潼關黃金集團有限公司
Tongguan Gold Group Limited
(Incorporated in Bermuda with limited liability)
Stock Code: 340

2023 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

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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

CL Partners CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Room 3203A to 05
Lippo Center Tower 2
Admiralty
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 Co., Ltd.
Agricultural Bank of China Limited

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 2023.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2023, the Group's revenue was approximately HK$1,497,236,000, representing an increase of approximately 20% as compared to revenue of approximately HK$1,244,864,000 for the corresponding year in 2022. The increase in revenue was mainly attributable to (i) the increase in average selling price of concentrate gold by upward trend of gold; and (ii) including revenue contributed by Grand Gallant Investments Limited and its subsidiaries (the "Grand Gallant Group"), which acquired in July 2023. Detailed analysis is set out in below "Review of Operations" section.

Cost of Sales

During the year ended 31 December 2023, the Group's cost of sales was approximately HK$1,329,358,000 representing an increase of approximately 20% as compared to cost of sales of approximately HK$1,105,369,000 for the corresponding year in 2022. The increase in cost of sales was mainly attributable to (i) the decrease in average gold of ore mined for processing of concentrate gold; and (ii) including cost of sales contributed by Grand Gallant Group in year 2023. Detailed analysis is set out in below "Review of Operations" section.

Gross Profit

During the year ended 31 December 2023, the Group's gross profit was approximately HK$167,878,000, representing an increase of approximately 20% as compared to gross profit of approximately HK$139,495,000 for the corresponding year in 2022. The increase in gross profit was mainly attributable to the inclusion of the gross profit contributed by Grand Gallant Group in 2023. Detailed analysis is set out in below "Review of Operations" section.

Other Income

During the year ended 31 December 2023, the Group's other income was decreased by approximately HK$231,000 as compared to other income of approximately HK$3,115,000 for the corresponding year in 2022. The decrease was mainly due to a decrease in rental income.

Other Net Gains and Losses

During the year ended 31 December 2023, the Group's other net gains was approximately HK$2,906,000 whilst there was other net losses of approximately HK$1,161,000 in year 2022. The change was mainly attributable from the gain on modification of other borrowing offsetting against the write off of property, plant and equipment and exploration and evaluation assets in year 2023.

Administrative and other Expenses

During the year ended 31 December 2023, the Group's administrative and other expenses was increased by approximately HK$14,742,000 as compared to administrative and other expenses of approximately HK$61,599,000 for the corresponding year in 2022. The increase was primarily due to the inclusion of the administrative and other expenses incurred by the Grand Gallant Group in year 2023.

FINANCIAL REVIEW *(CONTINUED)*

Finance Costs

During the year ended 31 December 2023, the Group's finance costs was increased by approximately HK$13,050,000 as compared to finance costs of approximately HK$9,353,000 for the corresponding year in 2022. The increase was mainly due to the consolidation of Grand Gallant Group's interest expense on bank borrowings in year 2023.

Income Tax Charge

During the year ended 31 December 2023, the Group's income tax expense was increased by approximately HK$1,399,000 as compared to income tax expense of approximately HK$13,491,000 for the corresponding year in 2022. The increase was mainly due to an increase in the overall gross profit in year 2023.

Profit for the Year Attributable to Owners of the Company

During the year ended 31 December 2023, the Group's profit for the year attributable to owners of the Company was approximately HK$51,454,000, representing an increase of approximately 2% from approximately HK$50,340,000 in year 2022.

Net Asset Value Per Share*

The Group's net asset value per share increased by 1% from HK$59.9 cents in year 2022 to HK$60.5 cents in year 2023.

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

REVIEW OF OPERATIONS

A. Gold Mining Operation

The activity of the Group's gold mining operations is sale of mine-produced gold, including gold concentrate, gold bullion and related products, that contains of gold exploration, mining, processing and/or smelting operations.

For the financial year ended 31 December 2023, the Group's revenue from this operation amounted to approximately HK$637,693,000, representing an increase of approximately 57% from approximately HK$406,442,000 for the year 2022 and was primarily contributed by (i) an increase in average selling price of concentrate gold by upward trend of gold from RMB380 per gram for the year 2022 to RMB454 per gram for the year 2023; and (ii) the inclusion of revenue amounted of approximately HK$194,970,000 contributed from Grand Gallant Group in year 2023.

The cost of sales from this operation amounted to approximately HK$470,768,000, representing an increase of approximately 76% from approximately HK$268,057,000 for the year 2022. The increase in cost of sale was mainly attributed by (i) a decrease in average gold grade of ore mined for processing of concentrate gold from 5.15 gram per tonne for the year 2022 to 3.60 gram per tonne for the year 2023, which directly reduced the gross profit and its margin; and (ii) the inclusion of cost of sale amount of approximately HK$147,113,000 generated from by Grand Gallant Group in year 2023.

As results, gross profit from this operation amounted to approximately HK$166,925,000 (gross profit margin 26.2%), representing an increase in approximately 21% as compared with gross profit of approximately HK$138,385,000 (gross profit margin 34.0%) for the year 2022.

Details of the exploration, development and mining production activities and a summary of expenditure incurred on these activities during the year ended 31 December 2023 are as below:

REVIEW OF OPERATIONS *(CONTINUED)*

A. Gold Mining Operation *(CONTINUED)*

I Exploration

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

During the year ended 31 December 2023, 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")

Jinhui Mining returned its exploration license to the local government. During the year ended 31 December 2023, Jinhui Mining did not carry out any exploration activities. Tongxin Mining's exploration right was successfully converted into mining right and is currently applying for a safety production license before carrying out exploration and mining activities.

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

During the year ended 31 December 2023, combination of tunnel exploration and pit drilling methods are used to carry out deep exploration activities.

Tongguan Tongjin Mining Company Limited ("Tongjin Mining")

Tongjin Mining returned one of its exploration licenses to the local government. During the year ended 31 December 2023, drilling engineering is used to control the peripheral veins.

Subei County Holezadegai Northeast Mining Co., Ltd. ("Northeast Mining")

During the year ended 31 December 2023, combination tunnel exploration, surface drilling and pit drilling methods are used to carry out exploration activities.

REVIEW OF OPERATIONS *(CONTINUED)*

A. Gold Mining Operation *(CONTINUED)*

II Development

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

During the year ended 31 December 2023, Xiangshun Mining, Tongxin Mining, De Xing Mining, Tongjin Mining and Northeast Mining have appointed several engineering and technical companies and have completed (i) the pit exploration project of approximately 10,738 meters and; (ii) the pit drilling and surface drilling project of approximately 29,127 meters.

Jinhui Mining

During the year ended 31 December 2023, Jinhui Mining did not carry out any development activities.

III Mining Production Activities

Xiangshun Mining, De Xing Mining and Northeast Mining

(1) Mining operation

	Year ended 31 December 2023
Underground mining	
Mine production (thousand tonnes)	363.30
Total mine production (thousand tonnes)	363.30
Average gold grade (gram/tonne)	4.13

(2) Ore processing operation — Concentrating

	Year ended 31 December 2023
Processing mine production (thousand tonnes)	376.95
Average gold grade (gram/tonne)	3.86
Gold production (Kilogram)	1,359.80

REVIEW OF OPERATIONS *(CONTINUED)*

A. Gold Mining Operation *(CONTINUED)*

III Mining Production Activities *(CONTINUED)*

Jinhui Mining, Tongxin Mining and Tongjin Mining

During the year ended 31 December 2023, 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 2023 are set out as below:

	Mine produced Gold *(HK$'000)*
Exploration and Mining activities	
Exploration and development construction	115,932
Mining ore	219,113
Total	335,045

(Concentrating not included)

Information of the mineral resources and reserves of the gold for the gold mines of the Group under JORC Mineral Resources Category as at 31 December 2023 are as below:

Mines in Tongguan County	**Inventory** (kt)	**Grade** (g/t Au)	**Contained Metal** (t)	**Contained Metal** (koz)
Indicated	3,718.5	7.57	28.2	993.1
Inferred	892.7	7.40	6.6	232.9
Mines in Subei County				
Indicated	1,537.0	10.40	16.0	563.8
Inferred	652.5	9.46	6.2	217.8
Total				
Indicated	5,255.5	8.41	44.2	1,556.9
Inferred	1,545.2	8.28	12.8	450.7

REVIEW OF OPERATIONS *(CONTINUED)*

A. Gold Mining Operation *(CONTINUED)*

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 by adopting the following assumption.

Mines in Tongguan County

i. The average dilution rates of 5.5%.

ii. A 3.5 g/t Au cut-off grade has been applied for mineral reserves.

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

Mines in Subei County and Guazhou County

i. The average dilution rates of 18.3%.

ii. A 1.0 g/t Au cut-off grade has been applied.

iii. A 2.5 g/t Au minimum industrial grade has been applied.

B. Gold Recycling Business

The activity of the Group's gold recycling business is involving sale of physical gold bullion by purchasing gold related materials from other supply chain players, and refining by subcontractors. For the year ended 31 December 2023, the volume of sale of gold bullion was approximately 1.95 tonnes (2022: 2.05 tonnes). Approximately HK$859,543,000 (2022: HK$838,422,000) of revenue and approximately HK$858,590,000 (2022: HK$837,312,000) of cost of sales were contributed from this operation in year 2023. Gross profit from this operation was thin and amounted to approximately HK$953,000 (2022: HK$1,110,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group had total assets and net assets amounted of approximately HK$4,554,860,000 (2022: HK$3,650,157,000) and approximately HK$2,461,419,000 (2022: HK$2,033,356,000), respectively. The current ratio was 0.35 as compared to 0.28 as of last year end date.

As at 31 December 2023, the Group had cash and cash equivalents of approximately HK$157,887,000 (2022: HK$143,105,000), and most of which were denominated in Renminbi and Hong Kong dollars.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE *(CONTINUED)*

As at 31 December 2023, the Group had bank and other borrowings of approximately HK$563,710,000 (2022: HK$160,905,000) which were denominated in Renminbi. For the bank and other borrowings under fixed rates of approximately HK$106,309,000 (2022: HK$90,377,000) carried at fixed rates at 4% (2022: fixed rate at 12%) per annum. For the bank and other borrowings under variable rates of approximately HK$457,401,000 (2022: HK$70,528,000), the interest rates are loan prime rate ("LPR")+0.47%, LPR+1.55%, LPR+1.75%, LPR+1.85% LPR+1.95%, LPR+2.05%, LPR+2.30%, LPR+2.60%, and LPR+2.95% per annum (2022: LPR+2.025%, LPR+2.60% and LPR+2.95% per annum). The increase in total borrowings is mainly resulting from the consolidation of Grand Gallant Group's bank and other borrowings for its gold mining operation in year 2023. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 23.6% (2022: 8.5%).

As at 31 December 2023, the Group has pledged certain property, plant and equipment, prepaid lease payments and other intangible assets with carrying amounts of approximately HK$57,255,000 (2022: Nil), HK$21,518,000 (2022: Nil) and HK$119,115,000 (2022: Nil) respectively to secure bank borrowings granted to the Group

As at 31 December 2023, the Group had promissory note of approximately HK$69,162,000 (2022: HK$63,181,000). 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

On 21 July 2023, the Company issued 678,000,000 new ordinary shares as the consideration paid for the acquisition of the entire equity interests in Grand Gallant Investments Limited (as stated in heading "Material acquisitions and disposals of subsidiaries, associated companies and joint ventures" as below).

As at 31 December 2023, the Company had 4,070,272,221 ordinary shares in issue with total shareholders' fund of the Group amounting to approximately HK$407,027,000.

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

On 21 July 2023, the Group acquired the entire equity interests in Grand Gallant Investments Limited, which was satisfied by the issue and allotment of 678,000,000 ordinary shares of the Company. The details are set out in Note 34 to the consolidated financial statements.

Saved as disclosed above, there were no other material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the year ended 31 December 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any contingent liabilities (2022: the Group had a contingent liability and detail is set out in Note 45 to the consolidated financial statements).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had approximately 8 and 412 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$31,699,000 (2022: HK$23,873,000) for the year ended 31 December 2023.

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. The Group is also dedicated to providing training programs for new employees and regular trainings to employees to enhance their skills and know-how.

According to the share option schemes adopted by the Company on 13 June 2022, 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, smelting 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, trade and other receivables and deposits, bank balances and cash, other payables, lease liabilities and bank and other borrowings. 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 2023 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 2023, 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 2023, 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 2023. 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.

PROSPECTS

In 2023, challenges such as persistent geopolitical and macro-economic uncertainties impacted the global economy, while Mainland China's economy showed signs of recovery from the impact of the COVID-19 pandemic. Against this backdrop, the Group's priority for 2023 remained to explore investment opportunity to enhance our gold mining portfolio and expand our market share. As part of a major development milestone, the Group acquired the entire equity interest in Grand Gallant Investments Limited and its subsidiaries (the "Grand Gallant Group") on 21 July 2023. As published in the announcement dated 7 July 2023, Grand Gallant Group is principally engaged in the exploration and mining of gold and related minerals in Subei County and Guazhou County by undergrounds mining method and operates its own processing plants in Subei County.

In response to foreseeable demand and in compliance with new government requirements, the Group suspends the processing plant's operation in Tongguan County in March 2024 and begins the construction of a new tailings plant in Tongguan County. It is estimated to be completed in about six months. Mining activities in Tongguan County will continue during the suspension of the operation at the processing plant. After the new tailings plant is completed, the processing plant will be resumed at that time and process concentrate gold for sale, thereby minimising the impact on operation. Nevertheless, the production and results of gold mining operation in Tongguan County will be affected by the suspension in year 2024. Moreover, driven by the gold mining business operated by Grand Gallant Group, the Company's management expects that overall performance of the Group has entered a growth stage in year 2024.

The profitability of the Group is highly dependent on the gold price in domestic and international markets. The market prices of gold (and other precious metals) are correlated to the United States (U.S.) interest rate, global economic environment and stability. As of middle of March 2024, the gold prices hit a record high. According to a report released by World Gold Council, 2023 is another strong year for central bank gold demand. It proved that central banks' enthusiasm for gold has not stopped, especially amid the intensification of international geopolitical and economic uncertainties, and gold still serves its solid role as a safe-haven asset. In addition, the outbreak and persistence of systemic risks in small and medium-sized banks in the U.S. have exposed the stability of the financial system to risks and uncertainties, prompting investors to reconsider gold's investment value amid financial market fluctuations. At the same time, the market consensus on the peak of U.S. interest rates and expectations of an interest rate cut in year 2024 will continue to be a support point for gold prices. The Group will closely monitor the market trends in commodity prices and take necessary actions to control any potential risks.

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. Environmental sustainability, safety production and supporting local communities would continue to be the priority tasks of the Group. In response to safety production, the Group adhered to provide safe and healthy working environment, and carried out trainings to all workers and employees to enhance their safety management and technical knowledge skills. To ensure environmental sustainability, the Group continues to monitor and review waste and pollution reduction measures at all of the operating plants to comply with the relevant regulations and requirements. To support the local community, the Group continues to participate in various donation and community activities.

Looking forward, the Company's management is optimistic about the Group's operating performance in future, while staying vigilant of various ongoing uncertainties. As always, the Group will continue to explore various long-term value-added investment opportunities for shareholders and reiterate its commitment to maximizing shareholder value.

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, 25 March 2024

EXECUTIVE DIRECTORS

YEUNG Kwok Kuen

Mr. Yeung Kwok Kuen ("Mr. Yeung"), aged 50, 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 68, 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）. Mr. Shi is a senior geological engineer. From 1980 to 2004, Mr. Shi 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 60, 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 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 67, 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, lectured at Xiamen University. Mr. Chu worked in government departments of the Fujian Province of the PRC 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 57, 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 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 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 50, 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. Mr. Leung has over 20 years of experience in handling accounting, taxation and corporate finance matters. Mr. Leung is also an independent non-executive director of Ye Xing Group Holdings Limited (Stock Code: 1941), a company listed on the main board of The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

LEUNG Lai Ming

Ms. Leung Lai Ming ("Ms. Leung"), aged 47, 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 over 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

CORPORATE GOVERNANCE PRACTICES

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. This corporate governance report presents the corporate governance matters of the Group during the period covering the financial year ended 31 December 2023 and significant subsequent events (if any) for the period up to the date of publication of this annual report. For the year ended 31 December 2023, the Company has applied the principles and code provisions of the Corporate Governance Code as set out in Appendix 14 (which has been re-numbered as Appendix C1 with effect from 31 December 2023) 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 2023, 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 and explanation for such deviations.

1. Under Code Provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. 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. The Board considers that the principle of balance of power and authority is achieved by the check and balance between the executive directors and the independent non-executive directors of the Company. Since the resignation of Mr. Wang Hui as the chief executive officer of the Company (the "CEO") on 1 June 2016, the Company has not appointed a new CEO. Until the appointment of the new CEO, 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 structure from time to time and as and when appropriate if candidate with suitable leadership, knowledge, skills and experience is identified, the Company may make the necessary modification to the management structure.

2. Under Code Provision C.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 2023. Although such meeting was not held during the year, the executive directors of the Company have delegated the company secretary of the Company to gather any concerns and/or questions that the independent non-executive directors of the Company might have and report to them for setting up follow-up meetings, whenever necessary.

3. Under Code Provision F.2.2 of the Code, the Chairman should attend the annual general meeting. Since the Company currently does not have any officer with the title of the Chairman, 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 2 June 2023 in accordance with the Bye-laws of the Company. Mr. Yeung Kwok Kuen has sufficient calibre and knowledge for communication with the shareholders of the Company at the annual general meeting of the Company.

CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

4. Under Code Provision C.6.3 of the Code, the company secretary should report to the board chairman and/or the chief executive officer. Since the Company currently does not have any officer with the title of the Chairman or CEO, the company secretary of the Company reported to the executive directors of the Company since 1 June 2016.

The Board will continue to regularly review and monitor the Company's corporate governance practices to ensure compliance with the relevant provisions under the Listing Rules and to maintain a high standard of corporate governance practices of the Company.

CORPORATE GOVERNANCE AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

The Board has the overall responsibility for the ESG strategy, reporting and determining the management approach taken in this area. The Board believes that corporate governance and ESG are complementary, with corporate governance linked to good governance of environmental and social issues, which touch on all aspects of the Group's businesses. The Board should take into consideration the environmental and social risks or impacts, and embed these ESG factors including environmental protection culture into its business operation, and should consider how the Group is to interact with its own people and the communities in which it operates and how they are governed.

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

BOARD OF DIRECTORS

Composition

Directors of the Company during the year and up to the date of this annual 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.

Independent Non-executive Directors

During the year ended 31 December 2023, 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 with reference to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors of the Company to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

Independent views

The Board believes that the independent non-executive directors constituting more than one-third of the Board provides adequate checks and balances that safeguard the interests of the shareholders of the Company. The independent non-executive directors are from various different backgrounds with a diverse range of business, financial services and professional experience possess diversified expertise, skills and experience. Their views and participation in the Board meetings and committees' meetings bring independent judgment and advice on issues relating to the Group's strategies, prospects, internal control and conflicts of interest, and ensure that the interests of the shareholders are well taken into account.

Directors have sufficient access to information relating to the Group and management or other relevant staff can be asked to join the Board meetings, where appropriate, to provide information to the directors so that the Board will be able to make informed decisions. The Board and the Board committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Board will review the implementation and effectiveness of the abovementioned mechanism on an annual basis to ensure that independent views and input are available to the Board.

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 OF DIRECTORS *(CONTINUED)*

Board Meetings and General Meetings

During the year, a total of thirteen 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	13/13
Shi Xing Zhi	13/13
Shi Sheng Li	13/13
Chu Kang Nam	13/13
Liang Xu Shu	13/13
Leung Ka Wo	13/13

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	0/1
Shi Sheng Li	1/1
Chu Kang Nam	1/1
Liang Xu Shu	1/1
Leung Ka Wo	1/1

Note: Mr. Shi Xing Zhi was unable to attend the general meeting of the Company due to other work commitments.

Induction and Continuous 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. The Company will continue to provide and fund the continuing professional development training in accordance with Code Provision C.1.4 of the Code.

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.

BOARD OF DIRECTORS *(CONTINUED)*

Induction and Continuous Professional Development *(CONTINUED)*

	Reading materials	Attending seminars/ briefings/e-training
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	√	√

CHAIRMAN AND CEO

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 CEO on 1 June 2016, the Company has not appointed a new CEO. As explained above, the Board will review the current structure from time to time and as and when appropriate if candidate with suitable leadership, knowledge, skills and experience is identified to be the Chairman or CEO, the Company may make the necessary modification to the management structure.

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 annual 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.

BOARD COMMITTEES

For the year ended 31 December 2023, the Board had four standing Board committees, namely, Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee to oversee particular aspects of the Company's affairs. All Board committees were established with defined terms of reference which clearly define the role, authority and functions of each committee.

EXECUTIVE COMMITTEE

The Executive Committee is composed of two executive directors, namely, Mr. Yeung Kwok Kuen and Mr. Shi Xing Zhi. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decisions. It monitors the execution of the Company's strategic plans and operations by all business units and decides on matters relating to the management and day-to-day operations of the Group. During the year ended 31 December 2023, a total of seven meetings held and all members of Executive Committee attended the meetings.

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;

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;

AUDIT COMMITTEE *(CONTINUED)*

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 the Code;

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.

The Audit Committee met seven times during the year to (i) review the Group's annual and interim financial statements; (ii) review the external auditor's plan for the audit of the Group's accounts; (iii) make recommendations with respect to the appointment and reappointment of the external auditors of the Company, the remuneration and terms of engagement of the external auditors for provision of audit services; (iv) make recommendations with respect to the engagement of the external auditors to supply non-audit services; (v) review the internal control procedures and the financial reporting systems of the Group; and (vi) 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 2023 is set out below:

Name of Members	Number of Audit Committee Meetings Attended/Held
Leung Ka Wo	7/7
Chu Kang Nam	7/7
Liang Xu Shu	7/7

The financial statements for the year ended 31 December 2023 have been reviewed by the Audit Committee.

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 and/or the CEO 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, which 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;

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 their associates is involved in deciding that director's own remuneration;

10. to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and

11. to deal with any other matters delegated by the Board or otherwise required by the Listing Rules, from time to time.

REMUNERATION COMMITTEE *(CONTINUED)*

The Remuneration Committee met two times during the year to (i) approve discretionary bonus payment to the executive directors and member of the senior management of the Company and review the remuneration package of the executive directors of the Company; (ii) review the special discretionary payments to the independent non-executive directors of the Company; and (iii) review the remuneration policy and structure of the directors of the Company.

Individual attendance of each member of the Remuneration Committee during the year ended 31 December 2023 is set out below:

Name of Members	Number of Remuneration Committee Meeting 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 2023 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 2023 fell within the following band:

Emolument band	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.

NOMINATION COMMITTEE *(CONTINUED)*

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 CEO;

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 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 (i) review the size, composition and structure of the Board; (ii) review the board diversity policy and nomination policy; (iii) assess the independence of the independent non-executive directors of the Company; and (iv) review the suitability of the directors of the Company proposed for re-election at the annual general meeting.

Individual attendance of each member of the Nomination Committee during the year ended 31 December 2023 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 annual 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.

NOMINATION COMMITTEE *(CONTINUED)*

Nomination Policy

The Board has adopted the Nomination Policy which sets out the approach and procedures for the Board to nominate and select directors. The Nomination Committee shall consider a number of factors in making nominations, including but not limited to his/her skills and experience, commitment, independence and reputation for integrity. The policy also lays down the following nomination procedures: the Nomination Committee (a) will take appropriate measures to identify and evaluate a candidate; (b) may consider a candidate recommended or offered for nomination by a shareholder of the Company; and (c) will, on making the recommendation, submit the candidate's personal profile to the Board for consideration.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Bye-laws of the Company and other applicable rules and regulations.

DIVERSITY

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.

The Board has an appropriate mix of skills, experience and diversity which are relevant to the Company's business and governance and supports its efficiency and effectiveness. The Board's composition as at the date of this report under diversified perspectives is summarized as follows:

Category	:	Executive Directors: 3
	:	Independent Non-executive Directors: 3
Gender	:	Male: 6
Age	:	40-60: 3 Over 60: 3
Number of year as Board members	:	Over 6 years: 6

Having reviewed the Board diversity profile, the Board will continue to take initiative to identify female candidates to achieve gender diversity at the Board level. The Board will take opportunity to invite female members over time to join the Board when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender diversity. The Group will also ensure that there is gender diversity when recruiting staff at mid to senior level and are committed to provide career development opportunities for female staff so that the Group will have a pipeline of female senior management and potential successor to the Board in the near future. Target has been set for appointing at least one female Board member by the end of year 2024.

DIVERSITY *(CONTINUED)*

As at 31 December 2023, the ratio of male and female in the Group's workforce (including the executive directors and senior management) is approximately 80% and 20%, respectively. Due to the business nature and job duties, the Group may not be able to achieve half to half gender diversity between males and females at workforce level. At present, the Group has not set any measurable objectives for implementation of the diversity policies in relation to the workforce of the Group. However, the Group will consider and review from time to time such diversity policies and setting of any measurable objectives where necessary. The Group would also continue to take into account of diversity perspectives including gender diversity in its hiring.

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 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;

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.

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 2023.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 (which has been re-numbered as Appendix C3 with effect from 31 December 2023) 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 2023, and they all confirmed that they had fully complied with the required standards set out in the Model Code.

RISK MANAGEMENT AND INTERNAL CONTROL

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 overseeing 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's 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 annually reviewed the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2023, 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, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting are adequate and sufficient.

The Company does not have internal audit department and the company secretary of the Company is responsible to perform the internal audit function during the year ended 31 December 2023 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 2023 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 (which has been re-numbered as Appendix C3 with effect from 31 December 2023) of the Listing Rules) and the notification of the regular "Blackout Period".

The Company has established whistleblowing policy and system that facilitate employees of the Group and those deal with the Group (e.g. customers, suppliers, etc) to raise concerns, in confidence, about possible improprieties in any matters related to the Group.

The Company has also established anti-corruption policies and system that promote and support anti-corruption laws and regulations.

AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

During the year ended 31 December 2023, the Group engaged CL Partners CPA Limited ("CL Partners"), auditors of the Company, to perform audit and non-audit services. The fees were as follows:

Nature of services	**Amount** *HK$'000*
Audit services in relation to annual results	1,400
Review of interim results	400
Others – outlays	1
	1,801

Note: CL Partners were appointed as auditors of the Company on 13 June 2023. CCTH CPA Limited resigned as the auditors of the Company on 13 June 2023.

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.

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 should be held within two (2) months after the deposit of such requisition. If within twenty-one (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 (3) 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.

SHAREHOLDERS' RIGHTS *(CONTINUED)*

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

Constitutional Document

There had been no change in the Company's constitutional documents during the year ended 31 December 2023.

Shareholders' Communication Policy

To foster effective communication with the shareholders and potential investors of the Company, the Company has developed and maintained a shareholders' communication policy.

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 published at the Stock Exchange'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.

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 and the stakeholders (e.g. the investment community) can mail their 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.

The Board has reviewed the implementation and effectiveness of the shareholders' communication policy including the steps taken at the general meetings and the handling of enquires received (if any) which were conducted during the year ended 31 December 2023, the shareholders' communication policy was found to be effective and adequate.

INVESTOR RELATIONS *(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 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 which is 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.

On behalf of the Board
Tongguan Gold Group Limited

Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 25 March 2024

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 2023.

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. Details of major financial key performance indicators can be found in the "Management Discussion and Analysis" in this annual report. These discussion form 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 2023 and the Group's affairs as at that date are set out in the consolidated financial statements on pages 99 to 179.

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2023.

RESERVES

Movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 103 of this annual report.

DONATION

Donations made for charitable purposes by the Group during the year amounted to HK$1,401,000 (2022: HK$467,000).

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 2023, the Company's reserves available for distribution to shareholders, comprising contributed surplus and retained earnings, amounted to approximately HK$306,621,000 (2022: HK$309,141,000).

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 2023 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 84(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 provided that every director of the Company shall be subject to retirement at least once every three years. Accordingly, Mr. Chu Kang Nam and Mr. Liang Xu Shu will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Chu Kang Nam and Mr. Liang Xu Shu, 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 2023, 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 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.

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 2023, 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)*
Jiang Wei	Interest in controlled corporation	Ordinary	1,186,334,000 *(Note 2)*	29.15%
Hu Jianzhong	Interest in controlled corporation	Ordinary	470,000,000 *(Note 3)*	11.55%
Lin Eddie Chang	Interest in controlled corporation	Ordinary	330,000,000 *(Note 4)*	8.11%
Lam Yuk Ying	Beneficial owner	Ordinary	330,000,000	8.11%
Chen Dengguang	Beneficial owner	Ordinary	205,250,000	5.04%

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2023, which was 4,070,272,221.

2. These ordinary shares are held by Qinlong Jinxin Mining Investment Limited which is 63.34% beneficially owned by Ms. Jiang Wei and 36.66% beneficially owned by Ms. Lo Ting.

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.

SHARE SCHEME – SHARE OPTION SCHEME

Pursuant to ordinary resolutions of the shareholders of the Company passed on 25 May 2012, the Company adopted a share option scheme (the "Old Share Option Scheme"). The Old Share Option Scheme was expired on 24 May 2022 such that no further options shall be granted under the Old Share Option Scheme but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and, in all other respects, its provisions shall remain in full force and effect.

Pursuant to an ordinary resolution of the shareholders of the Company passed on 10 June 2022 and the Listing Committee of the Stock Exchange granted the approval for the listing of, and permission to deal in, the shares (as defined in the New Share Option Scheme (as defined below)) which may fall to be issued upon the exercise of subscription rights attaching to the options (as defined in the New Share Option Scheme (as defined below)) to be granted under the New Share Option Scheme (as defined below) on 13 June 2022, the Company adopted a new share option scheme on 13 June 2022 (the "New Share Option Scheme").

Particulars of the New Share Option Scheme are set out in note 32 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 adviser 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 25 March 2024, 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 8% 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. Though there is no specified minimum period under the New Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the New Share Option Scheme, the Board may at its discretion when offering the grant of any option impose any performance targets which must be met before the option shall vest and become exercisable and/or impose any minimum period for which an option must be held.

7. 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.

SHARE SCHEME – SHARE OPTION SCHEME *(CONTINUED)*

8. 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.

9. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 13 June 2022. As at 31 December 2023, the remaining life of the New Share Option Scheme was approximately 8 years and 6 months.

No share options was granted for the year ended 31 December 2023 under the New Share Option Scheme.

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the Old Share Option Scheme for the year ended 31 December 2023 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 options lapsed 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.

SHARE SCHEME – SHARE OPTION SCHEME *(CONTINUED)*

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 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.

As at 1 January 2023 and 31 December 2023, the total number of options available for grant under the current scheme mandate limit was 339,227,222 Shares and 339,227,222 Shares, respectively, representing approximately 8% of the issued ordinary share capital of the Company.

The number of Shares that may be issued in respect of options granted under all schemes of the Company during the year ended 31 December 2023 divided by weighted average number of Shares in issue for the year ended 31 December 2023 is 0% as all options were lapsed before 31 December 2023.

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 4 and 32 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 2023.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Scheme – 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 2023. 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 2023 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	34	
Five largest customers in aggregate	86	
The largest supplier		50
Five largest suppliers in aggregate		90

Sales to the five largest customers of the Company accounted for 86% of the Company's sales related to the sale of gold concentrates and gold bullion. Due to the fact that pricing for the Company's gold concentrates and gold bullion 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 2023 are set out in note 27 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 180 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 2023 have been audited by CL Partners CPA Limited ("CL Partners"). CL Partners were appointed as auditors of the Company on 13 June 2023 for the financial year ended 31 December 2023 upon the resignation of CCTH CPA Limited, who have acted as auditors of the Company for the financial year ended 31 December 2021 and 31 December 2022.

CL Partners will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of CL Partners 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, 25 March 2024

I. PREAMBLE

Tongguan Gold Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) the gold exploration, development and mining production activities, and (ii) gold recycling, which is purchasing the gold related materials, refining and sale of gold bullion.

In March 2021, China rolled out its 14th Five-Year Plan (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). In July 2023, the National Conference on Ecological and Environmental Protection further emphasis the importance of building a Beautiful China in the coming five years. As environmental, social and governance ("ESG") concept is increasingly important on the stage of global business development, the Group has long been committed to implementing its sustainability strategies and fulfilling its environmental and social responsibilities in its business operations.

To maintain and further strengthen the trust as a responsible gold mining enterprise, the Group upholds the Responsible Gold Mining Principles related to ESG. 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.

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. The comprehensive and ongoing effort have been made to span various functions and to involve a high level of external collaboration, robust governance and efficient project management to improve ESG performance.

II. ABOUT THIS REPORT

In strict compliance with the requirement under Appendix C2 – 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 ESG Report to further demonstrate the Group's initiatives, programmes and performance in terms of sustainable development for the year ended on 31 December 2023 ("FY2023").

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, office operations and gold recycling business. In July 2023, the Group acquired the entire equity interest in Grand Gallant Investments Limited and its subsidiaries (the "Grand Gallant Group"). It is principally engaged in the exploration, mining, processing and smelting of gold and related minerals and sale of gold products in the People's Republic of China (the "PRC"). The reporting period of this ESG report is for the financial year 2023, from 1 January 2023 to 31 December 2023, unless specifically stated otherwise. For the corporate governance section, please refer to the Group's Annual Report 2023 (Pages 16 to 31).

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 FY2023, 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 and its reporting process have 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.

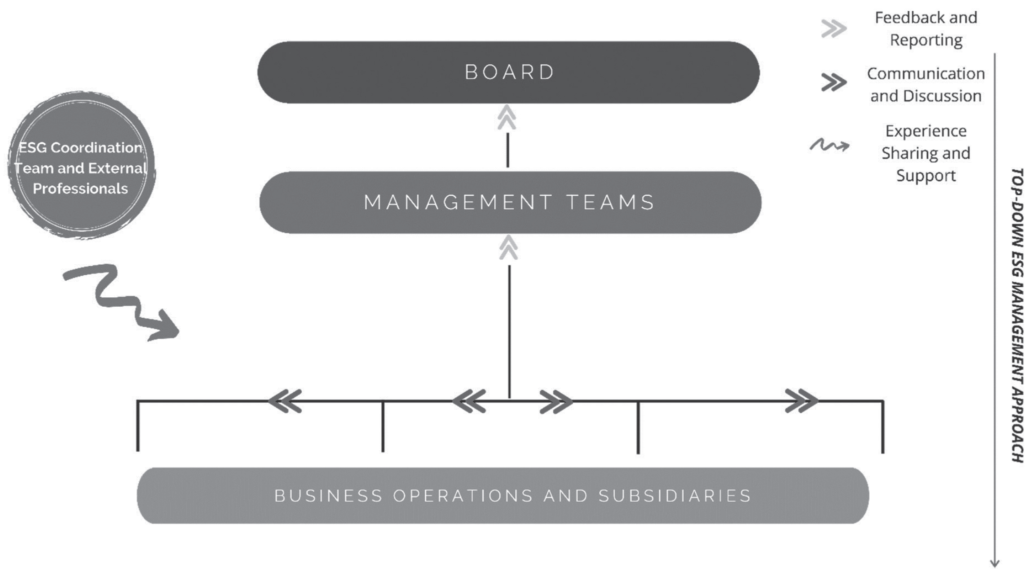
Information disclosure

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

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. 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".

As part of its governance framework, an ESG management approach has been built and implemented from the top to bottom within the Group as follow:



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.

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)*

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.

The Management team also plays an important role in maintaining the efficient communication between the Board and frontline workers, and in 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 Board regularly reviews the Group's progress towards the goals through Board meetings and oral presentation from the Management teams.

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 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. 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 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, especially the acquisition of the Grand Gallant Group in 2023. 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 established a national target to reach its carbon peak by 2030 and carbon neutrality by 2060. To achieve these goals, China aims to increase the share of non-fossil energy consumption to approximately 20% by 2025, approximately 25% by 2030, and over 80% by 2060. Additionally, the country is facilitating its mining industry for transition to a low-carbon operation plan.

In November 2022, China released a plan to advance the low-carbon development of its nonferrous metal industry, which is a key producer of industrial carbon emissions. This plan will assist China to achieve its aforementioned goals. The plan includes significant progress in the research and development of low-carbon-emissions technologies, with recycled metals accounting for over 24 percent of the total supply of nonferrous metals in the country. By 2025, there will be significant improvements made to the sector's industrial and energy consumption structure. As green metals are increasingly in high demand and the country encourages the low-carbon development of the industry, the Group has actively responded to the decarbonization trend. The Group has made an effort to stay ahead of the curve by developing its carbon goals and setting up its Climate Policy, which 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《中華人民共和國安全生產法》. In 2023, the Chinese authorities released the guidelines to improve the workplace safety in mines. 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 FY2023, 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

25 March 2024

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 FY2023, 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	– 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

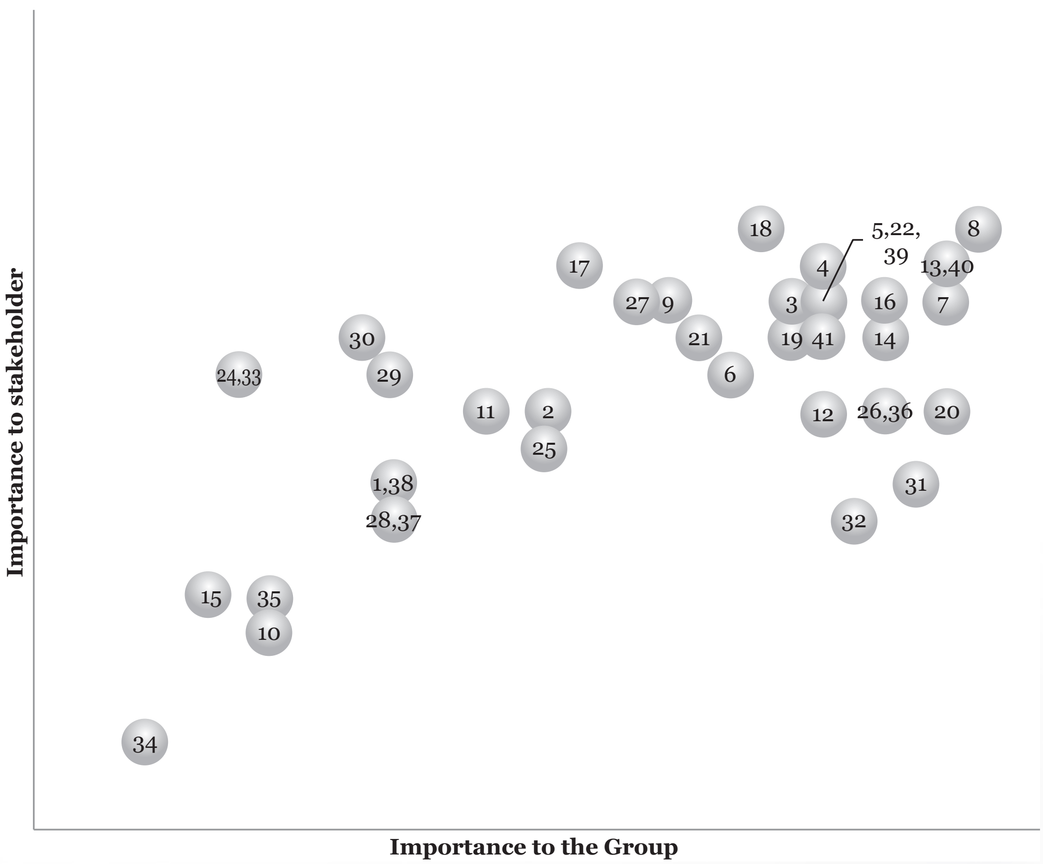
V. STAKEHOLDER ENGAGEMENT *(CONTINUED)*

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 FY2023, the outcome of which was approved by the Board.

In FY2023, 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.

Stakeholder Engagement Materiality Matrix



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 "Climate Change, Mitigation Adaptation" 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 following:

- 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税法);
- 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 or Environmental Production 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 FY2023.

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 FY2023, 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"（綠水青山就是金山銀山）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.

The key air pollutants from the mining process were sulphur oxides ("SOx"), nitrogen oxides ("NOx") and particulate matter ("PM") which mainly came from fuel combustion for machinery operations, vehicle transportation and other operational processes. The Group continues to encourage its staff to replace with electric vehicles from gasoline vehicles. More than that, the Group also encourages employees to carpool together so that the air emissions can be further reduced. The air emissions of SOx, NOx and PM amounted to 2.7, 323.2 and 30.7 kg respectively. The increase in FY2023 was mainly due to the inclusion of the emission from Grand Gallant Group.

In the Group, GHG emissions were primarily due to the combustion of fossil fuels, electricity and coal consumption during industrial operations.

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 FY2023, a total of 264,476 tonnes of non-hazardous waste were generated. The increase was mainly owing to the inclusion of the emissions from Grand Gallant Group in 2023. The wastewater generated can be repeatedly reused into the processing operations. In FY 2023, the gold mining business has not released wastewater on site. 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 FY2023 are summarised in Table 1 below, with a comparison with the figures in FY2022 (for the year ended 31 December 2022).

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Table 1 The Group's Total Emissions by Category in FY2023 and FY2022

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2023	Intensity[1] (Unit/ revenue (HK$ million)) in FY2023	Amount in FY2022	Intensity[1] (Unit/ revenue (HK$ million)) In FY2022
Air Emissions[2]	SO_x	Kg	2.7	–	0.4	–
	NO_X	Kg	323.2	–	31.8	–
	PM	Kg	30.7	–	2.3	–
GHG Emissions	Scope 1 (Direct Emissions)	Tonnes of CO_2e	1,354.2	–	108.4	–
	Scope 2 (Energy Indirect Emissions)	Tonnes of CO_2e	21,991.8	–	11,468.4	–
	Total (Scope 1 & 2)	Tonnes of CO_2e	23,346	36.6	11,576.8	28.5
Non-hazardous Waste	Solid Waste	Tonnes	264,476	414.7	169,627[4]	417.4[4]

1. Intensities in FY2023 and FY2022 changed from intensity unit/employee to unit/revenue (HK$ million) as it is more suitable to reflect the Group's KPI performance and were calculated by dividing the amount of air, GHG and other emissions by the total revenue of gold mining operation (HK$ million) of the Group in FY2023 and FY2022 respectively, which was HK$637.69 million in FY2023 and HK$406.44 million in FY2022;

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

3. 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 Mar. 2022 and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

4. The Group has improved the data collection system to retrieve the information of the amount of waste from tailings in 2023. Relevant data from 2022 is added back for this report.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

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.

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 to 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 wastewater released on site, the Group has adopted specific measures, further described in the next subsection under Water, to reduce its water consumption in the office.

GHG emissions

In 2023, the 28th UN Climate Change Conference concluded on November 23rd, reiterating the urgency of actions to reduce GHG emissions by 43% by 2030 and by 60% by 2035 to limit global warming to around 1.5ºC. 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.

Gold Recycling and Gold Mining Businesses

As the gold recycling operations solely involve the sale of physical gold bullion by purchasing gold related materials from other supply chain players and refining by the subcontractors, the office of the gold mining business in the PRC also involves the gold recycling operations as well and this segment has minimum emissions.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

Gold Recycling and Gold Mining Businesses *(CONTINUED)*

In FY2023, the principal emissions in the gold mining business of the Group included GHG emissions from the electricity consumption and combustion of fossil fuels and coal for industrial operations, SOx, NOx, smoke, slag, dust, 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, desulfurization and denitrification devices 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 and 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 is crucial to embrace a zero-carbon energy and operation revolution, thus adopting various 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 and GHG emissions from mining operations, the Group has formulated 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. The onsite wastewater of the Group was practically 100% recycled in FY2023.

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.

Regarding the mining sites owned by Grand Gallant Group, there are two adjacent underground water storage tanks in the mining sites. The water tank has been for the purpose of sedimentation function. There is a reservoir on the ground. The water from the underground water tank of the mine is discharged to the surface reservoir through the pipelines. The reservoir is equipped with a water pump station, while the water pump and pipelines are mechanically connected. The water in the reservoir will be utilized as production water in the mineral processing plant. The sediment deposited in the underground water tank is manually cleaned and then enters the mineral processing process together with the ore produced in the mine. The production water is used in the mineral processing process and is recycled without being discharged for the workers' homes. The wastewater has a "fertilizer pool" sewage treatment facility. After purification and treatment, it is connected through a water pump and used for irrigating the plants and sprinkling water to reduce dust.

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.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

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 FY2023, 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

In FY2023, 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 14^{th} 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 staffs who come into contact with the hazardous wastes are equipped with protective clothing and protective equipment that meet the national standards. The Group has established control systems with strict operating procedures. The Group has been in partnership with certified companies that are responsible for the recycling and handling of the hazardous waste materials on a regular basis. The Group separate all hazardous waste 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.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A.1. Emissions *(CONTINUED)*

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 FY2023, 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, such as by considering the size of windows and areas of facilities. Low-noise and protective 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, drilling machine adopt the wet rock drilling to reduce the noise caused by friction, have also been applied for better noise control.

Trend Analysis and Goals

Areas	Trend Analysis	Targets	Proposed Steps
GHG emissions	As compared with FY2022, the Group's GHG emissions in FY2023 increased by approximately 102%, primarily due to inclusion of GHG emission from Grand Gallant Group in 2023.	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 FY2023 as the baseline year, the Group targets to lower its GHG emissions (scope 1 + scope 2) intensity 12.5% by 2028[1].	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 FY2022, the Group's solid waste amount in FY2023 went up by 56% primarily due to inclusion of solid wastes from Grand Gallant Group in 2023.	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.

1 The Group has revised the target base year from FY2020 to FY2023 and target year from FY2025 to FY2028 owing to the inclusion of Grand Gallant Group in 2023

VI. ENVIRONMENTAL SUSTAINABILITY (CONTINUED)

A.2. Use of Resources

In FY2023, the main resources consumed by the Group were electricity, gasoline, diesel, coal, water and paper. Since the final products of the Group are gold products that are sold by pour-out, the gold mining and gold recycling businesses do not require or consume any packaging materials. Table 2 illustrates the amount of different resources used by the Group in FY2023 and FY2022.

Table 2 Group's Total Use of Resources by Category in FY2023 and FY2022

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2023	Intensity[1] (Unit/ revenue (HK$ million)) in FY2023	Amount in FY2022	Intensity[1] (Unit/ revenue (HK$ million)) in FY2022
Energy[2]	Electricity	kWh'000	38,567	60.5	18,795	46.2
	Diesel	L (kWh'000)	106,536 (1,140.3)	1.8	15,000(151.2)	0.4
	Gasoline	L (kWh'000)	67,508 (641.4)	1.0	25,429 (241.6)	0.6
	Coal[4]	Kg (kWh '000)	981,376 (3,375.8)	5.3	–	–
	TOTAL	kWh'000	43,724.5	68.6	19,187.8	47.2
Water	Water	M^3	72,368	113.5	59,322	146.0
Paper[3]	Paper	Kg	291	0.5	291	0.7
Raw Materials	Metal	Tonnes	77.7	0.1	715	1.8
	Concrete	Tonnes	–	–	502	1.2
	Wood	Tonnes	0.2	–	113	0.3
	Paper	Tonnes	0.2	–	3.7	–
	Gold related materials	Tonnes	1.95	–[5]	2.05	–[5]

1. Intensity for FY2023 and FY2022 changed from intensity unit/employee to unit/revenue (HK$ million) as it is more suitable to reflect the Group's KPI performance and was calculated by dividing the amount of resources the Group consumed in FY2023 and FY2022 by the total revenue of gold mining operation (HK$ million) in FY2023 and FY2022 respectively, which was HK$637.69 million in FY2023 and HK$406.44 million in FY2022;

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.

4. Owing to the inclusion of Grand Gallant Group in 2023. Relevant data is not applicable in 2022;

5. It was calculated by dividing the amount of resources the Group consumed in FY2023 and FY2022 by the total revenue of gold recycling business (HK$ million) in FY2023 and FY2022 respectively, which was HK$859.54 million in FY2023 and HK$838.42 million in FY2022.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

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

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.

Electricity

Electricity was purchased from the utility company by the Group and consumed in the offices and during mining and gold recycling operations. Both offices and mining sites of the Group have still stringently complied with relevant regulations and the Group’s policy of electricity conservation. The Group has established an environmental protection department to formulate the implementation plans and monitor the progress of improving energy efficiency and resource conservation. According to the Group's policies, the staffs in the environmental protection department are responsible for evaluating the energy performance of different operating plants and processes on a regular basis. The Group also formulates a "stop and resume work" policy and establishes a reward and punishment system for power management. The Group is committed to increasing the energy efficiency improvement and transformation, and increasing the application of clean and renewable energy resources. The Group has also formulated internal energy-related policies to quantify and track the consumption of different energy resources in the mining operations. The Group will give priority to the environmentally friendly vehicles for transportation and operations in order to smoothly transform into a "low carbon and low consumption" business model. 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 FY2023, 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.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

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

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 while coal was used by the Group for heating purpose. 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. Additionally, the Group has encouraged its employees to replace with electric vehicles and to carpool so that the use of gasoline was further reduced for the year.

Over years, China has made notable progress in its clean energy transition and in 2022, 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.

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.

VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

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

Water *(CONTINUED)*

The Group's mining sites, where water could be largely consumed, have been encouraged to reuse the wastewater properly. In spite of contracting facility area, the Group still held and supported multiple water recycling initiatives to reach the goal of "Zero Water Discharge" on site. 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 FY2022, the increase was mainly owing to the inclusion of electricity consumption by Grand Gallant Group in 2023.	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 12.5% by 2028[1].	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 FY2022, the Group's water consumption in FY2023 went up by 22% mainly due to the inclusion of water consumption from Grand Gallant Group in 2023.	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.

1 The Group has revised the target base year from FY2020 to FY2023 and target year from FY2025 to FY2028 owing to the inclusion of Grand Gallant Group in 2023

A.3. The Environment and Natural Resources

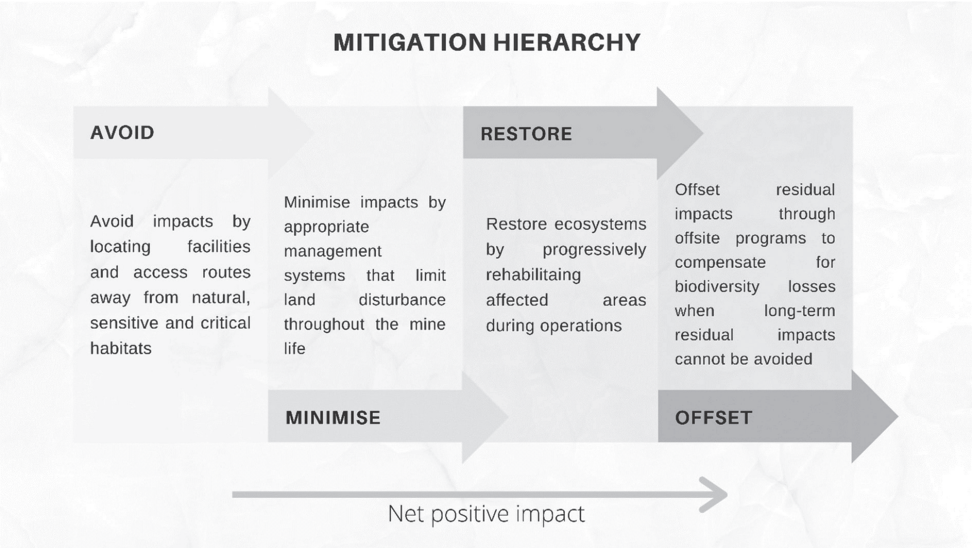
Gold mining operation is an intensive type of land use and energy consumption with the potential for environmental impact. The Group has been highly conscious of the detrimental effects caused by its mining and any associated operations, and made tremendous efforts to address the underlying environmental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

Over the 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 FY2023, 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)*

Regarding the tailing assessment, as the pollutants such as heavy metals and organic matter may exist in the tailings pond. The Group has adopted physical, chemical or biological methods for treatment, such as using adsorbents. The degradants are used to remove and degrade pollutants which help to reduce pollution to surrounding soil and water bodies. Regarding the damaged land around the tailings pond, the Group has adopted various measures such as vegetation restoration and soil restoration to restore the fertility and ecological functions of the land and reduce the loss of land. As tailings ponds may cause pollution to surrounding water bodies, and anti-seepage measures are implemented. The Group has implemented measures to prevent tailings leakage, and water purification technologies was adopted to purify contaminated water. The Group further promote the reconstruction of ecological balance, and improve the ecological environment around tailings ponds environment quality. To ensure the sustainability and stability of governance effects. the Group will also track and evaluate effects, identify problems in a timely manner and take corresponding measures.



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.

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.

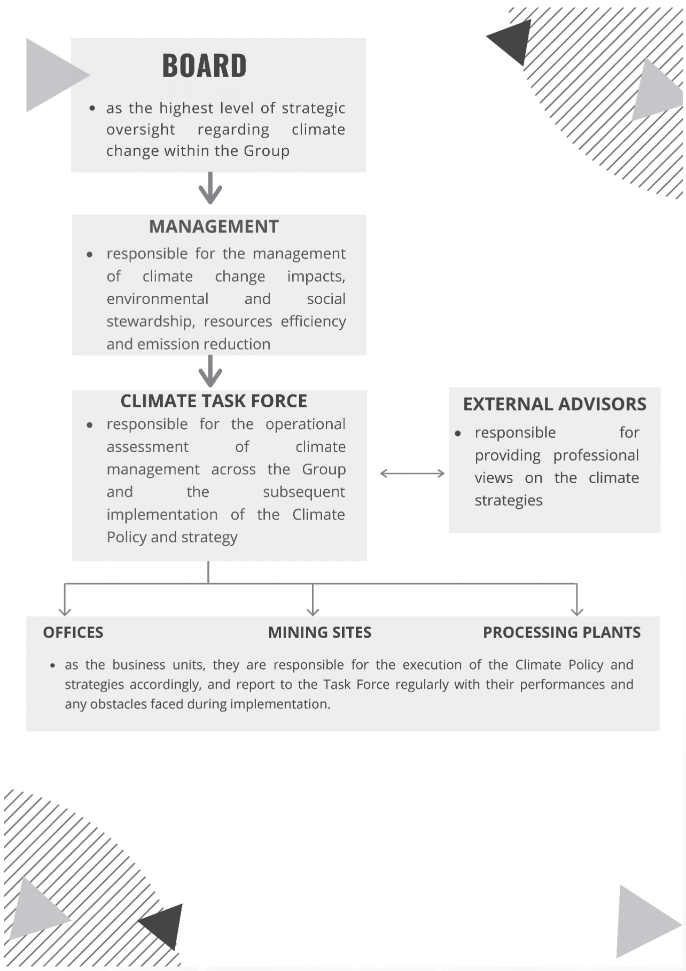
VI. ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

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 28 held in 2023, 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.

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 expenditure 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

- Total GHG emissions (Scope 1 and Scope 2) intensity (Note (a))
- Annual water consumption intensity (Note (a))
- Resources allocated to climate-related measures and campaigns

Goals

Target Type	Base Year (Note (b))	Target Year (Note (b))	Scope	Targeted Reduction from Base Year
Total GHG Emissions (Scope 1 + Scope 2) intensity	FY2023	FY2028	• Tongguan County Xiangshun Mining Development Co., Ltd.（潼關縣祥順礦業發展有限公司） • 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） • Subei County Holezadegai Northeast Mining Co., Ltd.（肅北縣霍勒扎德蓋北東礦業有限責任公司）(Note (c)) • Hong Kong Office	12.5%

Notes:

(a) *The Group has revised the metrics from intensity units/employee to unit/revenue (HK$ million) as it is more suitable to reflects the Group's KPI Performance.*

(b) *The Group has revised the target base year from FY2020 to FY2023 and target year from FY2025 to FY2028 owing to the inclusion of Grand Gallant Group in 2023.*

(c) *The company is a subsidiary of Grand Gallant Investments Limited and was acquired in July 2023.*

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 FY2023, the Group had a total of 389 and 31 full-time and part-time employees.

Table 3 Number of Employees by Age Group, Gender, Employment Type, Position Type, Geographic Locations of The Group in FY2023 and FY2022

Unit: Number of employees in FY 2023			Age group		
Gender	Below 30	Between 31 and 40	Between 41 and 50	Above 51	Total
Male	22	97	94	125	338
Female	10	20	31	21	82
Total	32	117	125	146	420

Unit: Number of employees in FY2022			Age group		
Gender	Below 30	Between 31 and 40	Between 41 and 50	Above 51	Total
Male	19	47	41	58	165
Female	5	13	17	6	41
Total	24	60	58	64	206

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Unit: Number of employees in FY 2023

Gender	General staff	Senior employee, manager and senior manager	Director and the management	Total
	Position Type			
Male	267	55	16	338
Female	77	4	1	82
Total	344	59	17	420

Unit: Number of employees in FY 2022

Gender	General staff	Senior employee, manager and senior manager	Director and the management	Total
	Position Type			
Male	132	23	10	165
Female	39	1	1	41
Total	171	24	11	206

Employment type in FY 2023

Full time	Part time	Total
389	31	420

Employment type in FY 2022

Full time	Part time	Total
206	0	206

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Geographic location in FY 2023

Locations	Number of employees
PRC	412
Hong Kong	8
Total:	420

Geographic location in FY 2022

Locations	Number of employees
PRC	201
Hong Kong	5
Total:	206

[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.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Table 4 Employee Turnover Rate by Age Group, Gender and Geographic Locations in FY2023 and FY2022

Unit: Number of employees in FY 2023			Age group		
Gender	**Below 30**	**Between 31 and 40**	**Between 41 and 50**	**Above 51**	**Total**
Male	4	8	10	3	25
Employee turnover rate (%)	18.2%	8.3%	10.6%	2.4%	7.4%
Female	1	2	7	2	12
Employee turnover rate (%)	10.0%	10.0%	22.6%	9.5%	14.6%
Total	5	10	17	5	37
Total employee turnover rate (%)	15.6%	8.5%	13.6%	3.4%	8.8%

Unit: Number of employees in FY 2022			Age group		
Gender	**Below 30**	**Between 31 and 40**	**Between 41 and 50**	**Above 51**	**Total**
Male	12	10	1	7	30
Employee turnover rate (%)	63.2%	21.3%	2.4%	12.1%	18.2%
Female	0	0	0	3	3
Employee turnover rate (%)	0.0%	0.0%	0.0%	50.0%	7.3%
Total	12	10	1	10	33
Total employee turnover rate (%)	50.0%	16.7%	1.7%	15.6%	16.0%

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.1. Employment *(CONTINUED)*

Geographic locations in FY 2023

Locations	Employee turnover	Employee turnover rate
PRC	37	9.0%
Hong Kong	0	0
Total:	37	8.8%

Geographic locations in FY 2022

Locations	Employee turnover	Employee turnover rate
PRC	30	14.9%
Hong Kong	3	60.0%
Total:	33	16.0%

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 FY2023 and FY2022 by the number of employees in FY2023 and FY2022. 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 FY2023, 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 following:

- 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.

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 FY2023, 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:

<u>Emergency preparedness programs</u>

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

<u>Management of hazardous materials</u>

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

<u>Technical safety training</u>

- Machine safeguarding training
- Simulator training

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

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

Management approach (CONTINUED)

Equipment operation training

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	FY2023	FY2022	FY2021
Number of work-related fatalities	0	0	0
Lost days due to work injury	20	100	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 FY2023, 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.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 splitted 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.

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 FY2023, a multitude of training opportunities were provided to employees by the Group, including but not limited to Mineral Processing Technology and Contro(選礦技術及控制), the latest Law of the People's Republic of China on Work Safety(安全生產法), Factors affecting Floatation Process Learning and Training(影響浮選工藝的因素學習培訓), Budget Quota for Shaft Engineering Learning(井巷工程預算定額), Safety Regulations for Metal and Nonmetal Mines (2021 edition)(金屬非金屬礦山安全規程(2021版)), and Pump Starter Cabinet Control Principle Learning and Training(水泵啟動櫃控制原理學習培訓).

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

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

Technical Knowledge Training (CONTINUED)

Table 7 Number and Percentage of Employees Trained in the Group by Gender and Position Type in FY2023 and FY2022

Unit: Number of employees in FY 2023	Position			
Gender	**General staff**	**Senior employee, manager and senior manager**	**Director and the management**	**Total**
Male	230	50	14	294
% of employees trained	86.1%	90.9%	87.5%	87.0%
Female	58	3	0	61
% of employees trained	75.3%	75.0%	0%	74.4%
Total Employees Trained:				
Total	288	53	14	355
% of employees trained	83.7%	89.8%	82.4%	84.5%

Unit: Number of employees in FY 2022	Position			
Gender	**General staff**	**Senior employee, manager and senior manager**	**Director and the management**	**Total**
Male	118	23	7	148
% of employees trained	89.4%	100.0%	70.0%	89.7%
Female	8	1	1	10
% of employees trained	20.5%	100.0%	100.0%	24.4%
Total Employees Trained:				
Total	126	24	8	158
% of employees trained	73.7%	100.0%	72.7%	76.7%

[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 FY2023 and FY2022. 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 FY2023 and FY2022

Unit: Training Hours in FY 2023	Position			
Gender	General staff	Senior employee, manager and senior manager	Director and the management	Total
Male	973	862	120	1,955
Average training hours	4.2	17.2	8.6	6.6
Female	264	42	0	306
Average training hours	4.6	14.0	0.0	5.0
Total	1,237	904	120	2,261
Average training hours	4.3	17.1	8.6	6.4

Unit: Training Hours in FY 2022	Position			
Gender	General staff	Senior employee, manager and senior manager	Director and the management	Total
Male	226	64	20	310
Average training hours	1.9	2.8	2.9	2.1
Female	16	20	2	38
Average training hours	2.0	20.0	2.0	3.8
Total	242	84	22	348
Average training hours	1.9	3.5	2.8	2.2

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.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Employment and Labour Practices *(CONTINUED)*

B.4. Labour Standards

Respecting for and protecting labour rights is a central part of the Group's sustainability vision. In FY2023, 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 FY2023, 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.

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 FY2023.

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. Regarding the gold recycling business, the main suppliers include partners providing gold related materials and subcontractors providing the gold refining services. 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.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

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

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;
- 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 74 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 19% of its suppliers are covered by the Group's Green Procurement principle in collaborations.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

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 FY2023, including the following:

- 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(關於黃金稅收政策問題的通知); and
- Ambient air quality standards(環境空氣質量標準).

Product quality and operation safety

The major products of the Group are gold concentrate and gold bullion. To produce consistently top-notch products that satisfy customers' needs, the Group insists on the production of high quality gold concentrate and gold bullion, 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(金精礦出庫計量單), gold concentrate mental concentration confirmation slip(金精礦金屬含量確認單)and gold concentrate advice of settlement (金精礦銷售結算單).

Regarding the gold bullion, the Group also formulated a series of strict rules and effective measures in an effort to standardise the supplying and refining process and to ensure the product quality, including but not limited to using the spectroscopic gold detector to test the gold related materials. The Group also choose the refining subcontractors from the national recognised list to ensure the quality of the refining subcontractors.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

B.6. Product Responsibility *(CONTINUED)*

Product quality and operation safety *(CONTINUED)*

The Group's products 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 FY2023, the Group did not encounter any products subject to recalls for safety and health reasons.

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 FY2023. 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 FY2023, 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 FY2023, 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.

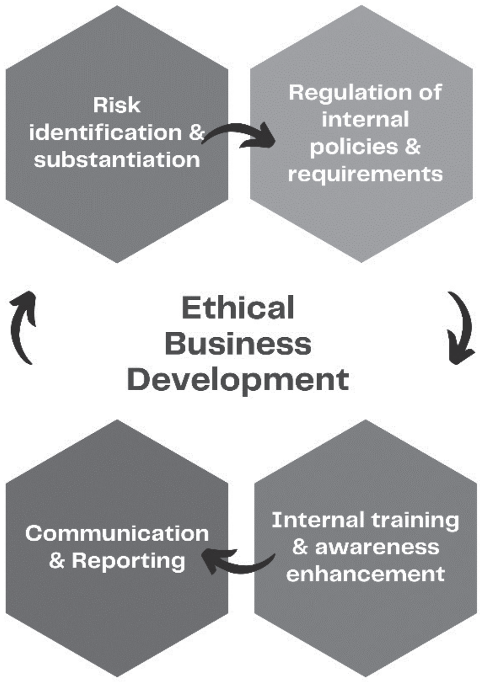
B.7. Anti-corruption

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 FY2023, 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).

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

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



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.

As part of its anti-corruption strategy, the Group's latest anti-corruption policy was sent to all staff in Hong Kong office for their review and compliance. All staff with party membership signed the Member's Personal Integrity and Self-Discipline Commitment Letter（黨員個人廉潔自律承諾書）to promise their compliance with the Group's anti-corruption policy. In FY2023, the Group had around 2-hour internal training related to anti-corruption with its employees.

VII. SOCIAL SUSTAINABILITY *(CONTINUED)*

Operating Practices *(CONTINUED)*

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

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 FY2023, 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 FY2023, 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, as well as provided support to the distribution point of anti-epidemic service. Specifically, the Group sponsored RMB100,000 to Gansu Provincial Guangcai Business Promotion Association as earthquake donation and sponsored RMB60,000 to tiger city village（老虎城村）for road repairment and maintenance. Furthermore, the Group donated RMB1,000,000 for village infrastructure, RMB32,000 to Tongguan County rural area（潼關縣鄉村）, and donated RMB8,000 to high school students for charitable purpose.

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 pollut ants 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	50-56
	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	51
	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	51
	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)	50, 51
	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)	51
	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	56
	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	56

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 App roach: Disclosure 103-2 (c-i) (used together with GRI 301: Materials, GRI 302: Energy, and GRI 303: Water and Effluents)	57-61
	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	57
	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	57
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	GRI 103: Management App roach: Disclosure 103-2 (used together with GRI 302: Energy) GRI 302: Energy: Disclosures 302-4 and 302-5	61
	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	59-60
	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	57
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)	61-62
	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	61-62

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	63-65
	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	63-65
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	71-73
	KPI B1.1	Total work force 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)	66-68
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	GRI 401: Employment: Disclosure 401-1 (b)	69, 70
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	74-76
	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	76
	KPI B2.2	Lost days due to work injury.	N/A	76

Aspects	ESG Indicators	Description	GRI Standards and Disclosures*	Page
B. Social				
Employment and Labour Practices				
	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	75-76
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)	77
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A	78
	KPI B3.2	The average training hours completed per employee by gender and employee category.	GRI 404: Training and Education: Disclosure 404-1	79
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	80
	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)	80
	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)	80

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)	80-81
	KPI B5.1	Number of suppliers by geographical region.	GRI 102: General Disclosures: Disclosure 102-9	81
	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	80-81
	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	80-81
	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)	80-81

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	82-84
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	83
	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	84
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	84
	KPI B6.4	Description of quality assurance process and recall procedures	N/A	84
	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)	84

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	84-86
	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	85
	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	86
	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	85
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)	86
	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)	86
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	GRI 201: Economic Performance: Disclosure 201-1(a-ii)	86

* 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).

CCL Partners

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 99 to 179, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 other intangible assets, exploration and evaluation assets, property, plant and equipment and goodwill

Refer to Notes 15, 16, 18 and 19 to the consolidated financial statements.

As at 31 December 2023, the carrying amounts of the Group's other intangible assets, exploration and evaluation assets and property, plant and equipment relating to the gold mining operation amounted to approximately HK$284,177,000, HK$1,323,399,000 and HK$1,756,902,000, respectively, details of which are disclosed in Notes 19, 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 other intangible assets, exploration and evaluation assets and property, plant and equipment for the year ended 31 December 2023.

As disclosed in Note 18 to the consolidated financial statements, the carrying amount of goodwill of the Group is approximately HK$768,452,000 at 31 December 2023 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 2023.

We identified the impairment assessment of other intangible assets, exploration and evaluation assets, property, plant and equipment and goodwill 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.

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 relevant cash-generating units ("CGUs"), by applying a suitable discount rate, growth rates and expected changes in gold price and direct costs in order to calculate the value in use.

How our audit addressed the key audit matter:

Our procedures in relation to evaluating the impairment assessment of other intangible assets, 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 independent professional valuer engaged by the Group;

— Evaluating the reasonableness of the assumption made by the management with the assistance of our internal valuation specialist in determining the value in use of these assets relating to CGUs, including the suitable discount rate, growth rates and expected changes in gold price and direct costs;

— 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; and

— Assessing the adequacy of disclosures in connection with respective impairment assessment for relevant non-current financial assets as mentioned above.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unqualified audit opinion on those consolidated financial statements on 27 March 2023.

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 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.

CL PARTNERS CPA Limited
Certified Public Accountants

Wong Cho Yi
Practising Certificate Number: P07897

Hong Kong, 25 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	6	**1,497,236**	1,244,864
Cost of sales		**(1,329,358)**	(1,105,369)
Gross profit		**167,878**	139,495
Other income	7	**2,884**	3,115
Other net gains and losses	8	**2,906**	(1,161)
Administrative and other expenses		**(76,341)**	(61,599)
Finance costs	9	**(22,403)**	(9,353)
Share of result of an associate		**–**	–
Profit before tax	10	**74,924**	70,497
Income tax expense	11	**(14,890)**	(13,491)
Profit for the year		**60,034**	57,006
Other comprehensive expense, 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		**(2,170)**	(7,385)
Items that may be reclassified subsequently to profit or loss:			
Release of exchange reserve upon deregistration of subsidiaries		**(628)**	–
Exchange differences arising on translation of financial statements of foreign operations		**(22,413)**	(188,640)
Other comprehensive expense for the year, net of tax		**(25,211)**	(196,025)
Total comprehensive income (expense) for the year		**34,823**	(139,019)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Profit for the year attributable to:			
— Owners of the Company		**51,454**	50,340
— Non-controlling interests		**8,580**	6,666
		60,034	57,006
Total comprehensive income (expense) for the year attributable to:			
— Owners of the Company		**28,814**	(120,968)
— Non-controlling interests		**6,009**	(18,051)
		34,823	(139,019)
Earnings per share – Basic and diluted	*14*	**HK1.39 cents**	HK1.48 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	15	**1,756,902**	1,391,712
Right-of-use assets	17	**50,981**	29,097
Exploration and evaluation assets	16	**1,323,399**	1,305,913
Goodwill	18	**768,452**	599,352
Other intangible assets	19	**284,177**	104,347
Other financial assets	20	**3,613**	5,737
Interest in an associate	21	**3,266**	3,313
		4,190,790	3,439,471
Current assets			
Inventories	22	**87,749**	25,120
Trade and other receivables, deposits and prepayments	23	**116,782**	40,785
Amount due from an associate	21	**1,652**	1,676
Cash and cash equivalents	24	**157,887**	143,105
		364,070	210,686
Current liabilities			
Other payables	25	**416,131**	419,163
Bank and other borrowings	27	**444,159**	130,119
Contract liabilities	26	**11,989**	32,655
Lease liabilities	17	**1,263**	537
Tax payables		**157,384**	159,899
		1,030,926	742,373
Net current liabilities		**(666,856)**	(531,687)
Total assets less current liabilities		**3,523,934**	2,907,784

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	**2023** ***HK$'000***	2022 *HK$'000*
Non-current liabilities			
Bank and other borrowings	*27*	**119,551**	30,786
Other payables	*25*	**601,051**	515,546
Provision for restoration and environmental costs	*29*	**16,298**	13,290
Lease liabilities	*17*	**386**	94
Deferred tax liabilities	*28*	**325,229**	314,712
		1,062,515	874,428
Net assets		**2,461,419**	2,033,356
Capital and reserves			
Share capital	*30*	**407,027**	339,227
Share premium and reserves		**1,909,464**	1,555,210
Equity attributable to owners of the Company		**2,316,491**	1,894,437
Non-controlling interests	*33*	**144,928**	138,919
Total equity		**2,461,419**	2,033,356

The consolidated financial statements on pages 99 to 179 were approved and authorised for issue by the Board of Directors on 25 March 2024 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 2023

	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 33)*	Total *HK$'000*
At 1 January 2022	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
Profit for the year	–	–	–	–	–	–	–	50,340	50,340	6,666	57,006
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	(163,923)	–	(163,923)	(24,717)	(188,640)
Fair value changes of equity investments at fair value through other comprehensive income	–	–	–	–	–	(7,385)	–	–	(7,385)	–	(7,385)
Other comprehensive expense for the year	–	–	–	–	–	(7,385)	(163,923)	–	(171,308)	(24,717)	(196,025)
Total comprehensive (expense) income for the year	–	–	–	–	–	(7,385)	(163,923)	50,340	(120,968)	(18,051)	(139,019)
At 31 December 2022	339,227	1,090,897	29,280	287,496	10,235	(49,950)	(70,126)	257,378	1,894,437	138,919	2,033,356
At 1 January 2023	339,227	1,090,897	29,280	287,496	10,235	(49,950)	(70,126)	257,378	1,894,437	138,919	2,033,356
Issuance of shares in consideration for the acquisition of subsidiaries *(Note 34)*	67,800	325,440	–	–	–	–	–	–	393,240	–	393,240
Lapsed of share options	–	–	–	–	(10,235)	–	–	10,235	–	–	–
Profit for the year	–	–	–	–	–	–	–	51,454	51,454	8,580	60,034
Release of exchange reserve upon deregistration of subsidiaries *(Note 8)*	–	–	–	–	–	–	(1,848)	–	(1,848)	1,220	(628)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	(18,622)	–	(18,622)	(3,791)	(22,413)
Fair value changes of equity investments at fair value through other comprehensive income	–	–	–	–	–	(2,170)	–	–	(2,170)	–	(2,170)
Other comprehensive expense for the year	–	–	–	–	–	(2,170)	(20,470)	–	(22,640)	(2,571)	(25,211)
Total comprehensive (expense) income for the year	–	–	–	–	–	(2,170)	(20,470)	51,454	28,814	6,009	34,823
At 31 December 2023	407,027	1,416,337	29,280	287,496	–	(52,120)	(90,596)	319,067	2,316,491	144,928	2,461,419

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Profit before tax		**74,924**	70,497
Adjustments for:			
Interest income	*7*	**(1,788)**	(1,195)
Interest expenses	*9*	**22,403**	9,353
Depreciation of property, plant and equipment	*10*	**52,164**	37,702
Depreciation of right-of-use assets	*10*	**2,543**	3,033
Amortisation of other intangible assets	*10*	**8,989**	4,859
Write off of property, plant and equipment and exploration and evaluation assets	*8*	**37,132**	—
Loss on disposal of property, plant and equipment	*8*	**2,479**	—
Written off in respect of other receivables	*8*	**—**	608
Gain on reversal of other payables	*8*	**(5,668)**	—
Gain on modification of other borrowings	*8*	**(34,435)**	—
Gain on deregistration of subsidiaries	*8*	**(628)**	—
Provision for restoration and environment costs	*29*	**2,615**	1,109
Cashflow before changes in working capital		**160,730**	125,966
Increase in inventories		**(19,982)**	(19,222)
Increase in trade and other receivable, deposits and prepayments		**(5,811)**	(4,668)
Decrease in other payables		**(137,384)**	(29,226)
(Decrease) increase in contract liabilities		**(20,246)**	30,875
Cash (used in) generated from operations		**(22,693)**	103,725
Income tax paid		**(12,810)**	(20,700)
Net cash (used in) generated from operating activities		**(35,503)**	83,025

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from investing activities			
Addition to purchase of property, plant and equipment		**(41,953)**	(98,542)
Net (decrease) increase in other payables for property, plant and equipment		**(43,935)**	33,035
Payment for purchase of other intangible assets		**(7,700)**	—
Payment for restoration and environment costs		**(231)**	—
Proceeds from disposal of property, plant and equipment		**1,912**	—
Compensation received from government in regards of returns of exploration licenses	*15(a)*	**8,186**	—
Acquisition of subsidiaries, net of cash acquired	*34*	**94,804**	—
Expenditure paid on exploration and evaluation assets		**(12,465)**	(3,301)
Interest received		**1,788**	1,195
Net cash generated from (used in) investing activities		**406**	(67,613)
Cash flows from financing activities			
Repayment of bank and other borrowings		**(163,602)**	(18,662)
New bank and other borrowings raised		**252,304**	17,496
Repayment to related parties		**(16,000)**	(35,822)
Payment of principal portion of lease liabilities		**(1,159)**	(2,110)
Proceeds from other borrowing included in other payables		**—**	17,496
Repayment of other borrowing included in other payables		**(8,124)**	—
Interest paid on lease liabilities		**(911)**	(59)
Interest paid		**(11,933)**	(3,830)
Net cash generated from (used in) financing activities		**50,575**	(25,491)
Net increase (decrease) in cash and cash equivalents		**15,478**	(10,079)
Cash and cash equivalents at beginning of the year		**143,105**	157,700
Effect of exchange rate changes on cash and cash equivalents		**(696)**	(4,516)
Cash and cash equivalents at end of the year, represented by cash and cash equivalents		**157,887**	143,105

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 information of shareholders are disclosed in the directors' report to the annual report. The Company is an investment holding company.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in (i) gold mining operation, which is sale of mine-produced gold, including gold concentrate, gold bullion and related products, that contains of gold exploration, mining, processing and/or smelting operations; and (ii) gold recycling, which is purchasing the gold related materials, refining and sale of gold bullion. The Group's gold mining operation and gold recycling are mainly carried out in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as disclosed below, the application of the new and 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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(CONTINUED)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(CONTINUED)*

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 4 to the consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardized information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of measurement and going concern assumption

The Group had net current liabilities of approximately HK$666,856,000 at 31 December 2023 (2022: HK$531,687,000).

Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company 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) renewal of 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 of the Company, the Group will be able to roll over or refinance the borrowings upon their maturity.

Having taken into account the above, the directors of the Company 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 write down 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. MATERIAL ACCOUNTING POLICY INFORMATION

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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Business combinations *(CONTINUED)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) 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 ("CGU") (or groups of cash-generating units ("CGUs")) 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 CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU 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 CGUs).

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Goodwill *(CONTINUED)*

On the disposal of the relevant CGU or any of the CGU within the group of CGUs, 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 CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control (see accounting policy above).

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. 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.

The results of associates are accounted for in the consolidated financial statements 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 profit or loss and other comprehensive income of the associate.

The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When an objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(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.

The Group recognises revenue on sale of gold products at a point in time when control of the goods has transferred, being when the goods are delivered to the customer at the designated point. 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.

Property, plant and equipment

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

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 period in which they are incurred.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Property, plant and equipment *(CONTINUED)*

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 assets in 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 of HKFRS 16 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. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Leases *(CONTINUED)*

The Group as a lessee

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.

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.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its equipments. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(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 with finite useful lives 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, if any.

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 over the estimated total proven and probable mineral reserves within the terms of the mining license.

Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the assets (other than financial assets and deferred tax 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:

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is based on the estimated future cash flows expected to be derived from the asset or a 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.

The recoverable amount of property, plant and equipment, right-of-use assets, exploration and evaluation assets, and other intangible assets are estimated individually. Where it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which be the asset belongs.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Impairment of assets (other than financial assets) *(CONTINUED)*

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGU, to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of cash-generating units.

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 as an expense immediately.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits. Bank balance for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

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.

(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 the changes in fair value of the investments recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative fair value changes recognised in investment revaluation reserve 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Financial assets *(CONTINUED)*

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, deposits, amount due from an associate and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. 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.

The Group always recognises lifetime ECL for trade receivables. 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 that is available without undue cost or effect.

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;
- 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Financial assets *(CONTINUED)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(CONTINUED)*

(i) Significant increase in credit risk (CONTINUED)

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. 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.

For financial guarantee contracts, the date the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purpose of assessing impairment. In assessing whether there has been a significant increase in credit risk since initial recognition, the Group considers the changes in risk that the specified debtor will default on the contract.

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. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Financial assets *(CONTINUED)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(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;

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

(e) the disappearance of an active market for the financial asset because of financial difficulties.

(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 a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder. If the effective interest cannot be determined, the Group will apply discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flow.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Financial assets *(CONTINUED)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(CONTINUED)*

(v) Measurement and recognition of ECL (CONTINUED)

The Group recognises an impairment loss or reversal of impairment 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.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the net foreign exchange gains (loss);

- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investment revaluation reserve.

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, 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Financial liabilities and equity *(CONTINUED)*

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.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss as part of net foreign exchange gains/(losses).

Derecognition and modification 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.

The Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Inventories

The Group's inventories include raw materials, 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.

Income tax

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

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.

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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. 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 and interest in an associate, 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 and interest 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Income tax *(CONTINUED)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable 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 the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised and a deferred tax liability for all taxable temporary differences.

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.

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.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Foreign currency *(CONTINUED)*

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 period, 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).

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation 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.

Employee benefits

(i) Short term employee benefits

Short term employee benefits are undiscounted amount of the employee benefits (other than termination benefits) that are expected to be settled in full before twelve months after the end of the reporting period in which the employees render the related service. Short term employee benefits are recognised in profit or loss as expense when the employees render the related service.

(ii) Defined contribution retirement plan

Payments to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised at 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

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.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to retained profits. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

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 until such time of the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Provisions and contingent liabilities

Provisions are recognised for liabilities due to uncertainty in timing or amount when the Group has a present, 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 grants

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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “Other income” line item in profit or loss.

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. MATERIAL ACCOUNTING POLICY INFORMATION *(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, which are described in Note 4, the directors of the Company 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 consolidated 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 non-current financial assets (including goodwill)

The management assesses whether goodwill is impaired annually or if indicators of impairment exist; while for other non-current financial assets, the management assesses at the end of each reporting period whether non-financial assets (other than goodwill) suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

The determination of recoverable amount of the CGUs of relevant assets requires an estimation of future cash flows and the selection of appropriate discount rates which form part of the relevant CGU. 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.

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

Key sources of estimation uncertainty *(CONTINUED)*

(ii) Impairment of non-current financial assets (including goodwill) *(CONTINUED)*

The Group determines fair values using valuation techniques which based discounted cash flow models. Under discounted cash flow models, estimated cash flows of the relevant CGUs are based on management's estimation and judgement including discount rate, growth rates and expected changes in gold price and direct costs.

As at 31 December 2023, the carrying amount of other intangible assets, exploration and valuation assets, property, plant and equipment and goodwill relating to the gold mining operation are amounted to approximately HK$284,177,000 (2022: HK$104,347,000), HK$1,323,399,000 (2022: HK$1,305,913,000), HK$1,756,902,000 (2022: HK$1,391,712,000) and HK$768,452,000 (2022: HK$599,352,000) respectively. No impairment was recognised on the respective assets during both years.

(iii) Valuation of purchase price allocation for acquisition of subsidiaries under business combination (Note 34)

The acquisition of subsidiaries during the year ended 31 December 2023 was accounted for as a business combination which requires the Group to allocate the purchase price to the assets acquired, liabilities assumed, and identified intangible assets based on their estimated fair values at the date of acquisition. The fair values of the assets acquired, liabilities assumed and identified intangible assets were determined using the appropriate valuation method including market approach, multiperiod excess earnings method ("MEEM"), depreciated replacement cost approach and discounted cash flow approach and involved various key assumptions and estimates. Changing the assumptions and estimates, including the discount rates, the growth rate or estimated years of operation in the cash flow projections; or the estimated useful life of identified tangible assets acquired or estimated obsolescence rate in the depreciated applies replacement cost approach, could materially affect the fair values of the assets acquired, liabilities assumed and identified intangible assets, and therefore, the goodwill recognised at the acquisition date. As at the acquisition date, goodwill arising from business combination was amounted to approximately HK$176,080,000.

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

Key sources of estimation uncertainty *(CONTINUED)*

(iv) Going concern and liquidity

A explained in Note 3 to the financial statements, the Group had net current liabilities of approximately HK$666,856,000. The directors of the Company consider that the Company has ability to continue as a going concern and details of which are set out in Note 3 to the consolidated financial statements.

6. REVENUE AND SEGMENT REPORTING

Segment revenue and results

Information is reported internally to the board of directors of the Company (the "Board"), being the chief operating decision maker (the "CODM"), 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.

For the gold mining operation, the information reported to the CODM is further categorised into different mining locations within the PRC, each of which is considered as a separate operating segment by the CODM. For the purpose of segment reporting, the CODM considered that the operations of different mining locations are related to the mine-produced gold business, these individual operating segments have been aggregated into a single reportable segment.

During the year, the Group commenced in the business engaging in sale of gold bullion, which contains of gold exploration, mining, processing and smelting operation in the PRC along with the acquisition of Grand Gallant Investments Limited and its subsidiaries (as detailed in Note 34), and it has been aggregated into gold mining operation segment.

Accordingly, the Board reviews the business with the following reportable segments:

1. Gold mining operation – sale of mine-produced gold, including gold concentrate, gold bullion and related products, which contains of gold exploration, mining, processing and/or smelting operations in the PRC

2. Gold recycling – purchasing of gold related materials, refining and sale of gold bullion in the PRC

6. REVENUE AND SEGMENT REPORTING *(CONTINUED)*

The above segments have been identified on the basis of internal management reports prepared and regularly reviewed by the Board when making decisions about allocating resources and assessing performance of the Group.

The segment results represent the gross profit earned by each segment (segment revenue less segment cost of sales). Other income, other net gains and losses, administrative and other expenses, finance costs and income tax expense are not allocated to each reportable segment. This is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

The information of segment results is as follows:

For the year ended 31 December 2023

	Gold mining operation *HK$'000*	**Gold recycling** *HK$'000*	**Total** *HK$'000*
Revenue	**637,693**	**859,543**	**1,497,236**
Cost of sales	**(470,768)**	**(858,590)**	**(1,329,358)**
Segment results	**166,925**	**953**	**167,878**

For the year ended 31 December 2022

	Gold mining operation *HK$'000*	Gold recycling *HK$'000*	Total *HK$'000*
Revenue	406,442	838,422	1,244,864
Cost of sales	(268,057)	(837,312)	(1,105,369)
Segment results	138,385	1,110	139,495

The reportable segment results are reconciled to profit after tax of the Group as follows:

	2023 *HK$'000*	2022 *HK$'000*
Reportable segment results	**167,878**	139,495
Unallocated income and expenses:		
Other income	**2,884**	3,115
Other net gains and losses	**2,906**	(1,161)
Administrative and other expenses	**(76,341)**	(61,599)
Finance costs	**(22,403)**	(9,353)
Profit before tax	**74,924**	70,497
Income tax expense	**(14,890)**	(13,491)
Profit for the year	**60,034**	57,006

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:

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Income from gold mining operation	**637,693**	406,442
Income from gold recycling	**859,543**	838,422
	1,497,236	1,244,864

The Group recognises revenue on sale of gold 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. There is no unsatisfied performance obligation at the end of each of the reporting periods.

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:

	2023 HK$'000	2022 HK$'000
Customer A	**N/A *(Note (a))***	319,276
Customer B	**326,238**	792,140
Customer C	**272,961**	– *(Note (b))*
Customer D	**504,422**	– *(Note (b))*

Included in revenue, consist of approximately HK$140,091,000 for the year ended 31 December 2023 (2022: Nil) is derived from selling gold bullion in a trading platform of Shanghai Gold Exchange through a member registered in Shanghai Gold Exchange.

Notes:

(a) The corresponding revenue for the year ended 31 December 2023 did not contribute over 10% of revenue to the Group.

(b) The corresponding revenue for the year ended 31 December 2022 was Nil.

7. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Government grants *(Note (a))*	**238**	290
Interest on bank deposits	**1,788**	1,195
Rental income	**821**	1,506
Others	**37**	124
	2,884	3,115

Note:

(a) Included in government grants consist of approximately HK$168,000 for the year ended 31 December 2022 (2023: Nil) was recognised in respect of the Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees; while remaining represents subsidies from local government authorities for development scheme and salaries subsidies which were immediately recognised as other income for the year. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

8. OTHER NET GAINS AND LOSSES

	2023 HK$'000	2022 HK$'000
Net foreign exchange gains (losses)	**1,518**	(510)
Written off in respect of other receivables *(Note 23(b))*	**—**	(608)
Loss on disposal of property, plant and equipment	**(2,479)**	—
Write off of property, plant and equipment and exploration and evaluation assets *(Note 15(a))*	**(37,132)**	—
Gain on modification of other borrowing *(Note 27(a))*	**34,435**	—
Gain on reversal of other payables	**5,668**	—
Gain on deregistration of subsidiaries	**628**	—
Others	**268**	(43)
	2,906	(1,161)

9. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on unsecured bank and other borrowings	**7,492**	20,018
Interest on secured bank borrowings	**8,019**	–
Interest on promissory note payable at amortised cost	**5,981**	5,464
Interest expenses on lease liabilities *(Note 17)*	**911**	59
	22,403	25,541
Less: Amount capitalised *(Note (a))*	**–**	(16,188)
	22,403	9,353

Note:

(a) Interest expenses capitalised were arising from specific borrowings during the year ended 31 December 2022 (2023: Nil).

10. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2023 HK$'000	2022 HK$'000
Director's emoluments *(Note 12)*	**3,105**	3,110
Staff's salaries, bonus and allowances	**26,155**	18,600
Contributions to staff's retirement benefits schemes	**2,439**	2,163
Total staff costs	**31,699**	23,873
Amortisation of other intangible assets	**8,989**	4,859
Auditor's remuneration	**1,800**	1,800
Cost of sales comprise of:		
— Cost of inventories recognised as an expense *(Note (a))*	**1,282,526**	1,077,784
— Documentation transferring fee	**13,782**	14,402
Depreciation charges		
— property, plant and equipment	**52,164**	37,702
— right-of-use assets		
— office premise and factories	**1,458**	2,187
— prepaid lease payments	**1,085**	846

Note:

(a) Costs of inventories recognised as an expense mainly include mining extraction costs and mining ore processing costs of approximately HK$347,201,000 (2022: HK$184,523,000); transportation cost of approximately HK$2,689,000 (2022: HK$2,172,000); amortisations and depreciation charges of approximately HK$50,176,000 (2022: HK$37,303,000) and purchase cost of gold related materials of approximately HK$858,256,000 (2022: HK$837,220,000).

11. INCOME TAX EXPENSE

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 2023 and 2022.

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, 財政部國家稅務總局海關總署關於深入實施西部大開發戰略有關稅收政策問題的通知(財稅〔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 up to 2030.

* The English translation is for reference only

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

	2023 HK$'000	2022 HK$'000
PRC Enterprise Income Tax		
— Current year	**15,259**	12,111
— Overprovision in prior years	**(401)**	–
	14,858	12,111
Deferred tax *(Note 28)*	**32**	1,380
	14,890	13,491

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

	2023 HK$'000	2022 HK$'000
Profit before tax	**74,924**	70,497
Notional tax on profit before tax, calculated at 25% (2022: 25%)	**18,731**	17,624
Income tax on concessionary rate	**(20,273)**	(11,859)
Tax effect of expenses not deductible for tax purposes	**11,106**	6,176
Tax effect of income not taxable for tax purposes	**(561)**	(2,747)
Tax losses and temporary differences not recognised	**6,288**	4,297
Overprovision in prior years	**(401)**	–
Income tax expense	**14,890**	13,491

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

Directors' and chief executives' emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Fees	**1,020**	848
Other emoluments		
Salaries and other benefits	**1,578**	1,862
Performance related incentive payments *(Note (a))*	**437**	330
Contributions to retirement benefits schemes	**70**	70
	3,105	3,110

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

For the year ended 31 December 2023

	Fees	Salaries and other benefits	Performance related incentive payments	Contributions to retirement benefits schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Yeung Kwok Kuen	–	1,200	200	70	1,470
Shi Xing Zhi	240	189	65	–	494
Shi Sheng Li	240	189	82	–	511
Independent non-executive directors					
Chu Kang Nam	180	–	30	–	210
Liang Xu Shu	180	–	30	–	210
Leung Ka Wo	180	–	30	–	210
	1,020	1,578	437	70	3,105

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

For the year ended 31 December 2022

	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	154	366	–	–	520
Shi Sheng Li	154	296	40	–	490
Independent non-executive directors					
Chu Kang Nam	180	–	30	–	210
Liang Xu Shu	180	–	30	–	210
Leung Ka Wo	180	–	30	–	210
	848	1,862	330	70	3,110

Note:

(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.

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 the directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2023 and 2022.

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 of the Company (2022: three directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2022: two) highest paid employees who are not a director nor chief executive of the Company are as follows:

	2023	2022
	HK$'000	*HK$'000*
Salaries and other benefits	**1,918**	1,324
Performance related incentive payments	**320**	221
Contributions to retirement benefits schemes	**70**	35
	2,308	1,580

The remaining highest paid employees' remuneration was each within Nil to HK$1,000,000 (2022: within Nil to HK$1,000,000).

During the years ended 31 December 2023 and 2022, 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 2023 or since the end of the reporting period (2022: Nil).

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2023	2022
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share *(HK$'000)*	**51,454**	50,340
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,696,907,837**	3,392,272,221
Effect of dilutive potential ordinary shares in respect of outstanding share options	**–**	4,322,442
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,696,907,837**	3,396,594,663

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 2022	165,733	144,087	2,219	2,338	807,842	422,950	1,545,169
Exchange adjustments	(16,255)	(12,390)	113	(439)	(69,144)	(38,969)	(137,084)
Additions	949	4,592	52	5,976	103,100	–	114,669
Transfer	49,128	–	–	–	(85,527)	36,399	–
Transfer from exploration and evaluation assets *(Note 16)*	–	–	–	–	–	41,818	41,818
Disposals	–	–	(5)	–	–	–	(5)
At 31 December 2022 and 1 January 2023	199,555	136,289	2,379	7,875	756,271	462,198	1,564,567
Exchange adjustments	(2,022)	(1,469)	(21)	2	(10,344)	(4,063)	(17,917)
Acquisition of subsidiaries *(Note 34)*	85,622	30,508	1,767	2,927	45,025	241,104	406,953
Additions	168	1,792	83	3,847	38,093	651	44,634
Transfer	8,575	11,194	–	–	(34,273)	14,504	–
Transfer from exploration and evaluation assets *(Note 16)*	–	–	–	–	–	3,981	3,981
Disposals	(314)	(1,203)	(493)	(3,229)	–	–	(5,239)
Written off *(Note a)*	–	–	–	–	(18,418)	–	(18,418)
At 31 December 2023	291,584	177,111	3,715	11,422	776,354	718,375	1,978,561
Accumulated depreciation and impairment							
At 1 January 2022	25,514	49,980	1,761	1,050	–	70,796	149,101
Exchange adjustments	(2,790)	(4,543)	149	(136)	–	(6,623)	(13,943)
Charge for the year	9,281	11,527	98	1,222	–	15,574	37,702
Eliminated on disposals	–	–	(5)	–	–	–	(5)
At 31 December 2022 and 1 January 2023	32,005	56,964	2,003	2,136	–	79,747	172,855
Exchange adjustments	(431)	(990)	(19)	(21)	–	(1,051)	(2,512)
Charge for the year	12,965	12,231	412	1,051	–	25,505	52,164
Eliminated on disposals	–	(402)	–	(446)	–	–	(848)
Eliminated on written off *(Note a)*	–	–	–	–	–	–	–
At 31 December 2023	44,539	67,803	2,396	2,720	–	104,201	221,659
Net book value							
At 31 December 2023	247,045	109,308	1,319	8,702	776,354	614,174	1,756,902
At 31 December 2022	167,550	79,325	376	5,739	756,271	382,451	1,391,712

Details of impairment assessments are set out in Note 5(ii) to the consolidated financial statements.

Notes:

a. The Group has two exploration licenses located in Luonan County and Tongguan County, which held by its subsidiaries with relatively low level of mine reserve. After conducting in-depth survey during the year, the potential mineral resources did not meet the Group's initial expectations. After considering the Group's efficient use of resources, the potential benefits and costs of exploration and mining, and the compensation incentives provided by the local government for the returns of the exploration licenses, the Group returned the two exploration licenses and received compensation of approximately HK$8,186,000 during the year ended 31 December 2023. Meanwhile, the directors of the Company believe the carrying amount of property, plant and equipment of approximately HK$18,418,000 and the carrying amount of exploration and evaluation assets of approximately HK$26,900,000 (Note 16) related to the two exploration licenses cannot be recovered through operations in the future. Therefore, the write-off of the relevant assets has been included in the profit and loss for the year ended 31 December 2023.

b. Certain property, plant and equipment with carrying amounts of approximately HK$57,255,000 (2022: Nil) have been pledged to secure the bank and other borrowings (Note 27) of HK$108,143,000 (2022: Nil) which with maturity of within one year.

16. EXPLORATION AND EVALUATION ASSETS

	2023 *HK$'000*	2022 *HK$'000*
Cost		
At 1 January	**1,305,913**	1,467,151
Exchange adjustments	**(17,949)**	(122,721)
Additions	**12,465**	3,301
Written off *(Note 15(a))*	**(26,900)**	–
Acquisition of subsidiaries *(Note 34)*	**53,851**	–
Transfer to mining structures *(Note 15)*	**(3,981)**	(41,818)
At 31 December	**1,323,399**	1,305,913
Carrying amount		
At 31 December	**1,323,399**	1,305,913

Details of impairment assessments are set out in Note 5(ii) to the consolidated financial statements.

The Group's exploration and evaluation assets relate to exploration licenses and assets situated in Gansu Province, the PRC and Shaanxi Province, the PRC (2022: Shaanxi Province, the PRC), which are under the exploration and evaluation stage as at 31 December 2023 with a carrying value of approximately HK$1,323,399,000 (2022: HK$1,305,913,000). These assets are not subject to amortisation until they are placed in use.

17. 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:

	2023 *HK$'000*	2022 *HK$'000*
Right-of-use-assets		
Office premise and factories	**1,349**	631
Prepaid lease payments	**49,632**	28,466
	50,981	29,097
Lease liabilities		
Current liabilities	**1,263**	537
Non-current liabilities	**386**	94
	1,649	631

The prepaid lease payments represented land in the PRC under a lease term of 50 years.

At 31 December 2023, certain of the Group's prepaid lease payments with carrying amount of approximately HK$21,518,000 (2022: Nil) were pledged to secure the bank and other borrowings (Note 27) of HK$55,175,000 (2022: Nil) which with maturity of within one year.

Addition to the right-of-use assets during the year ended 31 December 2023 consist of approximately HK$22,451,000 (2022: Nil) prepaid lease payments arising from acquisition of subsidiaries (Note 34) and approximately HK$2,178,000 (2022: Nil) from renewal of existing lease of office premise for further 2 years.

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(CONTINUED)*

(ii) Amounts recognised in the consolidated statement of profit or loss and other Comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2023	2022
	HK$'000	*HK$'000*
Depreciation of right-of-use-assets		
Office premise and factories	**1,458**	2,187
Prepaid lease payments	**1,085**	846
	2,543	3,033
Interest expenses (included in finance costs) *(Note 9)*	**911**	59

The total cash outflow for leases in 2023 was approximately HK$2,070,000 (2022: HK$2,169,000).

For both years, the Group lease office premise and factories for its operations. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. GOODWILL

	2023	2022
	HK$'000	*HK$'000*
Cost		
At 1 January	**648,202**	708,187
Arising from acquisition of subsidiaries *(Note 34)*	**176,080**	—
Exchange adjustments	**(7,678)**	(59,985)
At 31 December	**816,604**	648,202
Accumulated impairment		
At 1 January	**48,850**	53,370
Exchange adjustments	**(698)**	(4,520)
At 31 December	**48,152**	48,850
Carrying amount		
At 31 December	**768,452**	599,352

18. GOODWILL *(CONTINUED)*

Impairment testing

For the purpose of impairment testing, goodwill arising from business combinations has been allocated to the CGUs under gold mining operation segment in Tongguan County with carrying amount of approximately HK$590,786,000 (2022: HK$599,352,000) and in Subei County with carrying amount of HK$177,666,000 (2022: Nil).

The cash flows generated from each mine acquired in Tongguan County are dependent on the production through the processing plant in Tongguan County Xiangshun Mining Development Co ., Ltd.

The recoverable amount of each cash-generating unit has been determined on a value in use method, which is based on certain key assumptions including the discount rate, growth rates and expected changes in gold price and direct costs, and estimation of mineral reserves and resources. The estimation of the value in use of each cash-generating unit were carried out by an independent professional valuer, Masterpiece Valuation Advisory Limited (2022: Valtech Valuation Advisory Limited).

(a) Gold Mining Operation in Tongguan County

The recoverable amounts of the CGU have 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 the operation and are in line with normal practice in the mining industry. Therefore, the projections cover periods will be 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 CGU. Gold price used are with reference to current market information available at the time of impairment assessment.

	2023	**2022**
Pre-tax discount rate	**14.50%**	**15.89%**
Spot price of Gold	**RMB480/g**	**RMB410/g**
Growth rate	**2%**	**2%**

No impairment is recognised as a result of the annual impairment testing of goodwill for the years ended 31 December 2023 and 2022. The directors of the Company 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 2023 and 2022.

18. GOODWILL *(CONTINUED)*

Impairment testing *(CONTINUED)*

(b) Gold Mining Operation in Subei County

The recoverable amount 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 the operation and are in line with normal practice in the mining industry. Therefore, the projections cover periods will be 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 CGU. Gold price used are with reference to current market information available at the time of impairment assessment.

	2023	**2022**
Pre-tax discount rate	**14.20%**	**N/A**
Spot price of Gold	**RMB480/g**	**N/A**
Growth rate	**2%**	**N/A**

No impairment is recognised as a result of the annual impairment testing of goodwill for the year ended 31 December 2023. The directors of the Company 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 year ended 31 December 2023.

19. OTHER INTANGIBLE ASSETS

	Mining rights *HK$'000* *(Note)*
Cost	
At 1 January 2022	233,645
Exchange adjustments	(19,792)
At 31 December 2022 and 1 January 2023	213,853
Exchange adjustments	(2,219)
Acquisition of subsidiaries *(Note 34)*	122,155
Additions	67,377
At 31 December 2023	401,166
Accumulated amortisation and impairment	
At 1 January 2022	114,290
Exchange adjustments	(9,643)
Charge for the year	4,859
At 31 December 2022 and 1 January 2023	109,506
Exchange adjustments	(1,506)
Charge for the year	8,989
At 31 December 2023	116,989
Carrying amount	
At 31 December 2023	284,177
At 31 December 2022	104,347

Details of impairment assessments are set out in Note 5(ii) to the consolidated financial statements.

Notes:

(i) Mining rights (included in the CGUs of gold mining operation)

The mining licenses and gold mining permits 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 licenses, which ranged from 2 to 12 years (2022: from 2 to 5 years).

(ii) At 31 December 2023, certain of the Group's mining licenses with a carrying amount of approximately HK$119,115,000 (2022: Nil) were pledged to secure the bank borrowings of approximately HK$204,148,000 (2022: Nil), which with maturity of within one year.

20. OTHER FINANCIAL ASSETS

	2023 HK$'000	2022 HK$'000
Equity securities listed in overseas stock exchange — as financial assets measured at FVTOCI	**3,613**	5,737

The equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature. The fair value of the listed equity securities is determined based on the quoted market bid price multiplied by the quantity of shares held by the Company.

21. INTEREST IN AN ASSOCIATE

	2023 HK$'000	2022 HK$'000
Share of net assets	**3,266**	3,313
Amount due from an associate*	**1,655**	1,679
Less: expected credit loss allowance	**(3)**	(3)
	1,652	1,676

* The amount is non-trade in nature, unsecured, interest free and repayable on demand.

Movement in impairment loss on amount due from an associate:

	2023 HK$'000	2022 HK$'000
At 1 January	**3**	3
Impairment loss recognised	**–**	–
At 31 December	**3**	3

21. 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 of the Company, the above associate is not material to the Group and its summarised financial information is set out below.

	2023	2022
	HK$'000	*HK$'000*
Loss for the year	**–**	–
Other comprehensive expense	**(157)**	(1,023)
Total comprehensive expense	**(157)**	(1,023)

22. INVENTORIES

	2023	2022
	HK$'000	*HK$'000*
Raw materials and consumables materials	**13,718**	20,481
Finished goods	**74,031**	4,639
	87,749	25,120

The Group's inventories mainly include (i) finished goods comprises of gold concentrates, gold bullion and related products, and (ii) raw materials and consumables materials for gold mining operation.

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	2023 HK$'000	2022 HK$'000
Trade receivables	*(a)*	**10,897**	–
Less: allowances		**–**	–
		10,897	–
Other receivables	*(b), (d)*	**70,472**	2,867
Less: allowances	*(c)*	**(490)**	(490)
		69,982	2,377
Deposits and prepayments		**35,642**	38,156
Value added tax recoverable		**261**	252
		116,782	40,785

Notes:

(a) The following is an aged analysis of trade receivables net of allowance for credit losses presented based on invoice dates/date of delivery of goods:

	2023 HK$'000	2022 HK$'000
Within 30 days	**10,897**	–

(b) As at 31 December 2023, included in the Group's other receivables balances are debtors with aggregate gross carrying amount of Nil (2022: approximately HK$608,000) 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.

(c) Movement in impairment loss on other receivables:

	2023 HK$'000	2022 HK$'000
At 1 January	**490**	490
Impairment loss recognised	**–**	–
At 31 December	**490**	490

(d) As at 31 December 2023, included in the Group's other receivables consist of approximately HK$31,712,000 (2022: Nil) is pledged by properties held by the guarantors; and HK$31,074,000 (2022: Nil) representing the cooperation receivables from independent third parties under their respective cooperation agreements for the future exploration of the Group's resources under three exploration sites.

24. CASH AND CASH EQUIVALENTS

Bank balances carry interest at prevailing market rates ranging from 0.001% to 4.85% per annum (2022: 0.001% to 5.25% per annum) at 31 December 2023.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferrable:

	2023	2022
	HK$'000	*HK$'000*
Amounts denominated in:		
RMB	**146,069**	121,553

25. OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Other payables and accruals *(Note (a))*	**487,844**	445,391
Amounts due to related parties *(Note (b))*	**460,176**	426,137
Promissory note payable *(Note (c))*	**69,162**	63,181
	1,017,182	934,709
Analysed for reporting purposes as:		
— Current portion	**416,131**	419,163
— Non-current portion	**601,051**	515,546
	1,017,182	934,709

Notes:

(a) As at 31 December 2023, included in other payables were mainly payable to subcontractors of approximately HK$329,465,000 (2022: HK$304,069,000) for mining extraction and construction; and unsecured borrowing from an independent third party of approximately HK$8,455,000 (2022: HK$16,792,000) carried at interest free (2022: fixed interest rate of 12% per annum) and repayable on 14 January 2025 (2022: repayable on 14 January 2023. The unsecured borrowing has been settled in full subsequently.

(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 (2022: repayable on 9 October 2025). It is measured at amortised cost at effective interest rate of 9.08% per annum.

26. CONTRACT LIABILITIES

The Group has recognised the following revenue — related contract liabilities:

	2023	2022
	HK$'000	*HK$'000*
Contract liabilities arising from:		
Sales of goods	**11,989**	32,655

The deposit of the Group received on sales of gold products remains as a contract liability until the date the goods are delivered to customer.

Movements in contract liabilities:

	2023	2022
	HK$'000	*HK$'000*
Balance as at 1 January	**32,655**	3,302
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	**(32,655)**	(3,302)
Increase in contract liabilities as a result of receipt in advance of sales of gold products not yet delivered at year end	**11,989**	32,655
Balance at 31 December	**11,989**	32,655

27. BANK AND OTHER BORROWINGS

	2023 HK$'000	2022 HK$'000
Current		
Unsecured other borrowing *(Note (a))*	—	90,377
Unsecured bank borrowings *(Notes (b) and (c))*	**70,624**	1,679
Secured bank borrowings *(Notes (b), (c) and (d))*	**287,462**	–
Bill payables *(Note (d))*	**172,146**	44,780
Less: Cash deposit *(Note (e))*	**(86,073)**	(6,717)
	444,159	130,119
Non-current		
Unsecured other borrowing *(Note (a))*	**106,309**	—
Unsecured bank borrowings *(Notes (b) and (c))*	**13,242**	30,786
	119,551	30,786
Bank and other borrowings repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	**444,159**	130,119
More than one year but not more than two years	**119,551**	17,352
More than two years but not more than five years	—	13,434
	563,710	160,905

Notes:

(a) As at 31 December 2022, included in bank and other borrowings, there was other borrowing with principal amount of RMB80,730,000 (equivalent to approximately HK$90,377,000) obtained from an independent third party (the "Lender") since 7 March 2018 and accrued interest payable of approximately RMB46,689,000 (equivalent to approximately HK$52,269,000) included in other payables. The other borrowing was originally repayable in one year with interest rate of 12% per annum. There were several supplementary agreements entered into with the Lender and subsequently during the years 2018 to 2021 and extended the repayment date to 6 March 2023. During the year ended 31 December 2023, an indirect 90% owned subsidiary of the Company negotiated with the Lender for further amendments to the contractual terms of the other borrowing with principal amount of RMB80,730,000, modifying the interest rate from 12% per annum to 4% per annum on the principal amount of the other borrowing of RMB80,730,000 from 1 January 2023, waiving accrued interest payable of RMB31,081,000 (equivalent to approximately HK$34,435,000) and further extended the maturity date of the other borrowing to 6 March 2025.

The modified contractual terms, after taking into account all relevant facts and circumstances including qualitative factors, resulted in a substantial modification of the original terms of the financial liabilities being accounted for as an extinguishment of the original other borrowing with a carrying amount of approximately RMB127,419,000 (equivalent to approximately HK$142,646,000) (including principal and interest payable) as at 1 January 2023 and recognition of new other borrowing of approximately RMB96,338,000 (equivalent to approximately HK$107,850,000). The difference of approximately RMB31,081,000 (equivalent to approximately HK$34,435,000) (Note 8) was recognised as a gain on modification of other borrowing in the profit or loss during the year ended 31 December 2023. The effective interest rate of the other borrowing after the modification was 3.28% 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+0.47%, LPR+1.55%, LPR+1.75%, LPR+1.85%, LPR+1.95%, LPR+2.05%, LPR+2.30%, LPR+2.60% and LPR+2.95% per annum (2022: LPR+2.025%, LPR+2.60% and LPR+2.95% per annum).

27. BANK AND OTHER BORROWINGS *(CONTINUED)*

Notes: (CONTINUED)

(c) Guarantees from the Group's subsidiaries, related parties and independent third parties were given to banks for the bank borrowings.

(d) The secured bank borrowings are secured by other intangible assets (Note 19), right-of-use assets (Note 17), property, plant and equipment (Note 15), certain unlisted equity investments of the Group's subsidiaries and properties of the related parties and independent third parties, and bill payables are secured by right-of-use assets (Note 17), property, plant and equipment (Note 15), certain unlisted equity investments of the Group's subsidiaries and properties of independent third parties.

(e) Subsidiaries of the Group are required to maintain cash on deposit of approximately HK$86,073,000 (2022: HK$6,717,000) 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 bill payables, the subsidiaries of the Group and the lenders have contractual right to offset and intend to settle in net. As a result, partial of bill payables have been presented net of the cash on deposit.

28. DEFERRED TAX LIABILITIES

The followings are the major deferred tax assets and 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 2022	15,848	291,577	34,889	(146)	162	432	342,762
Exchange adjustments	(533)	(19,010)	(9,851)	(12)	12	(36)	(29,430)
Transfer	6,273	(6,273)	–	–	–	–	–
Charge (credit) to profit or loss *(Note 11)*	4,065	1,573	(4,230)	260	(276)	(12)	1,380
At 31 December 2022 and 1 January 2023	25,653	267,867	20,808	102	(102)	384	314,712
Exchange adjustments	(282)	(4,271)	(165)	44	–	71	(4,603)
Arising from acquisition of subsidiaries *(Note 34)*	1,491	(521)	9,472	4,933	–	(287)	15,088
Transfer	995	(995)	–	–	–	–	–
Charge (credit) to profit or loss *(Note 11)*	2,009	(1,867)	219	97	(119)	(307)	32
At 31 December 2023	29,866	260,213	30,334	5,176	(221)	(139)	325,229

At the end of the reporting period, the Group has unused tax losses of approximately HK$204,801,000 (2022: HK$543,163,000) available for offset against future profits. No deferred tax asset has been recognised in relation 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:

	2023	2022
	HK$'000	*HK$'000*
Year 2023	**–**	388,731
Year 2024	**41,085**	35,529
Year 2025	**35,690**	31,187
Year 2026	**34,711**	28,659
Year 2027	**35,956**	30,615
Year 2028	**28,996**	–

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 approximately HK$582,530,000 (2022: HK$338,290,000) 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

	2023	2022
	HK$'000	*HK$'000*
At 1 January	**13,290**	13,358
Exchange adjustments	**(171)**	(1,177)
Arising from acquisition of subsidiaries *(Note 34)*	**795**	–
Additions to site reclamation	**2,615**	1,109
Payment during the year	**(231)**	–
At 31 December	**16,298**	13,290

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 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**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 2022, 31 December 2022 and 1 January 2023	**3,392,272**	**339,227**
Issuance of shares in consideration for the acquisition of subsidiaries *(Note 34)*	**678,000**	**67,800**
At 31 December 2023	**4,070,272**	**407,027**

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.

31. RESERVES *(CONTINUED)*

(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.

(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 of the Company.

(g) Retained earnings

Retained earnings represents the cumulative net gains and losses recognised in profit or loss.

32. 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.

32. SHARE OPTIONS SCHEME *(CONTINUED)*

The following share options were outstanding under the scheme during the year:

	Weighted average exercise price 2023 *HK$*	**Number of shares issuable under options 2023** *'000*	Weighted average exercise price 2022 *HK$*	Number of shares issuable under options 2022 *'000*
Outstanding at beginning of the year	**0.52**	**50,000**	0.52	50,000
Granted during the year	–	–	–	–
Lapsed during the year	**(0.52)**	**(50,000)**	–	–
Exercised during the year	–	–	–	–
Outstanding at the end of the year	–	–	0.52	50,000

All options granted at an exercise price of HK$0.52 per share (2022: HK$0.52) were lapsed during the year ended 31 December 2023 (2022: the remaining contractual life was 1 year).

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.

32. 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 year ended 31 December 2023 is 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 lapsed 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.

33. NON-CONTROLLING INTERESTS

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

潼關縣祥順礦業發展有限公司

Xiangshun, an 90%-owned subsidiary of the Company, has non-controlling interest ("NCI"). Summarised financial information in relation to the NCI of Xiangshun before intra-group eliminations is presented below:

	2023 *HK$'000*	2022 *HK$'000*
For the year ended 31 December		
Revenue	**1,203,059**	1,139,371
Profit for the year	**91,095**	66,169
Total comprehensive income (expense)	**78,827**	(16,822)
Profit allocated to NCI	**9,110**	6,617
Dividends paid to NCI	**–**	–
Cash flows generated from operating activities	**16,895**	98,250
Cash flows used in investing activities	**(30,816)**	(28,052)
Cash flows used in financing activities	**(2,625)**	(71,398)
Net cash outflows	**(16,546)**	(1,200)
At 31 December		
Current assets	**510,637**	505,473
Non-current assets	**998,455**	1,032,213
Current liabilities	**(361,707)**	(560,238)
Non-current liabilities	**(150,423)**	(73,680)
Net equity	**996,962**	903,768
Accumulated non-controlling interests	**58,677**	52,685

Note: The English translation of the company name is for reference only.

33. NON-CONTROLLING INTERESTS *(CONTINUED)*

Shaanxi Tongxin Mining Co. Ltd. ("Tongxin Mining") ***(Note)***

陝西潼鑫礦業有限公司

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:

	2023	2022
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	–	–
Loss for the year	**(2,926)**	(2,883)
Total comprehensive expense	**(1,359)**	(29,545)
Loss allocated to NCI	**(293)**	(288)
Dividends paid to NCI	–	–
Cash flows generated from operating activities	**8,618**	15,340
Cash flows used in investing activities	**(7,810)**	(14,231)
Net cash inflows	**808**	1,109
At 31 December		
Current assets	**3,963**	16,762
Non-current assets	**682,902**	581,490
Current liabilities	**(240,305)**	(221,825)
Non-current liabilities	**(90,013)**	(84,013)
Net equity	**356,547**	292,414
Accumulated non-controlling interests	**22,260**	22,396

Note: The English translation of the company name is for reference only.

33. NON-CONTROLLING INTERESTS *(CONTINUED)*

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

潼關縣德興礦業有限責任公司

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:

	2023 *HK$'000*	2022 *HK$'000*
For the year ended 31 December		
Revenue	**99,207**	105,493
Profit for the year	**18,329**	18,677
Total comprehensive income (expense)	**17,357**	(30,211)
Profit allocated to NCI	**1,833**	1,868
Dividends paid to NCI	**–**	–
Cash flows (used in) generated from operating activities	**(22,809)**	1,332
Cash flows used in investing activities	**(236)**	(64)
Cash flows (used in) generated from financing activities	**(1,770)**	11,189
Net cash (outflows) inflows	**(24,815)**	12,457
At 31 December		
Current assets	**88,295**	120,439
Non-current assets	**738,182**	737,603
Current liabilities	**(210,139)**	(261,568)
Non-current liabilities	**(127,751)**	(131,800)
Net equity	**488,587**	464,674
Accumulated non-controlling interests	**41,188**	39,452

Note: The English translation of the company name is for reference only.

33. NON-CONTROLLING INTERESTS *(CONTINUED)*

Tongguan Tongjin Mining Company Limited ("Tongjin") *(Note)*

潼關縣潼金礦業有限公司

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:

	2023 *HK$'000*	2022 *HK$'000*
For the year ended 31 December		
Revenue	–	–
Loss for the year	**(20,378)**	(15,161)
Total comprehensive expense	**(27,569)**	(103,462)
Loss allocated to NCI	**(2,038)**	(1,516)
Dividends paid to NCI	–	–
Cash flows (used in) generated from operating activities	**(966)**	3,608
Cash flows used in investing activities	**(29)**	(4,348)
Net cash outflows	**(995)**	(740)
At 31 December		
Current assets	**762,669**	776,280
Non-current assets	**978,995**	1,008,272
Current liabilities	**(645,814)**	(651,633)
Non-current liabilities	**(88,375)**	(88,308)
Net equity	**1,007,475**	1,044,611
Accumulated non-controlling interests	**20,867**	23,624

Note: The English translation of the company name is for reference only.

34. ACQUISITION OF SUBSIDIARIES

The acquisition of the subsidiary is determined to be business combinations, and optional centration test is not elected.

On 21 July 2023, the Group acquired 100% equity interest in Grand Gallant Investments Limited and its subsidiaries ("Grand Gallant Group"). Grand Gallant Group is principally engaged in sale of gold bullion, which contains of gold exploration, mining, processing and smelting operations in the PRC and was acquired with the objective of expanding the Group's gold mining portfolio. The acquisition has been accounted for as acquisition business using the acquisition method.

Consideration transferred

	HK$'000
Consideration shares issued *(Note (a))*	393,240

Note:

(a) For settlement of consideration of the Group's acquisition of Grand Gallant Group, the Company issued 678,000,000 ordinary shares with the market price of HK$0.58 per share on 21 July 2023.

Acquisition-related costs amounting to approximately HK$795,000 have been excluded from consideration transferred and have been recognised as an expense in the current year, within the "administrative and other expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	HK$'000
Property, plant and equipment	406,953
Right-of-use assets	22,451
Exploration and evaluation assets	53,851
Other intangible assets (i.e. mining licenses)	122,155
Inventories	41,877
Trade and other receivables, deposits and prepayments	86,101
Cash and cash equivalents	94,804
Other payables	(244,254)
Provision for restoration and environmental costs	(795)
Bank borrowings	(294,725)
Tax payables	(19)
Due to a related party	(56,151)
Deferred tax liabilities	(15,088)
Net assets acquired	217,160

34. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	393,240
Less: recognised amounts of net assets acquired	(217,160)
Goodwill arising on acquisition	176,080

Goodwill arose on the acquisition because the acquisition included the assembled workforce and some potential contracts with customers as at the date of the acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisition is expected to be deductible for tax purposes.

Net cash inflow on acquisition

	HK$'000
Cash and cash equivalents balances acquired	94,804

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately HK$10,697,000 attributable to the additional business generated by Grand Gallant Group. Revenue for the year includes approximately HK$194,970,000 generated from Grand Gallant Group.

Had the acquisition of Grand Gallant Group been completed on 1 January 2023, revenue for the year of the Grand Gallant Group would have been approximately HK$545,658,000, and profit for the year of the Grand Gallant Group would have been approximately HK$71,108,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Grand Gallant Group been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

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 net debts, which includes bank and other borrowings disclosed in Note 27 to consolidated financial statements, net of cash and cash equivalents to the consolidated financial statements and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and risks associates with each class of capital. Based on the recommendations of the directors of the Company, 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:

	2023	2022
	HK$'000	*HK$'000*
Bank and other borrowings	**563,710**	160,905
Cash and cash equivalents	**(157,887)**	(143,105)
Net debts	**405,823**	17,800
Equity	**2,461,419**	2,033,356
Net debts to equity ratio	**16.49%**	0.88%

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Other payables	Amounts due to related parties (Note 25)	Bank and other borrowings (Note 27)	Lease liabilities (Note 17)
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2022	46,168	497,296	177,019	2,749
Changes from cash flows:				
Proceeds from new bank and other borrowings	–	–	17,496	–
Repayment of bank and other borrowings	–	–	(18,662)	–
Repayment to related parties	–	(35,822)	–	–
Payment of lease liabilities	–	–	–	(2,110)
Proceeds from other borrowing included in other payables	17,496	–	–	–
Interest paid	–	–	(3,830)	(59)
Total changes from financing cash flows	17,496	(35,822)	(4,996)	(2,169)
Exchange adjustments	(5,082)	(35,337)	(14,948)	(8)
Other changes:				
Interest expenses on bank and other borrowings	16,188	–	3,830	–
Interest expenses on leases liabilities	–	–	–	59
Total other changes	16,188	–	3,830	59
At 31 December 2022 and 1 January 2023	74,770	426,137	160,905	631
Changes from cash flows:				
Proceeds from new bank and other borrowings	–	–	252,304	–
Repayment of bank and other borrowings	–	–	(163,602)	–
Repayment to related parties	–	(16,000)	–	–
Payment of lease liabilities	–	–	–	(1,159)
Repayment of other borrowing included in other payables	(8,124)	–	–	–
Interest paid	–	–	(11,933)	(911)
Total changes from financing cash flows	(8,124)	(16,000)	76,769	(2,070)
Exchange adjustments	(811)	(6,112)	2,086	(1)
Other changes:				
Addition to new lease	–	–	–	2,178
Acquisition of subsidiaries *(Note 34)*	–	56,151	294,725	–
Interest expenses on bank and other borrowings	3,578	–	11,933	–
Interest expenses on leases liabilities	–	–	–	911
Gain on modification of other borrowing	(34,435)	–	–	–
Gain on reversal of other payables	(5,668)	–	–	–
Transfer from other payables	(17,292)	–	17,292	–
Total other changes	(53,817)	56,151	323,950	3,089
At 31 December 2023	12,018	460,176	563,710	1,649

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2023	2022
	HK$'000	*HK$'000*
Financial assets		
Financial assets measured at FVTOCI		
— Equity investments	**3,613**	5,737
Financial assets measured at amortised cost		
Trade and other receivables, and deposits	**91,412**	13,704
Amount due from an associate	**1,652**	1,676
Cash and cash equivalents	**157,887**	143,105
	250,951	158,485
	254,564	164,222
Financial liabilities		
Financial liabilities measured at amortised cost		
Other payables	**1,013,499**	931,735
Bank and other borrowings	**563,710**	160,905
Lease liabilities	**1,649**	631
	1,578,858	1,093,271

Some of the Group's financial assets 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 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 2023				
Financial assets measured at FVTOCI				
— Listed equity investments	3,613	—	—	3,613

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 2022				
Financial assets measured at FVTOCI				
— Listed equity investments	5,737	—	—	5,737

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.

38. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include financial assets measured at FVTOCI, trade and other receivables, and deposits, amount due from an associate, cash and cash equivalents, 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 other receivables and deposits, cash and cash equivalents are denominated in foreign currencies, which expose the Group to foreign currency risk. The foreign currency exposure does not pose a significant risk for the Group as most of the Group's assets, operations and borrowings are mainly denominated in its functional currency of respective Group's entities. Therefore, the management considered currency risk as minimum and no sensitivity analysis is presented for financial assets at amortised cost and financial liabilities at amortised cost denominated in foreign currencies.

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Market risk *(CONTINUED)*

(i) Currency risk *(CONTINUED)*

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, leases liabilities and promissory note payable (see Note 25). The Group is also exposed to cash flow interest rate risk relates primarily to variable rate interest bearing bank balances, and bank and other borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances, LPR on bank borrowings and cash deposit in respect of bill payables denominated in RMB. However, the exposure in bank balances is minimal to the Group as the bank balances are all short-term in nature.

The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the amount of financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2022: 50) basis point increase or decrease is used for the year when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the year ended 31 December 2023 and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK$1,715,000 (2022: HK$122,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings.

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Market risk *(CONTINUED)*

(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 (2022: one entity) listed in Toronto Stock Exchange for the years ended 31 December 2023 and 2022. 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% (2022: 10%) higher/lower, other comprehensive expenses for the year ended 31 December 2023 and the investment revaluation reserve as at 31 December 2023 would increase/decrease by approximately HK$361,000 (2022: HK$574,000) as a result of the changes in fair value of other financial assets.

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Market risk *(CONTINUED)*

(iv) 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 2023							
Other payables	9.08	412,447	517,585	67,463	26,842	1,013,499	1,024,337
Bank and other borrowings	4.80	454,144	124,094	–	–	563,710	578,238
Lease liabilities	4.79	1,849	329	26	115	1,649	2,319
		868,440	642,008	67,489	26,957	1,578,858	1,604,894
At 31 December 2022							
Other payables	9.08	422,255	434,365	72,284	19,735	931,735	948,639
Bank and other borrowings	8.70	134,276	18,446	13,693	–	160,905	166,415
Lease liabilities	3.44	549	9	27	125	631	710
		557,080	452,820	86,004	19,860	1,093,271	1,115,764

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Credit risk

As at 31 December 2023 and 2022, 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.

The credit risk of the Group mainly arises from cash and cash equivalents, trade and other receivables, deposits and amount due from an associate.

In order to minimise the credit risk, the directors of the Company have assigned a dedicated team to determine the credit limits and credit approvals and to monitor the credit risk and adequate impairment losses are made for irrecoverable amounts. Other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. For sales of concentrated golds, customers are required to place certain deposits in advance, and the sales orders would be subsequently placed for arrangement of delivery of concentrated golds to the destinated locations. The gold bullion smelting from mining operation was traded on or through Shanghai Gold Exchange, of which receivables will be collected on T+2 days upon completion of the transaction with the members of the Shanghai Gold Exchange. Therefore, there is no significant credit risk in respect of the trade receivables.

For other non-traded related receivables and deposits, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. The Group considers 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 is pledged with collateral with properties held by guarantors, the Group has not recognised a loss allowance for such other receivables as a result of these collaterals.

Management considered the amount due from an associate to be in significant.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables are set out in Note 23 to the consolidated financial statements.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

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.

Financial guarantee contract

As at 31 December 2022, the Group has provided a financial guarantee to an independent third party. The maximum amount that the Group has guaranteed under the respective contracts was RMB200,000,000 (equivalent to HK$237,640,000). At the end of the reporting period, the directors of the Company 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 to the consolidated financial statements. The financial guarantee contract has been matured during the year ended 31 December 2023.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023	2022
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**393,241**	1
Property, plant and equipment	**44**	48
Right-of-use assets	**1,270**	545
	394,555	594
Current assets		
Amounts due from subsidiaries	**1,804,801**	1,802,587
Other receivables, deposits and prepayments	**1,587**	1,589
Cash and cash equivalents	**1,668**	10,623
	1,808,056	1,814,799
Current liabilities		
Amount due to subsidiaries	**1**	678
Other payables	**1,903**	1,497
Lease liabilities	**1,260**	537
	3,164	2,712
Net current assets	**1,804,892**	1,812,087
Non-current liabilities		
Other payables	**69,162**	63,181
Lease liabilities	**299**	–
Deferred tax liabilities	**1**	–
	69,462	63,181
NET ASSETS	**2,129,985**	1,749,500
Capital and reserves		
Share capital	**407,027**	339,227
Reserves *(Note)*	**1,722,958**	1,410,273
TOTAL EQUITY	**2,129,985**	1,749,500

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$'000	Retained earning HK$'000	Total HK$'000
At 1 January 2022	1,090,897	287,496	10,235	32,743	1,421,371
Loss and total comprehensive expense for the year	–	–	–	(11,098)	(11,098)
At 31 December 2022 and 1 January 2023	1,090,897	287,496	10,235	21,645	1,410,273
Issuance of shares in consideration for acquisition of subsidiaries *(Note 34)*	325,440	–	–	–	325,440
Lapsed of share options	–	–	(10,235)	10,235	–
Loss and total comprehensive expense for the year	–	–	–	(12,755)	(12,755)
At 31 December 2023	1,416,337	287,496	–	19,125	1,722,958

40. PARTICULARS OF SUBSIDIARIES OF THE GROUP

The following are the details of the Group's subsidiaries at 31 December 2023 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

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
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 the PRC
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 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	Attributable equity interests held by the Company Indirectly	Principal activities and place of operation
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
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 the PRC
Tongguan County De Xing Mining L.L.C.(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 Company Limited (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

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
Elite Master Limited (銳精有限公司)	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong
Grand Gallant Investments Limited (宏勇投資有限公司) *(Note (b))*	BVI	Ordinary share of US$1	100%	–	Investment holding in Hong Kong
Easy Vantage Holdings Limited (駿皆控股有限公司)	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding in Hong Kong
Tianshui Jinquan Mining Co., Ltd. (天水金泉礦業有限公司) *(Notes (a) and (b))*	The PRC	Registered capital of HK$50,000,000	–	100%	Investment holding in the PRC
Tianshui Xindu Mining Co., Ltd. (天水鑫都礦業有限公司) *(Notes (a) and (b))*	The PRC	Registered capital of RMB10,000,000	–	100%	Investment holding in the PRC
Tiuquan Chuangjin Mining Development Co., Ltd. (酒泉市創金礦業發展有限責任公司) *(Notes (a) and (b))*	The PRC	Registered capital of RMB2,000,000	–	100%	Investment holding in the PRC
Subei County Holezadegai Northeast Mining Co., Ltd. (肅北縣霍勒扎德蓋北東礦業有限責任公司) *(Notes (a) and (b))*	The PRC	Registered capital of RMB30,000,000	–	100%	Production and sales of gold products in the PRC
Robust Market International Limited (newly established on 28 September 2023)	BVI	Ordinary share of US$100	100%	–	Investment holding in Hong Kong

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

(a) These companies are limited liability companies established in the PRC. The English translation of the company names is for reference only.

(b) These companies are newly acquired by the Group under business combination on 21 July 2023 set out in Note 34 to the consolidated financial statements.

41. CAPITAL COMMITMENTS

	2023	2022
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in respect of the acquisition of:		
Property, plant and equipment	**12,884**	5,614
Mining right	**–**	5,446
	12,884	11,060

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 the year ended 31 December 2023, no contribution (2022: approximately HK$45,000) 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 25 and 43 to the consolidated financial statements, no contracts of significance to which the Company's subsidiary or associate 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 2022, the banking facility guaranteed by the Group to the Borrower was utilised to the extent of RMB80,000,000 (equivalent to HK$89,560,000) by pledging the Borrower's properties and machineries of approximately RMB25,000,000 and RMB55,600,000 respectively to the bank. The directors of the Company 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. The banking facilities guaranteed by the Group to the Borrower has been matured during the year ended 31 December 2023.

46. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2023, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to approximately HK$2,178,000 (2022: Nil) and approximately HK$2,178,000 (2022: Nil) respectively were recognised at the lease commencement date respectively.

(ii) During the year ended 31 December 2023, included in addition of other intangible assets were approximately of RMB12,165,000 (equivalent to approximately HK$13,478,000) released from other receivables, deposits and prepayments upon completion of application of mining license, while remaining payable of RMB41,700,000 (equivalents to approximately HK$46,199,000), with RMB6,950,000 (equivalents to approximately HK$7,700,000) included in current portion of other payables and RMB34,750,000 (equivalents to approximately HK$38,499,000) included in non-current portion of other payables in accordance with the repayment schedule.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 25 March 2024.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**1,497,236**	1,244,864	681,721	327,710	191,436
Profit (loss) for the year attributable to:					
Owners of the Company	**51,454**	50,340	138,677	(6,330)	(21,071)
Non-controlling interests	**8,580**	6,666	16,623	4,817	(681)
	60,034	57,006	155,300	(1,513)	(21,752)

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**4,554,860**	3,650,157	3,897,027	3,777,831	3,365,977
Total liabilities	**(2,093,441)**	(1,616,801)	(1,724,652)	(1,828,693)	(1,530,872)
	2,461,419	2,033,356	2,172,375	1,949,138	1,835,105
Represented by:					
Equity attributable to owners of the Company	**2,316,491**	1,894,437	2,015,405	1,817,777	1,722,883
Non-controlling interests	**144,928**	138,919	156,970	131,361	112,222
	2,461,419	2,033,356	2,172,375	1,949,138	1,835,105