* Being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were granted or exercised, as applicable.

Notes:

1. Exercisable from 7 December 2018 to 6 December 2023.

2. (a) 3,000,000 share options was granted to Mr. Fang Yi Quan on 7 December 2018 and Mr. Fang Yi Quan was resigned as a director of the Company on 22 November 2019.

   (b) 1,000,000 share options was granted to Mr. Ngai Sai Chuen on 7 December 2018 and Mr. Ngai Sai Chuen was retired and resigned as a director of the Company on 29 May 2020.

3. The share options granted are vested upon granted.

34. NON-CONTROLLING INTERESTS

Xiangshun

Xiangshun, an 90%-owned subsidiary of the Company, has NCI. Summarised financial information in relation to the NCI of Xiangshun before intra-group eliminations is presented below:

	2021	2020
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	**530,998**	294,493
Profit for the year	**169,611**	57,286
Total comprehensive income	**194,420**	98,584
Profit allocated to NCI	**16,961**	5,728
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**226,383**	231,765
Cash flows used in investing activities	**(94,230)**	(122,165)
Cash flows used in financing activities	**(79,499)**	(78,751)
Net cash inflows	**52,654**	30,849
At 31 December		
Current assets	**483,723**	422,139
Non-current assets	**1,082,845**	1,015,886
Current liabilities	**(461,128)**	(526,199)
Non-current liabilities	**(179,640)**	(181,531)
Net equity	**925,800**	730,295
Accumulated non-controlling interests	**54,484**	34,612

34. NON-CONTROLLING INTERESTS *(CONTINUED)*

Tongxin Mining

Tongxin Mining, an 90%-owned subsidiary of the Company, has NCI. Summarised financial information in relation to the NCI of Tongxin Mining before intra-group eliminations is presented below:

	2021	2020
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	**—**	—
Loss for the year	**(6,093)**	(3,869)
Total comprehensive income	**3,054**	15,597
Loss allocated to NCI	**(609)**	(387)
Dividends paid to NCI	**–**	—
Cash flows used in operating activities	**(4,265)**	(4,706)
Cash flows used in investing activities	**(8,256)**	(5,759)
Cash flows from financing activities	**12,122**	10,633
Net cash (outflows) inflows	**(399)**	168
At 31 December		
Current assets	**1,220**	5,956
Non-current assets	**624,757**	555,415
Current liabilities	**(212,230)**	(198,935)
Non-current liabilities	**(91,788)**	(89,839)
Net equity	**321,959**	272,597
Accumulated non-controlling interests	**27,252**	27,260

34. NON-CONTROLLING INTERESTS *(CONTINUED)*

De Xing

De Xing, an 90%-owned subsidiary of the Company, has NCI. Summarised financial information in relation to the NCI of De Xing before intra-group eliminations is presented below:

	2021	2020
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	**150,723**	33,217
Profit (loss) for the year	**10,808**	(13,204)
Total comprehensive income	**22,899**	11,827
Profit (loss) allocated to NCI	**1,081**	(1,320)
Dividends paid to NCI	**–**	–
Cash flows from (used in) operating activities	**52,152**	(4,370)
Cash flows used in investing activities	**(31,473)**	(500)
Cash flows (used in) from financing activities	**(30,700)**	36,471
Net cash (outflows) inflows	**(10,021)**	31,601
At 31 December		
Current assets	**94,549**	105,634
Non-current assets	**824,913**	830,787
Current liabilities	**(283,102)**	(327,565)
Non-current liabilities	**(2,039)**	(134,960)
Net equity	**634,321**	473,896
Accumulated non-controlling interests	**42,692**	39,753

34. NON-CONTROLLING INTERESTS *(CONTINUED)*

Tongjin

Tongjin, an 90%-owned subsidiary of the Company, has NCI. Summarised financial information in relation to the NCI of Tongjin before intra-group eliminations is presented below:

	2021	2020
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	**–**	–
Loss for the year	**(8,110)**	(7,965)
Total comprehensive income	**24,931**	27,732
(Loss) profit allocated to NCI	**(810)**	796
Dividends paid to NCI	**–**	–
Cash flows used in operating activities	**(27,605)**	(68,489)
Cash flows used in investing activities	**(27,936)**	(33,866)
Cash flows from financing activities	**59,444**	102,776
Net cash inflows	**3,903**	421
At 31 December		
Current assets	**850,619**	819,230
Non-current assets	**607,806**	1,020,144
Current liabilities	**(684,006)**	(614,674)
Non-current liabilities	**(693)**	(101,496)
Net equity	**773,726**	1,123,204
Accumulated non-controlling interests	**32,542**	29,736

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank and other borrowings disclosed in Note 26 to the consolidated financial statements and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and risks associates with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of the existing debt.

The gearing ratio at the end of reporting period was as follows:

	2021	2020
	HK$'000	*HK$'000*
Bank and other borrowings	**177,019**	239,696
Bank balances and cash	**(157,700)**	(130,293)
Net debt	**19,319**	109,403
Equity	**2,172,375**	1,949,138
Net debt to equity ratio	**0.89%**	5.61%

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings *(Note 26)* *HK$'000*	**Lease liabilities** *(Note 32)* *HK$'000*
At 1 January 2020	161,339	4,524
Changes in cash flows:		
Proceeds from new bank and other loans	129,306	—
Repayment of bank and other borrowings	(64,990)	—
Payment of lease liabilities	—	(3,834)
Interest paid	(18,130)	(166)
Total changes from financing cash flows	46,186	(4,000)
Exchange adjustments	14,041	55
Other changes:		
Interest expenses on bank and other borrowings	18,130	—
Addition of lease liabilities	—	660
Interest expenses on leases liabilities	—	166
Total other changes	18,130	826
At 31 December 2020	239,696	1,405
Changes from cash flows:		
Proceeds from new bank and other loans	54,207	—
Repayment of bank and other borrowings	(122,271)	—
Payment of lease liabilities	—	(3,041)
Interest paid	(19,897)	(101)
Total changes from financing cash flows	(87,961)	(3,142)
Exchange adjustments	5,387	22
Other changes:		
Interest expenses on bank and other borrowings	19,897	—
Addition of lease liabilities	—	4,363
Interest expenses on leases liabilities	—	101
Total other changes	19,897	4,464
At 31 December 2021	177,019	2,749

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2021	2020
	HK$'000	*HK$'000*
Financial assets		
Financial assets measured at FVTOCI		
— Equity investments	**13,636**	6,989
Financial assets measured at amortised cost		
Other receivables	**15,116**	22,410
Amount due from an associate	**1,832**	1,779
Bank balances and cash	**157,700**	130,293
	174,648	154,482
	188,284	161,471
Financial liabilities		
Financial liabilities measured at amortised cost		
Other payables	**997,715**	1,009,250
Bank and other borrowings	**177,019**	239,696
Lease liabilities	**2,749**	1,405
	1,177,483	1,250,351

Some of the Group's financial assets/liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets/liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2021				
Financial assets measured at FVTOCI				
— Listed equity investments	13,636	—	—	13,636

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(CONTINUED)*

	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2020				
Financial assets measured at FVTOCI				
— Listed equity investments	6,989	—	—	6,989

The listed equity securities were measured at fair value determined based on their quoted bid prices in active markets at the end of each reporting period.

There were no transfers between Level 1, 2 and 3 in current and prior year.

(i) Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) is as follows:

Contingent consideration payable

	2020
	HK$'000
At 1 January	51,214
Change in fair value:	
— in profit or loss (included in other net gains and losses)	13,074
Derecognition of financial liabilities measured at FVTPL	(64,288)
At 31 December	—
Loss recognised in profit or loss (included in other net gains and losses) relating to financial instruments held by the Group at the reporting date	(13,074)

(ii) Summary of the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	**Fair value at 31 December 2021** *HK$'000*	Fair value at 31 December 2020 *HK$'000*	**Valuation technique**	**Unobservable inputs**	**Range of inputs**
Contingent consideration payable	—	—	Discount cashflows	Discount rate	2020: 8.21%

38. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include financial assets measured at FVTOCI, other receivables and deposits, amount due from an associate, bank balances and cash, other payables, lease liabilities and bank and other borrowings. Details of the financial instruments are disclosed in the respective notes to the consolidated financial statements. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain financial assets measured at FVTOCI, other receivables and deposits, amount due from an associate, bank and cash balances, other payables, lease liabilities and bank and other borrowing are denominated in foreign currencies, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**34,835**	52,476	**57,407**	30,900

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in HK$.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates.

A negative number below indicates an increase in post-tax profit or loss where RMB strengthen 5% (2020: 5%) against the relevant currency. For a 5% (2020: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss.

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Market risk *(CONTINUED)*

(i) Currency risk *(CONTINUED)*

Impact on	**HK$**	
	2021	2020
	HK$'000	*HK$'000*
Decrease in post-tax profit or loss	**(126)**	(1,079)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings. The Group's cash flow interest rate risk relates primarily to variable rate interest bearing bank balances and bank and other borrowings. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The Group currently does not have an interest rate hedging policy. However, the Directors monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise. The Directors considered the Group's exposure to interest rate risk is not material. Hence, no interest rate sensitivity analysis is presented.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments issued by one entity (2020: one entity) listed in Toronto Stock Exchange for the year ended 31 December 2021. In addition, the Group will monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2020: 10%) higher/lower, investment valuation reserve would increase/decrease by approximately HK$1,363,600 (2020: HK$698,900) as a result of the changes in fair value of other financial assets.

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Market risk *(CONTINUED)*

(iv) Credit risk

As at 31 December 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the Directors review the recoverable amount of each individual debt at the end of the reporting period to ensure that follow-up action is taken timely and assigned a dedicated team to monitor the credit risk and adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The Group regularly monitors the business performance of its associate. The Group's credit risks in the amount due from an associate are mitigated through the value of the assets held by these entities and the power to participate the relevant activities of these entities. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL.

ECLs rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables and deposits are set out in Note 22.

The credit risk on bank balances is limited because the counterparties are banks with high credit-rating or with good reputation.

Financial guarantee contract

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB200,000,000 (equivalent to HK$237,640,000) as at 31 December 2021. At the end of the reporting period, the Directors have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognised in the profit or loss. Details of the financial guarantee contracts are set out in Note 45.

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Market risk *(CONTINUED)*

(v) Liquidity risk

In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Weighted average interest rate	Repayable on demand or within 1 year	1-2 years	2-5 years	Over 5 years	Carrying amount	Total undiscounted cash flows
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2021							
Other payables	9.08	910,772	11,587	73,843	23,797	997,715	1,019,999
Bank and other borrowings	10.44	74,371	101,568	17,834	–	177,019	193,773
Lease liabilities	4.47	2,184	550	29	133	2,749	2,896
		987,327	113,705	91,706	23,930	1,177,483	1,216,668
At 31 December 2020							
Other payables	N/A	437,588	507,374	64,288	–	1,009,250	1,009,250
Bank and other borrowings	8.95	136,441	120,163	–	–	239,696	256,604
Lease liabilities	4.77	1,331	10	29	152	1,405	1,522
		575,360	627,547	64,317	152	1,250,351	1,267,376

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 *HK$'000*	2020 *HK$'000*
Non-current assets		
Investments in subsidiaries	**1**	1
Property, plant and equipment	**52**	25
Right-of-use assets	**2,726**	733
	2,779	759
Current assets		
Amounts due from subsidiaries	**1,796,603**	1,787,883
Other receivables	**1,537**	1,791
Bank balances and cash	**22,816**	37,282
	1,820,956	1,826,956
Current liabilities		
Amount due to subsidiaries	**678**	678
Other payables	**1,724**	1,979
Lease liabilities	**2,110**	512
	4,512	3,169
Net current assets	**1,816,444**	1,823,787
Non-current liabilities		
Other payable	**57,716**	64,288
Lease liabilities	**535**	—
Deferred tax liabilities	**14**	37
	58,265	64,325
NET ASSETS	**1,760,598**	1,760,221
Capital and reserves		
Share capital	**339,227**	339,227
Reserves	**1,421,371**	1,420,994
TOTAL EQUITY	**1,760,598**	1,760,221

On behalf of the board of directors

Yeung Kwok Kuen
Director

Shi Xing Zhi
Director

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(CONTINUED)*

Note:

Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Retained earning HK$'000	Total HK$'000
At 1 January 2020	1,090,897	287,496	10,235	–	51,341	1,439,969
Loss and total comprehensive expense for the year	–	–	–	–	(18,975)	(18,975)
At 31 December 2020	1,090,897	287,496	10,235	–	32,366	1,420,994
Profit and total comprehensive income for the year	–	–	–	–	377	377
At 31 December 2021	1,090,897	287,496	10,235	–	32,743	1,421,371

40. PARTICULARS OF SUBSIDIARIES OF THE GROUP

The following are the details of the Group's subsidiaries at 31 December 2021 that would affect the results for the reporting period or formed a substantial portion of the net assets of the Group.

Name	Place of incorporation/ establishment	Issued/registered and paid-up share capital	Attributable equity interests held by the Company Directly	Indirectly	Principal activities and place of operation
New Legend International Group Limited (新里程國際集團有限公司)	Hong Kong	Ordinary share of HK$1	100%	–	Provision of administrative support to group companies in Hong Kong
Will Win Group Limited (碩田集團有限公司)	Hong Kong	Ordinary share of HK$1	100%	–	Investment holding in Hong Kong
Best Tone Holdings Limited	The British Virgin Islands ("BVI")	Ordinary share of US$1	100%	–	Investment holding in Hong Kong
Famous Class Limited (名階有限公司)	BVI	Ordinary share of US$50,000	100%	–	Investment holding in Hong Kong
Year Joy Investments Limited (年悅投資有限公司)	BVI	Ordinary share of US$100	–	70%	Investment holding in Hong Kong
Top Delight Investments Limited (樂悅投資有限公司)	Hong Kong	Ordinary share of HK$1	–	70%	Investment holding in Hong Kong

40. PARTICULARS OF SUBSIDIARIES OF THE GROUP *(CONTINUED)*

Name	Place of incorporation/ establishment	Issued/registered and paid-up share capital	Attributable equity interests held by the Company Directly	Attributable equity interests held by the Company Indirectly	Principal activities and place of operation
China iTV Network Co., Ltd. (九州時代數碼科技有限公司) *(Note (b))*	The PRC	Registered capital of RMB50,000,000	–	*Note (b)*	*Note (b)*
Combined Success Investments Limited	BVI	Ordinary share of US$10	100%	–	Investment holding in Hong Kong
One Champion International Limited (一冠國際有限公司)	BVI	Ordinary share of US$50,000	–	100%	Investment holding in Hong Kong
Champion Lucky Limited (福瑞有限公司)	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong
Shaanxi Furui Rongcheng Mining Co., Ltd. (陝西福瑞永成礦業有限公司) *(Note (a))*	The PRC	Registered capital of RMB33,643,100	–	100%	Production and sales of gold products in the PRC
Weinan Jindong Mining Co., Ltd. (渭南金東礦業有限公司) *(Note (a))*	The PRC	Registered capital of RMB35,000,000	–	100%	Investment holding in Hong Kong
Tongguan County Xiangshun Mining Development Co., Ltd. (潼關縣祥順礦業發展有限公司) *(Note (a))*	The PRC	Registered capital of RMB27,500,000	–	90%	Production and sales of gold products in the PRC
Perfect Major Holdings Limited (美晶控股有限公司)	BVI	Ordinary share of US$50,000	–	100%	Investment holding in Hong Kong
World Light Holdings Limited (光華集團有限公司)	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong
Shaanxi Guang Hua Mei Jing Mining Industry Co., Ltd. (陝西光華美晶礦業有限公司) *(Note (a))*	The PRC	Registered capital of RMB43,152,300	–	100%	Investment holding in Hong Kong
Luonan Jinhui Mining Co. Ltd. (洛南縣金輝礦業有限公司) *(Note (a))*	The PRC	Registered capital of RMB5,000,000	–	100%	Production and sales of gold products in the PRC
Shaanxi Tongxin Mining Co. Ltd. (陝西潼鑫礦業有限公司) *(Note (a))*	The PRC	Registered capital of RMB50,000,000	–	90%	Production and sales of gold products in the PRC

40. PARTICULARS OF SUBSIDIARIES OF THE GROUP *(CONTINUED)*

Name	Place of incorporation/ establishment	Issued/registered and paid-up share capital	Attributable equity interests held by the Company Directly	Indirectly	Principal activities and place of operation
Pride Success Investment Limited（榮成投資有限公司）	BVI	Ordinary share of US$50,000	–	100%	Investment holding in Hong Kong
Ocean Faith Limited （洋實有限公司）	Hong Kong	Ordinary share of HK$ 1	–	100%	Investment holding in Hong Kong
Shaanxi Xing Xiang Mining Technology Co., Ltd. （陝西星祥礦業科技有限公司）*(Note (a))*	The PRC	Registered capital of RMB2,493,600	–	100%	Investment holding in Hong Kong
Tongguan County De Xing Mining LLC（潼關縣德興礦業有限責任公司）*(Note (a))*	The PRC	Registered capital of RMB7,000,000	–	90%	Production and sales of gold products in the PRC
Best Income Limited (佳盈有限公司）	BVI	Ordinary share of US$1	–	100%	Investment holding in Hong Kong
Glory Resources Hong Kong Limited（寶鑫香港有限公司）	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong
Shaanxi Dujin Mining Co. Ltd. （陝西都金礦業有限公司） *(Note (a))*	The PRC	Registered capital of RMB50,000,000	–	100%	Production and sales of gold products in the PRC
Tongguan Sanqin Mining Co. Ltd (潼關縣三秦礦業有限公司) *(Note (a))*	The PRC	Registered capital of RMB30,000,000	–	100%	Production and sales of gold products in the PRC
Tongguan Tongjin Mining Co. Ltd. (潼關縣潼金礦業有限公司) *(Note (a))*	The PRC	Registered capital of RMB$500,000,000	–	90%	Production and sales of gold products in the PRC
Max Paramount Holdings Limited (峰揚控股有限公司）	BVI	Ordinary share of US$ 50,000	–	100%	Investment holding in Hong Kong
Elite Master Limited (鋭精有限公司）	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong

None of the subsidiaries had issued any debt securities at the end of the year.

40. PARTICULARS OF SUBSIDIARIES OF THE GROUP *(CONTINUED)*

Notes:

(a) These companies are limited liability companies established in the PRC. The English translation of the company names is for reference only.

(b) The Group holds 70% of controlling interest in this subsidiary through special arrangements. China iTV Network Co., Ltd. held a network video platform, representing the design and application of the network video platform for providing online video services. The network video platform has been fully impaired in prior years.

41. CAPITAL COMMITMENTS

	2021	2020
	HK\$'000	*HK\$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
Property, plant and equipment	**5,972**	22,935
Mining right	**28,621**	29,552
Exploration right	**8,197**	12,178
	42,790	64,665

42. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying Hong Kong employees. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,500 per month for each employee.

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits.

The contributions paid/payable to the scheme by the Group at rates specified in the rules of the schemes are included in staff costs and disclosed in Notes 10 and 12 to the consolidated financial statements for employees and the directors respectively.

For each of the two financial years ended 31 December 2021 and 2020, no contribution was forfeited (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) under the retirement benefit schemes which may be used by the Group to reduce the contribution payable in the future years.

43. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The key management of the Group comprises all the directors, details of their remuneration is determined by the Remuneration Committee having regard to the financial performance of the Group, performance of individuals and market trends. Details of their remuneration are disclosed in Note 12 to the consolidated financial statements.

44. MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in Notes 43 and 24 to the consolidated financial statements, no contracts of significance to which the Company's subsidiary or joint venture was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

45. CONTINGENT LIABILITIES

During the year ended 31 December 2020, a subsidiary of the Group has provided a corporate guarantee in respect of a banking facility of RMB200,000,000 (equivalent to HK$237,640,000) granted by a bank to a company established in the PRC, an independent third party (the "Borrower"). Pursuant to the terms of the guarantee arrangement, in case of default on payments by the Borrower, the Group is responsible for repaying the outstanding loans together with any accrued interest and penalty owed by the Borrower to the bank. The Group's guarantee period has commenced from the date of grant of the relevant banking facility for 3 years.

As at 31 December 2021, the banking facility guaranteed by the Group to the Borrower was utilised to the extent of RMB40,000,000 (equivalent to HK$48,000,000) (31 December 2020: RMB88,000,000 (equivalent to HK$104,561,000)) by pledging the Borrower's properties and machineries of approximately RMB25,000,000 and RMB55,600,000 respectively to the bank. The Directors considered the fair value of the financial guarantee contract at initial recognition was insignificant taking into account the fair value of the pledged properties of the Borrower.

46. SUBSEQUENT EVENTS

The Directors are continuing to assess the implications of Covid-19 pandemic to the business in which the Group operates. Depending on the duration of the Covid-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2022. However, the exact impact in the remainder of 2022 and thereafter cannot be predicted.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 28 March 2022.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated)
RESULTS					
Revenue	**681,721**	327,710	191,436	105,975	295,787
Profit (loss) for the year attributable to:					
Owners of the Company	**138,677**	(6,330)	(21,071)	57,526	(74,068)
Non-controlling interests	**16,623**	4,817	(681)	(5,217)	(5,106)
	155,300	(1,513)	(21,752)	52,309	(79,174)

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**3,897,027**	3,777,831	3,365,977	3,415,219	2,712,101
Total liabilities	**(1,724,652)**	(1,828,693)	(1,530,872)	(1,493,335)	(1,015,991)
	2,172,375	1,949,138	1,835,105	1,921,884	1,696,110
Represented by:					
Equity attributable to owners of the Company	**2,015,405**	1,817,777	1,722,883	1,800,618	1,605,928
Non-controlling interests	**156,970**	131,361	112,222	121,266	90,182
	2,172,375	1,949,138	1,835,105	1,921,884	1,696,110