潼關黃金集團有限公司
Tongguan Gold Group Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 340

2024
ANNUAL REPORT

CONTENTS

COMPANY PROFILE

Tongguan Gold Group Limited (a company listed on the Hong Kong Main Board, stock code: 340) is mainly engaged in gold exploration and mining. After the Company completed the acquisition of Tongguan County Xiangshun Mining Development Co., Ltd. in January 2017, it completed the acquisition of three gold mining companies in Tongguan area during the period from April 2017 to December 2018, the completion of the acquisition of Subei County Holezadegai Northeast Mining Co., Ltd. in Jiuquan City, Gansu Province in July 2023 further expanded the Group companies' assets and gold resources. The production capacity and profitability level of the Group companies have been greatly improved and the Company has entered into a new stage of development.

As market demand continues to grow and industry competition becomes increasingly fierce, the Company realizes that only through technological innovation and scale expansion can it gain a foothold in the fierce market competition. Therefore, the Group companies continue to increase investment in technology research and development and mining rights auctions in Jiuquan City, Dunhuang City, Subei County and other regions in Gansu Province, and actively introduces advanced domestic and foreign technologies to expand production scale and increase production capacity.

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").

"LEADING WITH EXCELLENCE AND CREATING BRILLIANCE"

Corporate Vision
"Leading with Excellence and Creating Brilliance"

The Group companies are committed to becoming the leader in the domestic gold industry, achieving high quality and sustainable development through continuous technological innovation and smart mine construction, and achieving the common prosperity of the enterprise and society.

Corporate Mission

Through efficient, safe and environmentally friendly gold mining and production, Tongguan Gold Group is committed to creating lasting value for society and stakeholders. We adhere to the principle of operational excellence, promote employee growth, promote community prosperity, increase shareholders' returns, and achieve win-win harmony between the enterprise and society. Adhere to the concepts of responsibility and innovation, promote high-quality development of the enterprise, and strive to become a benchmark enterprise in the industry.

THE GROUP'S MINERAL RESOURCES AS AT 31 DECEMBER 2024 ARE SUMMARISED AS FOLLOWS:

	Inventory (kt)	Grade (g/t Au)	Contained Metal (t)	Contained Metal (koz)
Mines in Tongguan County				
Indicated	3,796.6	7.50	28.5	1,004.3
Inferred	915.2	7.31	6.7	235.9
Total	4,711.8	7.46	35.2	1,240.2
Mines in Subei County				
Indicated	1,282.5	10.59	13.6	479.0
Inferred	652.5	9.46	6.2	217.7
Total	1,935.0	10.21	19.8	696.7
Total				
Indicated	5,079.1	8.29	42.1	1,483.3
Inferred	1,567.7	8.23	12.9	453.6
Total	6,646.8	8.26	55.0	1,936.9


Subbei County
Tongguan County

BUSINESS MILESTONES

BUSINESS MILESTONES

The Company's major milestones are as follows:

JANUARY 2025	Completed the acquisition of Xi'an Hongshang Mining Engineering Co., Ltd. and develop gold mining-related businesses – mining engineering and construction, and bring synergies, promote cooperation, and support the sustainable and diversified development of the Group's business in various markets.
JULY 2023	Completed the acquisition of Subei County Holezadegai Northeast Mining Co., Ltd. (the acquired gold mine contained total mineral resources of approximately 2,173 kt and gold metals of approximately 22.87 t), own a processing plant with a total of daily processing capacity of 1,200 tonnes, the Group companies' assets and gold resources have been further expanded. The production capacity and profitability level of the Group companies have been greatly improved and the Company has entered into a new stage of development.
JULY 2020	A new processing plant in Tongguan with a total of daily processing capacity of 3,000 tonnes has been put in production, the trial run for phase one commenced and the maximum production capacity is 1,500 tonnes per day.
DECEMBER 2018	Completed the acquisition of Tongguan Tongjin Mining Company Limited (the acquired gold mine contained total mineral resources of approximately 1,099 kt and gold metals of approximately 8.72 t), further expanding the scale of gold mining business.
NOVEMBER 2017	Completed the acquisition of Tongguan County De Xing Mining LLC (the acquired gold mine contained total mineral resources of approximately 1,687 kt and gold metals of approximately 12.7 t).
APRIL 2017	Completed the acquisition of Shaanxi Tongxin Mining Co. Ltd. (the acquired gold mine contained total mineral resources of approximately 1,464 kt and gold metals of approximately 9.61 t).
JANUARY 2017	Completed the acquisition of Tongguan County Xiangshun Mining Development Co., Ltd. (the acquired gold mine contained total mineral resources of approximately 1,437 kt and gold metals of approximately 9.58 t) and commenced gold mining business.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**1,604,821**	1,497,236	1,244,864	681,721	327,710
Profit (loss) for the year attributable to:					
Owners of the Company	**211,136**	51,454	50,340	138,677	(6,330)
Non-controlling interests	**(998)**	8,580	6,666	16,623	4,817
	210,138	60,034	57,006	155,300	(1,513)

	As at 31 December				
	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**4,593,704**	4,554,860	3,650,157	3,897,027	3,777,831
Total liabilities	**(1,974,737)**	(2,093,441)	(1,616,801)	(1,724,652)	(1,828,693)
	2,618,967	2,461,419	2,033,356	2,172,375	1,949,138
Represented by:					
Equity attributable to owners of the Company	**2,480,751**	2,316,491	1,894,437	2,015,405	1,817,777
Non-controlling interests	**138,216**	144,928	138,919	156,970	131,361
	2,618,967	2,461,419	2,033,356	2,172,375	1,949,138

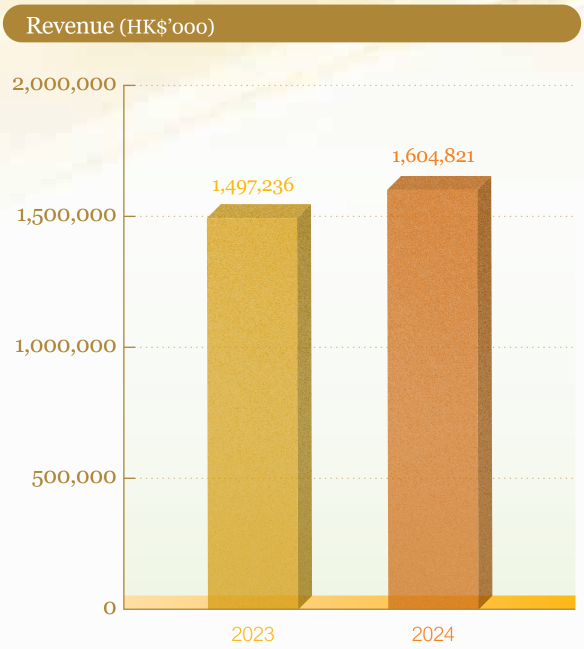
RESULTS OF OPERATIONS

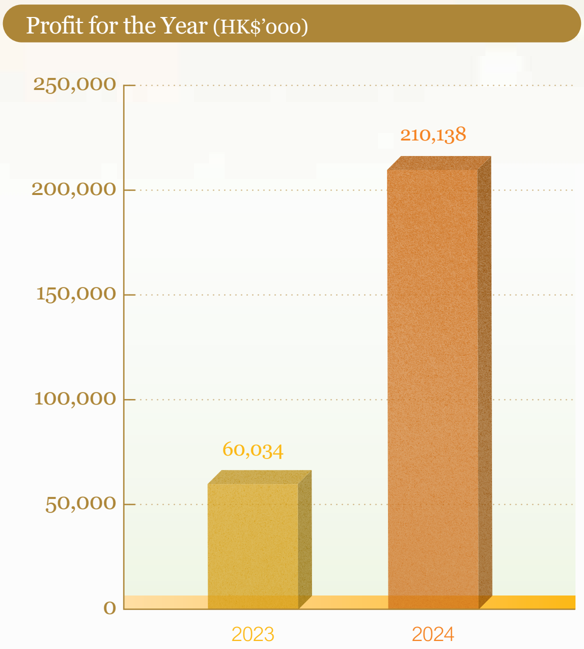
	Unit	2024	2023
Revenue	HK$'000	**1,604,821**	1,497,236
Gross profit	HK$'000	**523,191**	167,878
Profit for the Year	HK$'000	**210,138**	60,034
Total comprehensive income (expense) for the year attributable to			
— Owners of the Company	HK$'000	**164,260**	28,814
— Non-controlling interests	HK$'000	**(6,712)**	6,009
Earnings per share – basic and diluted	HK cents	**5.19**	1.39
Proposed dividend per ordinary share	HK cents	**1.2**	–

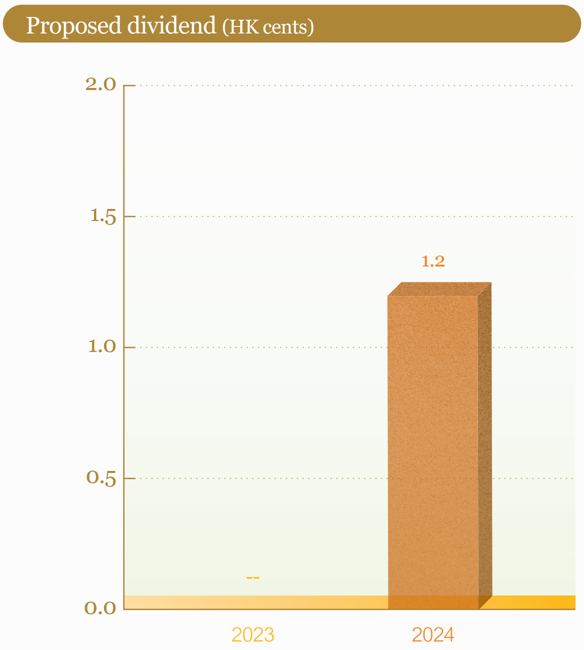
FINANCIAL POSITION

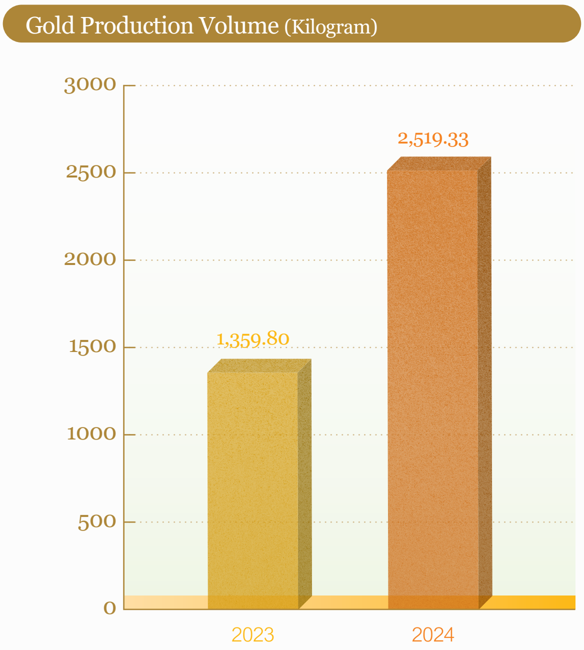
	Unit	2024	2023
Total assets	HK$'000	**4,593,704**	4,554,860
Total liabilities	HK$'000	**1,974,737**	2,093,441
Equity attributable to owners of the Company	HK$'000	**2,480,751**	2,316,491
Non-controlling interests	HK$'000	**138,216**	144,928
Total equity	HK$'000	**2,618,967**	2,461,419

FINANCIAL SUMMARY









CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Jiang Zhiyong *(Chairman)*
(appointed on 8 October 2024)
Shi Xingzhi
Shi Shengli
Yeung Kwok Kuen *(Chief Financial Officer)*
Feng Fangqing *(appointed on 8 October 2024)*

Independent Non-executive Directors:

Chu Kang Nam
Liang Xushu
Leung Ka Wo

COMPANY SECRETARY

Leung Lai Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2707A, 27th Floor
Office Tower of Convention Plaza
1 Harbour Road
Wanchai
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

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court
22 Victoria Street
PO Box HM 1179
Hamilton HM EX
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
Bank of Communications (Hong Kong) Limited
Agricultural Bank of China Limited
Industrial Bank Company Limited
Shanghai Pudong Development Bank Co., Ltd.
Industrial and Commercial Bank of China Limited

STOCK CODE

00340

COMPANY WEBSITE

www.tongguangold.com

KEY INFORMATION FOR SHAREHOLDERS

FINANCIAL CALENDAR

2024 Full Year Results	
Announcement date	24 March 2025
2024 Final Dividend	
Announcement date	24 March 2025
Ex-dividend date	12 June 2025
Latest time for lodging share transfer documents for registration	13 June 2025 (Not later than 4:00 pm)
Book close date	16 – 17 June 2025 (both days inclusive)
Record date	17 June 2025
Expected payment date	8 July 2025
2025 Annual General Meeting	30 May 2025

DIVIDEND

The directors of the Company recommended the payment of a final dividend of HK1.2 cents per share for the year ended 31 December 2024 to shareholders whose names appear on the register of members of the Company on 17 June 2025. The final dividend will be subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 30 May 2025.

Assuming that the final dividend for the year ended 31 December 2024 is approved by the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 30 May 2025, for the purposes of ascertaining the entitlement to the final dividend, the register of members of the Company will be closed from Monday, 16 June 2025 to Tuesday, 17 June 2025, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with 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 not later than 4:00 p.m. on Friday, 13 June 2025. It is expected that the final dividend will be payable to those entitled on or before Tuesday, 8 July 2025.

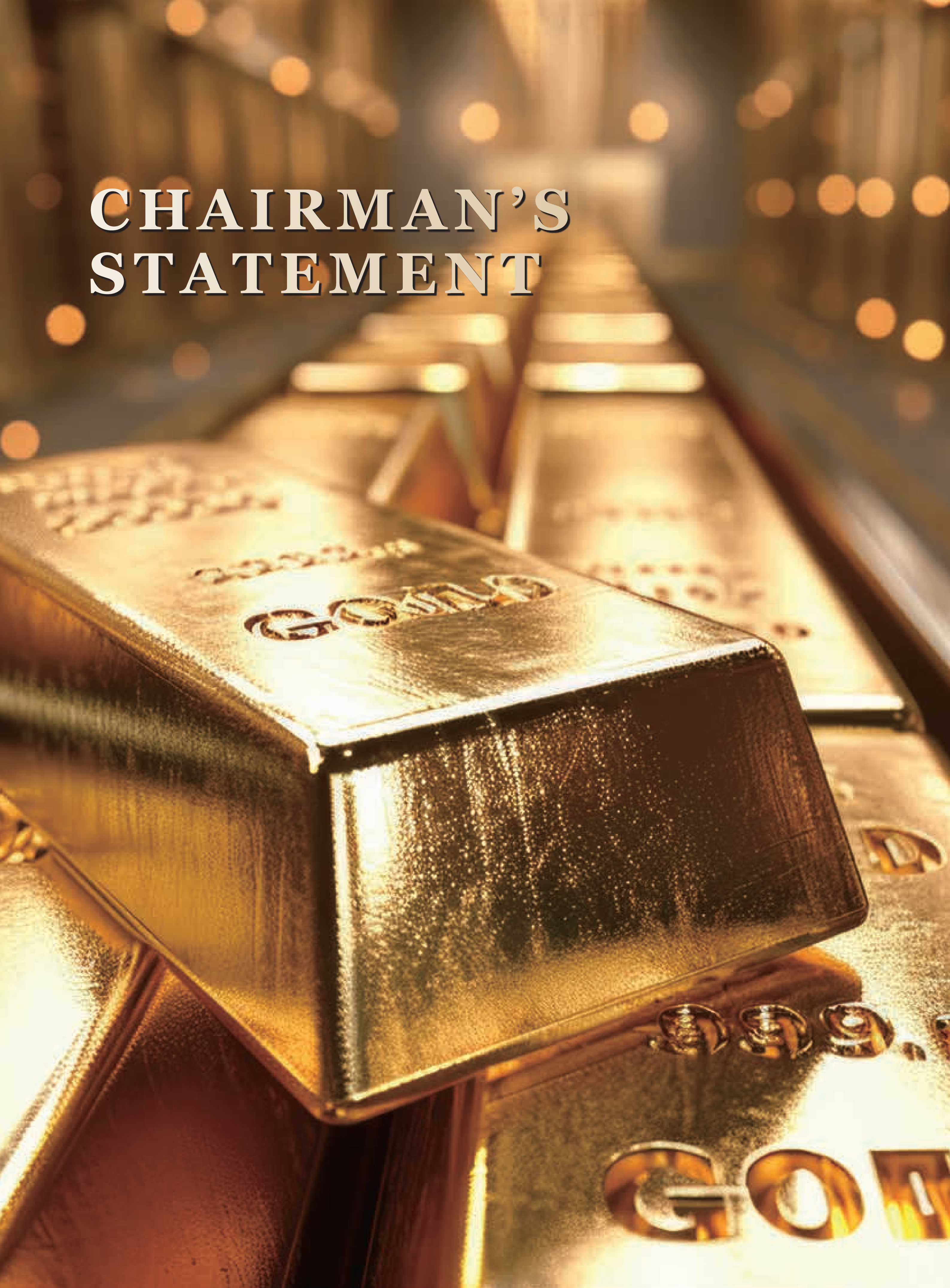
ELECTRONIC COMMUNICATION

This Annual Report, in English and Chinese versions, is available on the Company's website (www.tongguangold.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). Shareholders are encouraged to access the Company's corporate communications electronically via the Company's website to help protect the environment.

If the shareholders of the Company have difficulty in reading or gaining access to this Annual Report via the Company's website for any reason, the Company will promptly send this Annual Report in printed form free of charge upon the shareholders' request. The shareholders of the Company may change their choice of means of receipt of the Company's future corporate communications at any time, free of charge, by giving the Company c/o the Company's branch share registrar in Hong Kong (at the above address) reasonable notice in writing or by email to 340-corpcomm@unionregistrars.com.hk.

Please be aware that any written request from a shareholder to receive the Company's corporate communications in printed form will expire one year from the date of receipt of the valid written request by the Company's branch share registrar in Hong Kong, unless it is revoked or superseded before the expiry date. A further written request will be required if a shareholder wishes to continue receiving future corporate communications in printed form thereafter.

CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Tongguan Gold Group Limited (the "Company"), I am pleased to present to our shareholders, the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2024.

BUSINESS REVIEW

In 2024, under the ongoing impact of geopolitical tensions and macroeconomic uncertainties, the global economic landscape is expected to remain under pressure. Against this backdrop, financial market volatility has intensified, and investors are increasingly favoring gold or companies with strong fundamentals. In such a market environment, the Group, as a significant player in the gold mining industry, leveraged its sound management and acquisition strategies to achieve a remarkable 250% growth in net profit from approximately HK$60 million in 2023 to approximately HK$210 million in 2024. This achievement was primarily attributed to the acquisition of Grand Gallant Investments Limited in the middle of 2023. As anticipated by management, this acquisition strategy not only increased the Group's geographical location to diversify the operational risk but also significantly enhanced its overall performance.

From 2024 until the middle of March 2025, the Group successfully accomplished a series of planned tasks. Firstly, during the second and third quarters of 2024, the processing plant in Tongguan County was temporarily suspended due to the construction of a tailings dam, leading to a decrease in sale volume of mine-produced gold in this region. The construction of the tailings dam was completed on schedule, which demonstrated the Group's efficient management capabilities and the processing plant resumed normal production quickly in the fourth quarter of 2024. Secondly, as published in the announcement dated 27 September 2024, the vertical acquisition of Huasheng Construction Investment Limited, a company engaged in mine engineering and construction, is expected to bring synergy to the Group's business. This acquisition was completed in January 2025. Thirdly, as published in the announcement dated 7 March 2025, the horizontal acquisition of Wise Trend Investment Limited, which holds 70% of the economic benefits of certain exploration licenses in Subui County, is expected to expand the Group's mineral portfolio and support its sustainable development strategy. Looking ahead, the Group with its operational excellence and promising prospect will remain a competitive player in the evolving gold mining industry.

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 is taking a multi-faceted approach to achieving its goals: (i) it 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, and (ii) the Group is promoting the automation and technological upgrades of underground mining and ore processing equipment. This involves achieving mechanized extraction and automated processing, alongside the development of three-dimensional digital models for geology, processes, and equipment. These upgrades do not only improve production efficiency but also enhance safety monitoring capabilities. 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.

PROSPECTS

The profitability of the Group is highly dependent on gold prices in both domestic and international markets, particularly in its gold mining operation. As of middle of March 2025, gold prices have reached record highs, driven by a weaker U.S. dollar, rising inflation expectations, lower interest rates, and ongoing geopolitical and economic uncertainties. According to a report released by the World Gold Council, global trade and economic conflicts are likely to encourage central banks to continue their net gold purchases in 2025. This indicates that central banks' sustained interest in gold will remain a key factor supporting gold prices and further solidifying gold’s role as a reliable safe-haven asset. Under the current favorable market conditions, more internal resources are expected to be reallocated to the higher-return gold mining segment, aligning better with the Group’s long-term development goals. To enhance competitiveness and increase resource reserves, the Group has implemented multiple strategic measures. Firstly, the Group actively advances exploration activities under its exploration and mining licenses to unlock and maximise the potential value of its mine areas. These mine areas are located in favorable mineralization environments, showcasing significant exploration prospects across the majority of the relevant mining regions, which lays a solid foundation for future gold mining. Furthermore, we are committed to acquiring quality gold assets both domestically and internationally to further strengthen our gold mining portfolio. To maximise resource value, the Group plans to enhance processing capacity at appropriate times to meet the ever-changing market demands. Meanwhile, the Group will closely monitor market trends in commodity prices and take necessary measures to mitigate potential risks.

In conclusion, the Group’s outstanding results in 2024 highlight its resilience and strategic foresight. With a diversified gold mining portfolio and favorable gold market conditions, the Group is well-positioned for continued growth. In order to reward shareholders’ long-term support, the Board recommends the declaration and payment of a final dividend for the 2024 fiscal year. This dividend reflects the Group’s confidence in its long-term prospects amidst ongoing global uncertainties. Management remains vigilant in responding to global market uncertainties while pursuing value-added investment opportunities to maximise shareholder value.

By Order of the Board

Jiang Zhiyong
Chairman

Hong Kong, 24 March 2025

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2024, the Group's revenue was approximately HK$1,604,821,000, representing an increase of approximately 7% as compared to revenue of approximately HK$1,497,236,000 for the corresponding year in 2023. The increase in revenue was mainly attributable to (i) the increase in average selling price of mine-produced gold; (ii) the increase in sale volume of mine-produced gold mined in Subei Country arising from the acquisition of Grand Gallant Investments Limited (the "Grand Gallant Group") in July 2023; partially offset by (iii) the decrease in sale volume of mine-produced gold mined in Tonggun County, due to the suspension of the processing plant's operation in Tonggun County as a result of the construction of a new tailings dam during the second and third quarter of 2024; and (iv) the decrease in the sale volume of gold recycling business. Detailed analysis is set out in below "Review of Operations" section.

Cost of Sales

During the year ended 31 December 2024, the Group's cost of sales was approximately HK$1,081,630,000 representing a decrease of approximately 19% as compared to cost of sales of approximately HK$1,329,358,000 for the corresponding year in 2023. The decrease in cost of sales was mainly attributable to the decrease in the sales volume of the gold recycling business, which has a relatively higher cost of sales. Detailed analysis is set out in below "Review of Operations" section.

Gross Profit

During the year ended 31 December 2024, the Group's gross profit was approximately HK$523,191,000, representing an increase of approximately 212% as compared to gross profit of approximately HK$167,878,000 for the corresponding year in 2023. The increase in gross profit was mainly attributable to an increase in the gross profit from the gold mining operation in 2024. Detailed analysis is set out in below "Review of Operations" section.

Other Income

During the year ended 31 December 2024, the Group's other income increased by approximately HK$1,116,000 as compared to other income of approximately HK$2,884,000 for the corresponding year in 2023. The increase was mainly due to an increase in government grants and interest on loan receivable.

Other Net Gains and Losses

During the year ended 31 December 2024, the Group's other net losses was approximately HK$19,371,000 whilst there was other net gains of approximately HK$2,906,000 in 2023. It was mainly attributable from the impairment loss in respect of other receivables, impairment losses on interest in an associate and amount due from an associate, and loss on disposal of property, plant and equipment recognised in 2024.

Administrative and other Expenses

During the year ended 31 December 2024, the Group's administrative and other expenses was increased by approximately HK$93,641,000 as compared to administrative and other expenses of approximately HK$76,341,000 for the corresponding year in 2023. The increase was primarily due to (i) an increase in one-off expenses, such as invalid exploration costs arising from the expansion of exploration activities and cost of closure work of tailings dam; and (ii) the inclusion of the administrative and other expenses incurred by the Grand Gallant Group in 2024, whereas only 5 months of such expenses were included in the Group since its acquisition in 2023.

FINANCIAL REVIEW *(CONTINUED)*

Finance Costs

During the year ended 31 December 2024, the Group's finance costs was increased by approximately HK$8,418,000 as compared to finance costs of approximately HK$22,403,000 for the corresponding year in 2023. The increase was mainly due to the consolidation of Grand Gallant Group's interest expense on bank borrowings in 2024 whereas there was only 5 months included in the Group since its acquisition in 2023.

Income Tax Expense

During the year ended 31 December 2024, the Group's income tax expense was increased by approximately HK$81,989,000 as compared to income tax expense of approximately HK$14,890,000 for the corresponding year in 2023. The increase was mainly due to an increase in the overall gross profit in 2024.

Profit for the Year Attributable to Owners of the Company

During the year ended 31 December 2024, the Group's profit for the year attributable to owners of the Company was approximately HK$211,136,000, representing an increase of approximately 310% from approximately HK$51,454,000 in 2023.

Net Asset Value Per Share*

The Group's net asset value per share increased by 6% from HK60.5 cents in 2023 to HK64.3 cents in 2024.

* 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 in Tonggun County and Subei County. In order to construct a new tailings dam in Tonggun County, the Group suspended the processing plant's operation in Tonggun County during the second and third quarters of 2024.

For the financial year ended 31 December 2024, the Group's revenue from gold mining operation amounted to approximately HK$1,302,774,000, representing an increase of approximately 104.3% from approximately HK$637,693,000 for the corresponding period in 2023 and was primarily contributed by (i) the increase in average selling price of mine-produced gold by upwards trend of gold from RMB460 per gram for the corresponding period in 2023 to RMB540 per gram for the year 2024; and (ii) an increase in sale volume of mine-produced gold from approximately 1.26 tonnes for the corresponding period in 2023 to approximately 2.22 tonnes in 2024, such increase mainly contributed by Grand Gallant Group.

The cost of sales amounted to approximately HK$779,802,000, representing an increase of approximately 65.6% from approximately HK$470,768,000 for the corresponding period in 2023. As results, the gross profit from this operation amounted to approximately HK$522,972,000 (gross profit margin 40.1%), representing an increase in approximately 213.3% as compared with gross profit of approximately HK$166,925,000 (gross profit margin 26.2%) for the corresponding period in 2023. The increase in gross profit margin was mainly contributed by increase in average gold grade of ore mined for processing of mine-produced gold from 3.86 gram per tonne for the corresponding period in 2023 to 6.11 gram per tonne for the year 2024.

REVIEW OF OPERATIONS *(CONTINUED)*

Details of the exploration, development and mining production activities and a summary of expenditure incurred on these activities during the year ended 31 December 2024 are as below:

A. Gold Mining Operation *(CONTINUED)*

I Exploration

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

During the year ended 31 December 2024, combination of pit drilling and tunnel exploration methods are used to carry out exploration activities.

Shaanxi Tongxin Mining Co., Ltd. ("Tongxin Mining")

Tongxin Mining's exploration right was successfully converted into mining right and is currently undergoing the design of safety facility related construction projects during the year ended 31 December 2024.

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

During the year ended 31 December 2024, combination of tunnel exploration and pit drilling methods are used to carry out deep exploration activities. Besides, De Xing Mining is in the progress of conversion of exploration right to mining right. The development and utilization plan has been reviewed and approved and is currently preparing the environment restoration and management plan and the mining and safety facility design.

Tongguan Tongjin Mining Company Limited ("Tongjin Mining")

During the year ended 31 December 2024, Tongjin Mining did not carry out any exploration activities.

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

During the year ended 31 December 2024, combination tunnel exploration, surface drilling and pit drilling methods are used to carry out exploration activities.

Tianshui Xindu Mining Co., Ltd. ("Xindu Mining")

During the year ended 31 December 2024, Xindu Mining was performing different kinds of exploration works, including soil surveying, geological surveying, trenching engineering and drilling engineering.

Tiuquan Chuangjin Mining Development Co., Ltd. ("Chuangjin Mining")

During the year ended 31 December 2024, Chuangjin Mining was performing different kinds of exploration works, including soil surveying, geological surveying, trenching engineering and drilling engineering.

REVIEW OF OPERATIONS *(CONTINUED)*

A. Gold Mining Operation *(CONTINUED)*

II Development

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

During the year ended 31 December 2024, Xiangshun Mining, De Xing Mining and Northeast Mining have appointed several engineering and technical companies and have completed (i) the pit exploration project of approximately 20,782 meters; and (ii) the pit drilling and surface drilling project of approximately 63,315 meters.

Tongjin Mining, Xindu Mining and Chuangjin Mining

During the year ended 31 December 2024, Tongjin Mining, Xindu Mining and Chuangjin 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 2024
Underground mining	
Ore production (thousand tonnes)	500.71
Total ore production (thousand tonnes)	500.71
Average gold grade (gram/tonne)	5.87

(2) Ore processing operation

	Year ended 31 December 2024
Processing ore production (thousand tonnes)	457.69
Average gold grade (gram/tonne)	6.11
Gold production (Kilogram)	2,519.33

REVIEW OF OPERATIONS *(CONTINUED)*

A. Gold Mining Operation *(CONTINUED)*

III Mining Production Activities *(CONTINUED)*

Tongxin Mining, Tongjin Mining, Xindu Mining and Chuangjin Mining

During the year ended 31 December 2024, 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 2024 are set out as below:

	Mine produced Gold *(HK$'000)*
Exploration and Mining activities	
Exploration and development construction	167,195
Mining ore	471,118
Total	638,313

(Concentrating not included)

Information of the mineral resources of the gold for the gold mines of the Group under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") as at 31 December 2024 are as below:

Mines in Tongguan County	**Inventory** (kt)	**Grade** (g/t Au)	**Contained Metal** (t)	**Contained Metal** (koz)
Indicated	3,796.6	7.50	28.5	1,004.3
Inferred	915.2	7.31	6.7	235.9
Total	4,711.8	7.46	35.2	1,240.2
Mines in Subei County				
Indicated	1,282.5	10.59	13.6	479.0
Inferred	652.5	9.46	6.2	217.7
Total	1,935.0	10.21	19.8	696.7
Total				
Indicated	5,079.1	8.29	42.1	1,483.3
Inferred	1,567.7	8.23	12.9	453.6
Total	6,646.8	8.26	55.0	1,936.9

REVIEW OF OPERATIONS *(CONTINUED)*

A. Gold Mining Operation *(CONTINUED)*

The resources stated as above are based on the following assumption:

Mines in Tongguan County

i. The average dilution rates of 12.6%.

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

Mines in Subei County

i. The average dilution rates of 19.3%.

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

B. Gold Recycling Business

The activity of the Group's gold recycling business involves 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 2024, the volume of sale of gold bullion was approximately 0.57 tonnes (2023: approximately 1.95 tonnes). Approximately HK$302,047,000 (2023: approximately HK$859,543,000) of revenue and approximately HK$301,828,000 (2023: approximately HK$858,590,000) of cost of sales were contributed from this operation in 2024. Gross profit from this operation was thin and amounted to approximately HK$219,000 (2023: approximately HK$953,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2024, the Group had total assets and net assets amounted of approximately HK$4,593,704,000 (2023: approximately HK$4,554,860,000) and approximately HK$2,618,967,000 (2023: approximately HK$2,461,419,000), respectively. The current ratio was 0.36 as compared to 0.35 as of last year end date.

As at 31 December 2024, the Group had cash and cash equivalents of approximately HK$172,329,000 (2023: approximately HK$157,887,000), and most of which were denominated in Renminbi and Hong Kong dollars.

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

As at 31 December 2024, the Group had bank and other borrowings of approximately HK$530,596,000 (2023: approximately HK$563,710,000) which were denominated in Renminbi, including the effective interest rates ranged from 3.28% to 6.45% (2023: from 3.28% to 6.60%) per annum. This included bank borrowings with variable rates ranged from loan prime rate ("LPR")+0.85% to LPR+2.6% (2023: from LPR+0.47% to LPR+2.95%) per annum. The slight decrease in total borrowings is mainly due to adequate funds to cope with daily operation. The gearing ratio, as a ratio of total borrowings to shareholders' funds, was 21.4% (2023: 24.3%).

As at 31 December 2024, the Group has pledged certain property, plant and equipment, right-of-use assets and other intangible assets with carrying amounts of approximately HK$76,781,000, HK$46,427,000 and HK$108,138,000 (2023: approximately HK$57,255,000, HK$21,518,000 and HK$119,115,000) respectively to secure bank borrowings granted to the Group.

As at 31 December 2024, the Group had promissory note of approximately HK$75,710,000 (2023: approximately HK$69,162,000). The promissory note with the principal amount of HK$80,000,000 carries zero interest and to be due on 9 October 2025.

FOREIGN EXCHANGE RISK MANAGEMENT

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

SHARE CAPITAL

As at 31 December 2024, 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.

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

There were no significant investment, material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the year ended 31 December 2024.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any contingent liabilities (2023: Nil).

EVENTS AFTER THE REPORTING PERIOD

Particulars of the Group's events after the reporting period are set out in Note 46 to consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had approximately 11 and 425 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$48,528,000 (2023: approximately HK$31,699,000) for the year ended 31 December 2024.

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 6 June 2024, 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 2024 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 2024, 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 2024, 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 2024. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

JIANG Zhiyong

Mr. Jiang Zhiyong ("Mr. Jiang"), aged 69, was appointed as a chairman and an executive director of the Company on 8 October 2024.

Mr. Jiang graduated from the Tongguan County Party School of the Communist Party of China（中共潼關縣委黨校）. Mr. Jiang has over 30 years of extensive experience in gold mining management, operation and investment in China. Mr. Jiang is the founder of 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）, a company which became a subsidiary of the Company since 21 July 2023, and he has been responsible for the operation and development of that company for more than ten years.

Mr. Jiang is the father of Ms. Jiang Wei. As at 24 March 2025, Ms. Jiang Wei holds 63.34% of the equity interests of Qinlong Jinxin Mining Investment Limited, a substantial shareholder of the Company (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which holds 29.15% of the shares of the Company and is the single largest shareholder of the Company.

SHI Xingzhi

Mr. Shi Xingzhi ("Mr. Shi"), aged 69, was appointed as an executive director of the Company on 21 February 2017. Mr Shi is also a general manager of Xian Headquarter and 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 Shengli

Mr. Shi Shengli ("Mr. Shi SL"), aged 62, 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.

YEUNG Kwok Kuen

Mr. Yeung Kwok Kuen ("Mr. Yeung"), aged 52, 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.

FENG Fangqing

Ms. Feng Fangqing ("Ms. Feng"), aged 55, was appointed as an executive director of the Company on 8 October 2024. Ms. Feng is also a financial controller of a subsidiary of the Company.

Ms. Feng obtained the qualifications of senior accountant in 2013, international certified internal auditor in 2004 and senior gold investment analyst in 2011. From 1992 to 2015, Ms. Feng served in various positions in various companies, including accountant, principal accountant, financial controller, gold trading supervisor, etc., and was fully responsible for the companies' financial management. From 2015 and until her appointment as the executive director of the Company, Ms. Feng served as the financial controller of a subsidiary of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHU Kang Nam

Mr. Chu Kang Nam ("Mr. Chu"), aged 69, 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 Xushu

Mr. Liang Xushu ("Mr. Liang"), aged 59, 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 51, 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 and certified public accountant of the American Institute of Certified Public Accountants. 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

FANG Ning

Mr. Fang Ning ("Mr. Fang"), aged 54, is the vice president of mining engineering operation of the Company and executive vice general manager of the Xian Headquarter, responsible for the production, operation and management of the subsidiary engineering company.

Mr. Fang has over 33 years of management and operation experience in the gold mining industry, and has obtained qualifications such as Senior Engineer in Engineering Surveying and Second-Class Registered Constructor of Mining Engineering in Shaanxi Province. From 1991 to 2006, Mr. Fang served as a technician, deputy director of the mining area, deputy director of the general engineering office, deputy director of the dispatching office, party branch secretary, deputy commander (new mines), director of the technical office (underground infrastructure mines) and other positions in various gold mining companies in Anhui Province. From 2007 to 2011, Mr. Fang served as a project manager (underground infrastructure project) of a mining company in Shaanxi Province. From 2011 to February 2024, Mr. Fang served as the executive deputy manager of various project departments (underground infrastructure projects), deputy manager of production safety, project manager (infrastructure shaft projects, mining projects), deputy manager in charge of market development, etc. of a mining development service company. Immediately before his appointment as the vice president of mining engineering operation of the Company and executive vice general manager of the Xian Headquarter, Mr. Fang was the vice general manager of safety and environmental protection production technology of a subsidiary of the Company.

XIE Yun

Mr. Xie Yun ("Mr. Xie"), aged 53, is the vice president of the Company (Gansu region). Mr. Xie is responsible for the daily operation and management of the Company's subsidiaries in Gansu. Mr. Xie is also a director of several subsidiaries of the Company.

Mr. Xie obtained a master's degree from Shaanxi Institute of Business Administration. He is an outstanding talent of Gansu Province, a member of the Jiuquan Municipal Political Consultative Conference and a representative of the People's Congress of Subei County. Mr. Xie has over 30 years of management and operation experience in the gold mining industry. From 1992 to 2007, Mr. Xie served as the supervisor, the supervisor of the ore dressing workshop and the deputy mine manager of the Tongguan County Municipal Gold Mine Office. From 2007 to 2010, Mr. Xie served as the general manager of a mining company in Tongguan County. Since 2010, Mr. Xie has served as the assistant to the general manager, the executive deputy general manager and chairman of the labor union and the director of several subsidiaries of the Company.

YANG Xuting

Mr. Yang Xuting ("Mr. Yang"), aged 58, is the vice president of the Company (Shaanxi region). Mr. Yang is responsible for the daily operation and management of the Company's subsidiaries in Shaanxi. Mr. Yang is also a director of several subsidiaries of the Company.

Mr. Yang is a member of the 8th and 9th CPPCC of Tongguan County and a member of the Standing Committee of the 10th CPPCC of Tongguan County. Mr. Yang has over 27 years of management and operation experience in the gold mining industry. From 2000 to 2008, Mr. Yang served as the workshop's supervisor, deputy general manager of production safety and general manager of a mining company in Tongguan County. Since 2009, Mr. Yang has served as the deputy general manager of safety and environmental protection and director of a subsidiary of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

TIAN Zhenqiang

Mr. Tian Zhenqiang ("Mr. Tian"), aged 51, is the vice general manager of production technology operation of the Xian Headquarter. Mr. Tian is responsible for production technology management, overall management of production processes, overall vision, policies and objectives of quality management, and assisting the general manager in daily management.

Mr. Tian has over 28 years of management and operation experience in the gold mining industry and has obtained the qualification of senior mining engineer. From 1996 to 2008, Mr. Tian served as the production director of the mining workshop, the head of the production technology department, the person in charge of mining technology, the director of the mining workshop, the assistant to the general manager and other positions in various companies in Shaanxi Province, Hebei Province, Inner Mongolia Autonomous Region and Heilongjiang Province. Since 2009, Mr. Tian has served as the deputy production manager and general manager of various subsidiaries of the Company. From 2021 and until his appointment as the vice general manager of production technology operation of the Xian Headquarter, Mr. Tian served as a general manager of a subsidiary of the Company.

REN Shiquan

Mr. Ren Shiquan ("Mr. Ren"), aged 45, is the vice general manager of safety and environmental protection operation of the Xian Headquarter. Mr. Ren is responsible for formulating the overall vision, policies and objectives of safety and environmental protection management and assisting the general manager in daily management.

Mr. Ren obtained a master's degree from Xi'an University of Science and Technology and obtained the qualifications of registered safety engineer, second-level registered constructor, and occupational health assessor of Gansu Province. From 2006 to 2007, Mr. Ren worked as the chairman of the labor union in a petroleum engineering company. Since 2010, Mr. Ren has served in various positions in a subsidiary of the Company, including safety officer, head of the safety and environmental protection department, assistant to the general manager, deputy general manager of safety and environmental protection production, and general manager. From 2021 and until his appointment as the vice president of safety and environmental protection operation of the Xian Headquarter, Mr. Ren worked as a general manager of a subsidiary of the Company.

LEUNG Lai Ming

Ms. Leung Lai Ming ("Ms. Leung"), aged 49, 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 2024 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 2024, the Company has applied the principles and code provisions of the Corporate Governance Code as set out in Appendix C1 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 2024, 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, and until the appointment of Mr. Jiang Zhiyong as the chairman (the "Chairman") and an executive director of the Company on 8 October 2024, 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.

2. Under Code Provision F.2.2 of the Code, the Chairman should attend the annual general meeting. Since the Company did not have any officer with the title of the Chairman until the appointment of Mr. Jiang Zhiyong as the Chairman and executive director of the Company on 8 October 2024, 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 31 May 2024 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.

3. 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 did not have any officer with the title of the Chairman or CEO before 8 October 2024, the company secretary of the Company reported to the executive directors of the Company before 8 October 2024.

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:

Jiang Zhiyong, *Chairman* (appointed on 8 October 2024)
Shi Xingzhi
Shi Shengli
Yeung Kwok Kuen, *Chief Financial Officer*
Feng Fangqing (appointed on 8 October 2024)

Independent Non-executive Directors:

Chu Kang Nam
Liang Xushu
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.

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.

BOARD OF DIRECTORS *(CONTINUED)*

Independent Non-executive Directors

During the year ended 31 December 2024, 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, possessing 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 nine Board meetings (including four regular meetings) were held and the attendance records are as follows:

Name of Directors	Number of Board Meetings Attended/Held
Jiang Zhiyong (appointed on 8 October 2024)	1/1
Shi Xingzhi	9/9
Shi Shengli	9/9
Yeung Kwok Kuen	9/9
Feng Fangqing (appointed on 8 October 2024)	1/1
Chu Kang Nam	9/9
Liang Xushu	9/9
Leung Ka Wo	9/9

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
Jiang Zhiyong (appointed on 8 October 2024)	0/0
Shi Xingzhi	1/1
Shi Shengli	1/1
Yeung Kwok Kuen	1/1
Feng Fangqing (appointed on 8 October 2024)	0/0
Chu Kang Nam	1/1
Liang Xushu	1/1
Leung Ka Wo	1/1

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.

In compliance with Rule 3.09D of the Listing Rules, Mr. Jiang Zhiyong and Ms. Feng Fangqing, who were appointed as the executive directors of the Company on 8 October 2024, both received training and legal advices on 4 October 2024 and they confirmed that they understood their obligations as directors of the Company.

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.

BOARD OF DIRECTORS *(CONTINUED)*

Induction and Continuous Professional Development *(CONTINUED)*

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.

	Reading materials	Attending seminars/ briefings/e-training
Executive Directors		
Jiang Zhiyong, *Chairman* (appointed on 8 October 2024)	√	√
Shi Xingzhi	√	√
Shi Shengli	√	√
Yeung Kwok Kuen, *Chief Financial Officer*	√	√
Feng Fangqing (appointed on 8 October 2024)	√	√
Independent Non-executive Directors		
Chu Kang Nam	√	√
Liang Xushu	√	√
Leung Ka Wo	√	√

CHAIRMAN AND CEO

Mr. Jiang Zhiyong was appointed as the Chairman and executive director of the Company on 8 October 2024. 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 CEO, the Company may make the necessary modification to the management structure.

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

NON-EXECUTIVE DIRECTORS

All the independent non-executive directors of the Company were appointed for an initial term of one year. All directors of the Company appointed during the year are subject to re-election by shareholders of the Company at the next 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 2024, 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 Xingzhi. 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 2024, a total of nine 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 Xushu, *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 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;

AUDIT COMMITTEE *(CONTINUED)*

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

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

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

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

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

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

13. to report to the Board on the matters set out in 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 channels 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 six 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 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 2024 is set out below:

Name of Members	**Number of Audit Committee Meetings Attended/Held**
Leung Ka Wo	6/6
Chu Kang Nam	6/6
Liang Xushu	6/6

The financial statements for the year ended 31 December 2024 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 Xushu, *Independent Non-executive Director*
Leung Ka Wo, *Independent Non-executive Director*
Jiang Zhiyong, *Executive Director* (appointed on 8 October 2024)
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 three 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; (iii) review the remuneration policy and structure of the directors of the Company; and (iv) review and approve a new share option scheme which became effective in June 2024.

Individual attendance of each member of the Remuneration Committee during the year ended 31 December 2024 is set out below:

Name of Members	Number of Remuneration Committee Meeting Attended/Held
Chu Kang Nam	4/4
Liang Xushu	4/4
Leung Ka Wo	4/4
Jiang Zhiyong (appointed on 8 October 2024)	1/1
Yeung Kwok Kuen	4/4

Details of the emoluments of the directors of the Company for the year ended 31 December 2024 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 2024 fell within the following band:

Emolument band	Number of individual
HK$0 — HK$1,000,000	6

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 Xushu, *Independent Non-executive Director*
Leung Ka Wo, *Independent Non-executive Director*
Jiang Zhiyong, *Executive Director* (appointed on 8 October 2024)

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 three 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; (iv) review the suitability of the directors of the Company proposed for re-election at the annual general meeting; and (v) approve the nomination and appointment of directors of the Company and recommend to the Board for approval and approve the nomination and appointment of the members of the Board committee and recommend to the Board for approval.

Individual attendance of each member of the Nomination Committee during the year ended 31 December 2024 is set out below:

Name of Members	**Number of Nomination Committee Meetings Attended/Held**
Chu Kang Nam	3/3
Liang Xushu	3/3
Leung Ka Wo	3/3
Jiang Zhiyong (appointed on 8 October 2024)	1/1

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: 5
	:	Independent Non-executive Directors: 3
Gender	:	Male: 7
		Female: 1
Age	:	40-60: 4
		Over 60: 4
Number of year as Board members	:	Over 6 years: 6
		Below 6 years: 2

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.

DIVERSITY *(CONTINUED)*

As at 31 December 2024, 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 will 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 and practices on corporate governance, training and continuous professional development of directors and 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 2024.

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 C3 of 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 2024, 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 and 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 2024, 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 2024 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 2024 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 reminding the directors, management and relevant staff about the compliance with the securities dealing restrictions as set out in the Model Code (Appendix C3 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 who 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 2024, the Group engaged CL Partners CPA Limited, 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	1,500
Review of interim results	500
Others – outlays	41
	2,041

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 2707A, 27/F., Office Tower of Convention Plaza, 1 Harbour Road, Wanchai, 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 2707A, 27/F., Office Tower of Convention Plaza, 1 Harbour Road, Wanchai, 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 2707A, 27/F., Office Tower of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

Constitutional Document

There had been no change in the Company's constitutional documents during the year ended 31 December 2024.

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 2707A, 27/F., Office Tower of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong or send 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 2024, 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, 24 March 2025

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 2024.

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 2024 and the Group's affairs as at that date are set out in the consolidated financial statements on pages 105 to 184.

The directors of the Company recommended the payment of a final dividend of HK1.2 cents per share for the year ended 31 December 2024 (2023: Nil) to shareholders whose names appear on the register of members of the Company on 17 June 2025. The final dividend will be subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 30 May 2025.

RESERVES

Movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 109 of this annual report.

DONATION

Donations made for charitable purposes by the Group during the year amounted to HK$3,583,000 (2023: HK$1,401,000).

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 2024, the Company's reserves available for distribution to shareholders, comprising contributed surplus and retained earnings, amounted to approximately HK$291,665,000 (2023: HK$306,621,000).

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 2024 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

Jiang Zhiyong *(Chairman)* (appointed on 8 October 2024)
Shi Xingzhi
Shi Shengli
Yeung Kwok Kuen *(Chief Financial Officer)*
Feng Fangqing (appointed on 8 October 2024)

Independent Non-executive Directors

Chu Kang Nam
Liang Xushu
Leung Ka Wo

Pursuant to Bye-law 83(2) of the Bye-laws of the Company, any director of the Company appointed by the board either to fill casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Thus, Mr. Jiang Zhiyong and Ms. Feng Fangqing who were appointed as directors of the Company pursuant to Bye-law 83(2) of the Bye-laws of the Company shall retire at the forthcoming annual general meeting of the Company. Mr. Jiang Zhiyong and Ms. Feng Fangqing, being eligible, have offered themselves for re-election as directors of the Company.

In addition, 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. Pursuant to Bye-law 84(2) of the Bye-laws of the Company, any director of the Company appointed pursuant to Bye-law 83(2) of the Bye-laws of the Company shall not be taken into account in determining which particular directors of the Company or the number of the directors of the Company who are to retire by rotation. Accordingly, Mr. Shi Xingzhi and Mr. Yeung Kwok Kuen will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Shi Xingzhi and Mr. Yeung Kwok Kuen, 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 2024, 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 2024, 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%
Lin Eddie Chang	Interest in controlled corporation	Ordinary	600,000,000 *(Note 3)*	14.74%
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 2024, 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 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 10 June 2022 and the approval for the listing of, and permission to deal in, the shares which may fall to be issued upon the exercise of subscription rights attaching to the options to be granted under the Old Share Option Scheme (as defined below) granted by the Listing Committee of the Stock Exchange on 13 June 2022, the Company adopted a share option scheme on 13 June 2022 (the "Old Share Option Scheme"). The Old Share Option Scheme was terminated upon the adoption of the New Share Option Scheme (as defined below) and was approved by the shareholders of the Company on 31 May 2024 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 ordinary resolutions of the shareholders of the Company passed on 31 May 2024 and 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) granted by the Listing Committee of the Stock Exchange on 6 June 2024, the Company adopted a new share option scheme on 6 June 2024 (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 purposes of the New Share Option Scheme are (i) to recognize and acknowledge the contributions which the Eligible Participants (as defined below) have made or may make to the Group; and (ii) to provide Eligible Participants (as defined below) with an opportunity to acquire proprietary interests in the Company with a view to achieving the objectives – (a) motivate the Eligible Participants (as defined below) to utilise their performance and efficiency for the benefit of the Group; and (b) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants (as defined below) whose contributions are or will be beneficial to the long term growth of the Group.

2. Eligible participants of the New Share Option Scheme include: (a) director(s) and employee(s) of the Company or any of its subsidiaries (including persons who are granted option(s) to subscribe for ordinary share(s) of HK$0.1 each in the capital of the Company (the "Shares") granted pursuant to the New Share Option Scheme, share options or awards as an inducement to enter into employment contracts with the Company or any of its subsidiaries) (the "Employee Participants"); (b) person(s) who provide(s) services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including (i) mining contractors; (ii) exploration and drilling experts; (iii) refinery experts; and (iv) gold-recycling and retail business service providers who work(s) for the Company as independent contractors where the continuity and frequency of their services are akin to those of employees (the "Service Providers"); and (c) directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company (the "Related Entity Participants") (collectively "Eligible Participants").

3. When the New Share Option Scheme was approved by the shareholders of the Company on 31 May 2024 and adopted on 6 June 2024, it was also approved that the total number of Shares which may be allotted and issued upon exercise of all options and awards to be granted under the New Share Option Scheme and any other share option scheme(s) or share award scheme(s) adopted by the Company must not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the New Share Option Scheme, i.e. 407,027,222 Shares (the "Scheme Mandate Limit"). The Company may renew the Scheme Mandate Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders' approval.

   As at 24 March 2025, the total number of Shares available for issue under the New Share Option Scheme was 407,027,222 representing approximately 10% of the issued ordinary share capital of the Company.

SHARE SCHEME – SHARE OPTION SCHEME *(CONTINUED)*

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. The vesting period for options shall not be less than 12 months after the date of the offer of grant of the option, subject to a shorter vesting period at the discretion of the Board (or the remuneration committee of the Company where the arrangements relate to grant of options to directors and/or senior managers of the Group) under certain specified circumstances in relation to options granted to the Employee Participants.

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 21 days from the date of the offer of grant of the option.

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 6 June 2024. As at 31 December 2024, the remaining life of the New Share Option Scheme was approximately 9 years and 6 months.

No options had ever been granted by the Company under the Old Share Option Scheme. From the date of adoption of the New Share Option Scheme and up to 31 December 2024, there is no option granted by the Company under the New Share Option Scheme. For the year ended 31 December 2024, there was no option outstanding, granted, exercised, cancelled or lapsed.

Further details of the New Share Option Scheme are summarized in the circular of the Company dated 22 April 2024.

As at 1 January 2024, the total number of options available for grant under the scheme mandate limit of the Old Share Option Scheme was 339,227,222 Shares, representing approximately 8% of the total issued ordinary share capital of the Company. As at 6 June 2024 and 31 December 2024, the total number of options available for grant under the New Share Option Scheme was 407,027,222 Shares, representing 10% of the total issued ordinary shares of the Company. As at 6 June 2024 and 31 December 2024, the total number of options available for grant under the New Share Option Scheme regarding the Service Provider Sublimit (as defined in the New Share Option Scheme) was 40,702,722 Shares, representing 1% of the total issued ordinary shares 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 2024 divided by weighted average number of Shares in issue (excluding treasury shares, if any) for the year ended 31 December 2024 is 0%.

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 was 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 2024.

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 2024. 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 2024 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	55	
Five largest customers in aggregate	92	
The largest supplier		32
Five largest suppliers in aggregate		81

Sales to the five largest customers of the Company accounted for 92% 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 on a 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 2024 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 7 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 2024 have been audited by CL Partners CPA Limited ("CL Partners"). CL Partners acted as the auditors of the Company for the financial year ended 31 December 2022, 2023 and 2024.

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, 24 March 2025

ABOUT THE COMPANY

Tongguan Gold Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group", "our" or "we") 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.

The environmental, social and governance ("ESG") concept is increasingly important to global business development. In March 2021, China rolled out its 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), which reaffirmed its determination and ambition to implement a sustainable development strategy, improve the mechanism for improving ecological civilization, establish an ecological civilization system, accelerate the prosperity of green economy and society, and move towards the goal of building a Beautiful China(美麗中國). The importance of building a Beautiful China in the coming five years has been further emphasized by the National Conference on Ecological and Environmental Protection in July 2023.

As a responsible gold mining enterprise, the Group upholds the responsible gold mining Principles and strives to implement its sustainability strategies and fulfil its environmental and social responsibilities in its business operations. To achieve sustainable and resilient operations, we endeavour to stand out in all three areas.

To achieve responsible gold mining practices and improve ESG performance, we consider the environmental protection and social well-being of our employees as well as our partners and communities associated with its business activities. Accordingly, we have made a comprehensive and ongoing effort to span various functions and to involve a high level of external collaboration, robust governance and efficient project management.

MESSAGES FROM THE BOARD

Dear valued stakeholders,

The Group is acutely aware that the 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. As a growing gold mining operator, the Group realizes its corporate social responsibility and strives to optimize our business model and lower our potential negative social and environmental impact with innovative solutions. We focus on making sustainability engrained into the core of its business strategy and purpose, and importantly, a catalyst for driving resilience and sustainability. ESG mindsets, principles and best practices are incorporated in daily operations to drive long-term strategic value. In addition, Targets are set regularly and reviewed, and progress is reported transparently to refine the management approach of the Group periodically.

MESSAGES FROM THE BOARD *(CONTINUED)*

Fulfilling environmental responsibilities

In 2020, China established a national target to reach its carbon peak by 2030 and carbon neutrality by 2060. Additionally, the country is facilitating its mining industry for transition to a Low-Carbon operation plan.

The Group has actively worked on decarbonizations considering green metals are increasingly in high demand and the country encourages the low-carbon development of industry. To stay ahead of the competition, the Group emphasizes the development of carbon goals and formulation of climate policy, which administers our management approach and operations to mitigate and adapt to climate change.

To achieve the integration of Production, Life and Ecosystem（生產、生活、生態）, the Group has continually constructed and enhanced its environmental management system. The latest regulatory requirements of governments are studied and adopted, which include 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》). In the meantime, internal teams are formed to monitor and control potential environment-related risks. Environmental protection and performance monitoring taskforces are established to develop a corporate environmental protection network. The network consists of corporate leaders and other personnel and organizes relevant meetings for internal discussion. The internal taskforces (including managers and well-selected technicians) have been equipped with the necessary expertise and knowledge to be responsible for the overall environmental protection work.

To archive environmental protection data and timely report to the management, all departments and employees have conscientiously followed the relevant policies and regulations, organized internal environmental monitoring, mastered the original records, established the operating account of environmental protection facilities, and fulfilled their responsibilities.

Caring for people's wellbeing

The health and safety of the workforce and communities are our top priority. As embedded 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 developed internal mechanisms and has formulated teams to coordinate operational responses and launch protective protocols. We have strictly adhered to safety regulations in the jurisdictions where it operates, including the Work Safety Law of the People's Republic of China（《中華人民共和國安全生產法》）.

The Group has been committed to building and promoting a culture of safety from within, where all workers can be provided with a secure workplace, quality equipment and comprehensive training in relation to occupational health and safety. Risk management is conducted by the Group proactively and hazard identification is conducted across all its operational processes.

Rather than treating ESG as a mere compliance requirement, we recognize it as a forward-thinking and sustainable approach to creating value. In the future, we aim to unlock greater opportunities for sustainable growth, decarbonize our value chain, and expand our positive impact on society.

Finally, we would like to take this opportunity to thank all our employees for their continued dedication to delivering on our values and principles, and our stakeholder communities for their partnership and support. We are pleased to present the ESG report for the financial year 2024, demonstrating the progress of the Group's sustainability journey and unwavering efforts in leading the whole industry towards responsible mining.

Board of Directors of Tongguan Gold Group Limited
24 March 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is pleased to present its eleventh ESG report (the "Report") to demonstrate the sustainable initiatives, programmes and performance.

The information of the Report was collected through the official documents and statistics, the integrated information on 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.

Reporting Scope and Period

The Report presents our ESG performance from 1 January 2024 to 31 December 2024 (the "Reporting period"). Unless otherwise specified, the reporting scope of the Report remains the same as last year, covering the Group's major business activities and management policies of its gold mining operations, office operations and gold recycling business.

Report Standards and Principles

The Report has been prepared in strict adhere to Appendix C2 – Environmental, Social and Governance Reporting Guide (the "Guide") of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("HKEX").

The preparation of the Report follows the reporting principles listed in the Guide:

Materiality	The Reporting scope of the Report is set and the material ESG topics are determined in consideration of the principle of Materiality. A holistic approach is adopted throughout the report preparation process to generate a valuable, credible and useful ESG report.
Quantitative	The key performance indicators ("KPIs") of the Group are disclosed in a quantitative manner where appropriate to generate a comprehensive view of the Group's ESG performance. The data is collected and calculated with reference to "Appendix 2: Reporting Guidance on Environmental KPIs" and Appendix 3: Reporting Guidance on Social KPIs" of "How to Prepare an ESG Report" by HKEX.
Consistency	A consistent approach is adopted in methodologies, data collection and calculation for meaningful comparisons of ESG data over time. The GHG emissions data have been prepared in line with widely recognized standards, including the recommendations from "How to Prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by HKEX and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

ABOUT THIS REPORT *(CONTINUED)*

Access to this Report

The Report is available in English and Chinese and is uploaded to the website of HKEX and the official website of the Company (http://www.tongguangold.com). If there is any conflict or inconsistency, the English version shall prevail.

Stakeholder Feedback

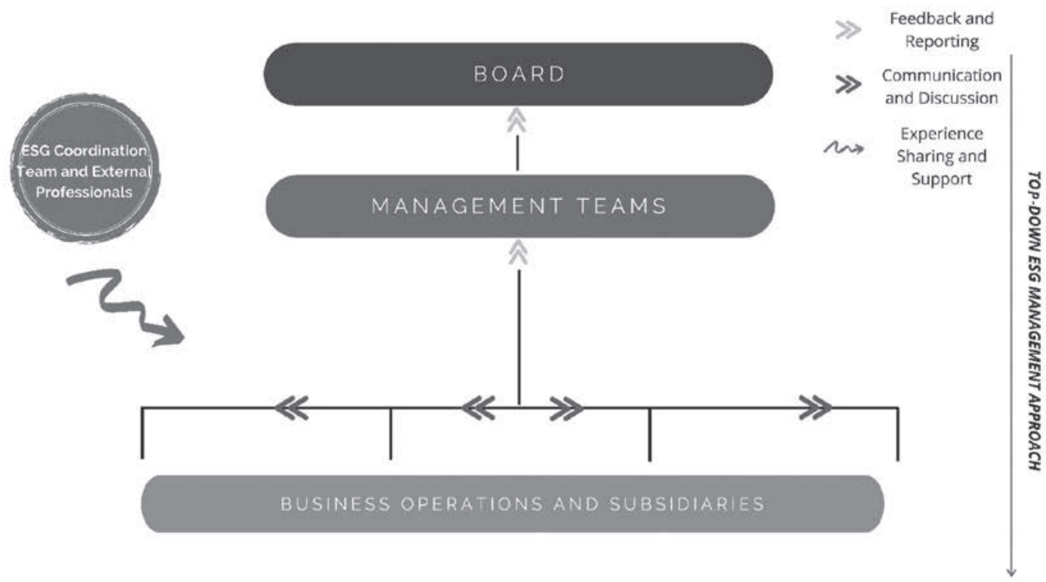
Stakeholders' feedback and advice are welcome to enhance and strengthen the ESG approach and performance of the Group. They can share opinions and comments with the Group by post:
Postal address: Room 2707A, 27/F., Office Tower of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong

SUSTAINABILITY GOVERNANCE

To create long-term value for all stakeholders, the Group incorporates and considers ESG elements in all business operations and decisions in adhering to the following sustainability principles:

- Promotion of Environmental Education
- Improvement of environmental management system
- Strengthen assessment and supervision
- Optimization of governance framework
- Implementation of accountability mechanism in delivering environmental target
- Exploration of the application of clean energy
- Building of a "green" corporate culture
- Acceleration of technological transformation and innovation; and
- Transformation into intensive pollution control mode

The Group is committed to building a robust corporate governance that champions ESG management and emphasises the integration of ESG risks and opportunities into its enterprise risk management system. Considering the importance of ESG, the Group has formulated a top-down management approach.



SUSTAINABILITY GOVERNANCE *(CONTINUED)*

Board of Directors

The Board of Directors (the "Board") of the Company holds the primary and ultimate responsibility for overseeing and ensuring the execution and effectiveness of relevant ESG policies reporting and other issues. The effectiveness of ESG risk management implementation is consistently monitored and overseen by well-defined metrics. The Board regularly reviews the Group's progress towards its goals through Board meetings and oral presentations from the Management teams.

With the support of internal teams and the expertise of external professionals, the Board supervises the environmental and social risk assessment of the Group. The potential impacts of material ESG issues are evaluated, prioritized and managed according to the result of the materiality assessment to create long-term value. To foster the incorporation of ESG consideration into the business decision-making process, an ESG-oriented corporate culture is promoted from the top-down.

Management Teams

Management teams are primarily responsible for identifying, evaluating, consolidating and addressing ESG-related risks from operations, as well as supervising all employees to execute the Group's policies effectively. More importantly, the management teams play an important role in maintaining efficient and effective communication between the Board and frontline staff.

Under the leadership of the Board and guidance of corresponding Management teams, the sustainability strategies of the Group have gradually become a running thread through its operations. Different approaches are adopted when faced with various ESG risks. The Group continuously reviews and revises its sustainability policies to fulfil the updated regulatory requirements, meet stakeholders' expectations and align the practices with what the transition towards sustainability demands.

In addition, the Group has also engaged an independent consultant, Riskory Consultancy Limited, to assist in report preparation and provide ESG– and carbon neutrality-related consultancy services.

For more details on our corporate governance, please refer to the "Corporate Governance Report" of the Annual Report 2024.

STAKEHOLDER ENGAGEMENT

The Group highly values the feedback from its stakeholders as they are critical of the Group's operation and management. During the Reporting Period, the Group consistently engaged with its stakeholders and responded to their significant concerns in a timely manner.

To ensure barrier-free communication with key stakeholder groups, the Group utilize different platforms and maintains different communication channels as below:

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
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

MATERIALITY ASSESSMENT

The Group has conducted an annual internal review to identify stakeholders' concerns and interests regarding ESG topics. To achieve the Group's sustainable development plans and goals, we will adjust our business strategies and sustainability initiatives according to the materiality assessment result. A three-step approach is adopted to confirm the material topics:

1. **Identification**
   41 ESG issues from three pillars including environmental, social and governance have been identified according to the previous year's assessment result and considering the regulatory trends of the Stock Exchange, the Sustainability Accounting Standards Board (SASB) standards for disclosure topics, the ESG Industry Materiality Map of MSCI, and the material topics of peer companies.

2. **Review**
   The identified ESG issues are reviewed and assessed by the Group to determine the overall materiality level of each issue and derive a prioritized list.

3. **Confirmation**
   The materiality level of the ESG issues is adjusted and confirmed. A total of 7 issues are classified as the highest importance for the Reporting Period. The assessment results are conducive to enhancing sustainability decision-making and are disclosed in the Report.

ESG issues	Materiality level
Environmental	
Land Use, Ecosystem and Biodiversity	Most Important
Climate Change Mitigation & Adaptation	
GHG Emissions	Important
Air Pollution	
Solid Waste Management	
Energy Management	
Water & Wastewater Management	
Materials Management	
Renewable and Clean Energy	
Local Environmental Protection	
Packaging Material Management	Relevant
Social	
Occupational Health and Safety	Most Important
Communication and Engagement with Suppliers	
Social Risk Management of Supply Chain (e.g. human rights or corruption)	
Business Ethics & anti-corruption	

MATERIALITY ASSESSMENT *(CONTINUED)*

3. Confirmation *(CONTINUED)*

Diversity & Equal Opportunity	Important
Employee Remuneration and Benefit	
Employee Development and Training	
Preventing Child and Forced Labour	
Labour Practices	
Environmental Risk Management of Supply Chain (e.g. pollution)	
Intellectual Property Rights	
Product Quality	
Customer Privacy and Data Security	
Green Procurement	Relevant
Supply Chain Materials Sourcing & Efficiency	
Health and Safety Relating to Products/Services	
Customers Welfare	
Marketing and Promotion	
Labelling Relating to Products/Services	
Product Design & Lifecycle Management	
Access & Affordability	
Community Engagement	
Participation in Philanthropy	
Cultivation of Local Employment	
Support of Local Economic Development	
Corporate Governance and others	
Critical Incident Risk Responsiveness	Most Important
Management of the Legal & Regulatory Environment (regulation-compliance management)	Important
Systemic Risk Management (e.g. Financial Crisis)	
Internal Communication & Grievance Mechanism	
Business Model Adaptation and Resilience to Environmental, Social, Political and Economic Risks and Opportunities	Relevant

ENVIRONMENTAL SUSTAINABILITY

Management Approach

Balancing business development and ecological protection is one of the key tasks of the Group. We have always committed to fulfilling the environmental requirements, and strictly comply with all applicable laws and regulations in Hong Kong and the PRC, including but not limited to:

- Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》);
- Law of the People's Republic of China on Environmental Impact Assessment 2018 (《中華人民共和國環境影響評價法》);
- Environmental Protection Tax Law of the People's Republic of China (《中華人民共和國環境保護稅法》);
- Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》);
- Water Pollution Prevention and Control Law of the People's Republic of China (《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》);
- Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》); and
- Mineral Resources Law of the People's Republic of China (《中華人民共和國礦產資源法》).

To identify and handle environment-related issues in business operations, a dedicated Environmental Protection Department or Environmental Production Protection Department is formed by professional management staff. During the Reporting Period, the Group was not aware of any material violation of laws and regulations in relation to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A1. Emissions

Adhering to the concept of "lucid waters and lush mountains are invaluable assets"(綠水青山就是金山銀山), the Group continuously implements the principles of scientific and green development, conforming to industry regulations and norms and vigorously developing circular economy following the below principles:

Reduce at source (源頭減量)	Control in the process (過程控制)	Remedy at the end (末端治理)	Reduce the waste (資源利用化)

The Group has consistently adopted different measures to effectively reduce its adverse impact on the environment according to the technical approaches to pollution control as recommended in the Technical Policy of Gold Industrial Pollution Control. We focus on the following three tasks:

- Improvement of energy efficiency in mining operations;
- Exploration of practicality in installing environmentally friendly facilities; and
- Transition of energy resources from fossil fuel-based model to low-carbon development.

Air emission

Sulphur oxides ("SO_x") and nitrogen oxides ("NO_x") and Particulate matter ("PM") were the primary air pollutants from the mining process, fuel combustion for machinery operations, vehicle transportation and other operational processes.

During the Reporting Period, the data for air emissions is as follows:

Air emission[1]	Unit	2024	2023
SO_x	Kg	4.1	2.7
NO_x	Kg	1,069.6	323.2
PM	Kg	76.9	30.7

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

To effectively reduce air emissions, staff are encouraged to replace gasoline vehicles with electric vehicles and carpool together.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A1. Emissions *(CONTINUED)*

GHG emissions

The GHG emissions generated by the Group were mainly from the combustion of fossil fuels, electricity and coal consumption during industrial operations. During the Reporting Period, the data for GHG emission is as follows:

GHG emission[1]	Unit	2024	2023
Scope 1 (Direct Emissions)	Tonnes CO_2e	2,239	1,354
Scope 2 (Energy Indirect Emissions)	Tonnes CO_2e	43,692	21,992
Total GHG emission	Tonnes CO_2e	45,931	23,346
Intensity[2]	Tonnes CO_2e/revenue (HK$ million)	35.3	36.6

1. 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" by HKEX, 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.

2. Considering the environmental impact of our gold recycling is insignificant compared to the gold mining operation, we believe using the revenue of gold mining operation segment to calculate the intensity would better assist readers to assess our performance.

Waste Management

The Group's hazardous waste mainly consists of chemical containers generated from our gold mining operation. As for the non-hazardous waste, it mainly consists of tailings and sludge generated from our gold mining business and domestic of the Group.

During the Reporting Period, the data for hazardous and non-hazardous waste is as follows:

	Unit	2024	2023[1]
Hazardous Waste	Tonnes	24.27	9.33
Intensity	Tonnes/revenue (HK$ million)	0.02	0.01
Non-hazardous Waste	Tonnes	694,538	658,316
Intensity[2]	Tonnes/revenue (HK$ million)	533.12	1,032.34

1. The data of 2023 has been restated to ensure the consistency and comparability.

2. Considering the environmental impact of our gold recycling is insignificant compared to the gold mining operation, we believe using the revenue of gold mining operation segment to calculate the intensity would better assist readers to assess our performance.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A1. Emissions *(CONTINUED)*

Hong Kong Office

Only indirect GHG emissions, municipal solid waste and wastewater were generated in the Hong Kong office. No hazardous waste was generated during the Reporting Period.

i. GHG Emission

Indirect GHG emissions were generated by the Hong Kong office mainly due to the consumption of purchased electricity. Despite not being a carbon-intensive business, the Hong Kong Office has proactively aligned with the Hong Kong Climate Action Plan 2030+ and supported the goal of Hong Kong to achieve carbon neutrality before 2050.

A series of measures have been adopted to reduce electricity consumption:

- Promote the use of multi-media systems and the internet to minimise the frequency of and dependence on business travel;
- Encourage employees to use public transportation or carpool when possible; and
- Take an initiative through actions, including avoiding unnecessary printing.

More details of actions in saving electricity and improving energy efficiency are further disclosed in the next subsection under Electricity and Other energy resources.

ii. Solid Wastes

Commercial solid waste was the main solid waste generated by the Hong Kong office. A centralized rubbish bin is used in the Hong Kong office to collect waste. The packaging materials for takeaway food were collected 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.

To reduce commercial waste, employees are encouraged to change their behaviours in daily operations by reducing, reusing and recycling. In addition, the Hong Kong office successfully applied the Charter of Food Wise Hong Kong in February 2025 to support food waste reduction and recycling. The Group has also provided effective training and implemented the Waste Classification System.

Foodwise Charter of the Company

iii. Wastewater

Commercial wastewater was the primary wastewater generated from the Hong Kong Office. The wastewater was directly discharged into the building sewerage network and handled by the property management. To reduce water consumption in the office, various effective measures were adopted by the Group and to be further presented in the next subsection under Water.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A1. Emissions *(CONTINUED)*

Gold Recycling and Gold Mining Businesses

Minimal emission was generated by this segment. 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 subcontractors. In addition, the office of the gold mining business in the PRC also involves gold recycling operations.

During the Reporting period, 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, SO_x, NO_x, smoke, slag, dust, noise, wastewater, tailings, mine waste, rock waste and domestic waste from workers during the mining process.

The Group normally conducts comprehensive environmental impact assessments for facility expansion and mining operations adhering to the requirements of the government to ensure that all emissions from the mining sites could be effectively monitored and managed. To further minimize the environmental impacts, the Group purchases 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. To reduce the discharge of waste and introduce comprehensive recycling and reuse of water resources, automatic technologies and processes are deployed in production workshops. In addition, the Group continuously makes innovations to optimise the production process that realises the improvement of the recycling rate.

1. *Air and GHG Emissions*

The use of electricity, and consumption of gasoline and dust during mining operations, such as blasting, hauling, crushing and stockpiling rock, were the primary sources of air and GHG emissions. Exhaust fumes were produced from heavy machinery for mining and transporting ore and other solid waste. Emission was also generated from the transportation of light vehicles for workers commuting back and forth between dormitories and mining sites.

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

We understand the importance of fostering a zero-carbon energy and operation revolution and are committed to decarbonizing the operation to mitigate and adapt to the consequences of climate change through various measures. 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.

More internal policies reducing air and GHG emissions from mining operations are described in the A.2 Use of Resources.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A1. Emissions *(CONTINUED)*

Gold Recycling and Gold Mining Businesses *(CONTINUED)*

2. *Solid Waste*

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. During the Reporting period, paper, glass and plastic-made products were the main domestic solid waste generated by employees. They were well-sorted, recycled and handled by the certified municipal department.

The two key materials from the gold mining and processing were tailings and mineral processing waste. To achieve the target of zero harm to people and the environment from tailings facilities, we have 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》).

During the Reporting period, the tailings were piled up in the internal tailing warehouses. The 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", we strive to maximize the recycling rate of tailings. The tailings are normally delivered to the tailing ponds after passing through their processing facilities.

All hazardous waste was separated from the general waste and stored at a special warehouse installed with stringent monitoring procedures and systems. The Group stored the hazardous wastes 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 Five-Year Plan(《關于「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》).

Protective clothing and protective equipment that meet the national standards are provided to staff responsible for handling the hazardous waste. The Control systems have been established with strict operating procedures. Certified companies that are responsible for the recycling and handling of hazardous waste materials are engaged regularly.

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

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A1. Emissions *(CONTINUED)*

Gold Recycling and Gold Mining Businesses *(CONTINUED)*

3. Wastewater

The industrial sewage during mining operations and the domestic wastewater from workers are the main sources of the wastewater from mining activities of the Group. The target of "Zero Water Discharge" has been set for the mining business according to the principle of "Circular Economy". The sewage has fully been recycled on-site for planting or irrigation, and the onsite wastewater was practically 100% recycled during the Reporting period.

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. To recycle the industrial wastewater, the Group has installed automation equipment, such as drainage pump stations on site. 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 organizations, while effluents are used for agricultural irrigation or discharged.

Case Study: 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 to the workers' homes. The wastewater has a "fertilizer pool" sewage treatment facility. It is connected through a water pump and used for irrigating the plants and sprinkling water to reduce dust after purification and treatment.

The site-level environment teams of the Group are responsible for water management, including the supervision and coordination of sustainable water usage and sewage treatment. 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》)" through effective implementation of internal policies and practices. Various types of wastewater should be collected, stored and treated in special containers in terms of their different characteristics and properties.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A1. Emissions *(CONTINUED)*

Noise

Heavy machinery and drills were the main contributors to noise emissions of the Group. Professional teams are formed to inspect the perceived impacts of operations including the noise from operations and run participatory monitoring sessions for the surrounding area on noise levels. We are committed to keeping the vehicles and machines below the noise limit and adopting necessary measures to ensure the correct use of hearing protection equipment by workers.

To alleviate the impact of noise on the surroundings, the Group has adopted various noise-reducing facilities and measures 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). For instance, considering the size of windows and areas of facilities.

To achieve better noise control, the Group selected low-noise and protective equipment and pumps with better performance in noise control, as well as installed shock pads, air compressors and mufflers on site. We also applied advanced mining technology such as Millisecond deep-hole blasting, and drilling machines adopted wet rock drilling to reduce the noise caused by friction.

Trend Analysis and Goals

1. *GHG emission*

Target	Align 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.
Proposed Steps	The Group applies innovative technologies, optimizes production processes and strengthens internal monitoring and management of energy consumption to increase energy efficiency. The Group will seek opportunities to offset its carbon emissions through investment and planting activities.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A1. Emissions *(CONTINUED)*

Trend Analysis and Goals *(CONTINUED)*

2. *Solid waste*

Target	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. The Group commits to achieving "Zero Discharge of Solid Waste" by fully integrating Circular Economy into practices in the long run.
Proposed Steps	The Group commits to allocating 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.

A2. Use of Resources

Electricity, gasoline, diesel, coal, water and paper were the main resources consumed by the Group during the Reporting Period. No packaging materials were required or consumed by the gold mining and gold recycling businesses as the final products of the Group are gold products that are sold by pour-out.

During the Reporting Period, the data for resource consumption is as follows:

Use of Resources	Unit	2024	2023
Energy			
– Electricity（Indirect Energy）	MWh	76,617	38,567
– Diesel (Direct Energy)	MWh	1,842.9	1,140.3
– Gasoline (Direct Energy)	MWh	754.4	641.4
– Coal (Direct Energy)	MWh	4,311.3	3,375.8
Total energy consumption	MWh	83,525.6	43,724.5
Intensity[1]	MWh/revenue (HK$ million)	64.1	68.6
Water			
Total water consumption	M^3	54,740	72,368
Intensity[1]	M^3/revenue (HK$ million)	42.0	113.5

1 Considering the environmental impact of our gold recycling is insignificant compared to the gold mining operation, we believe using the revenue of gold mining operation segment to calculate the intensity would better assist readers to assess our performance.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A2. Use of Resources *(CONTINUED)*

Management Approach

Optimizing the mining operations and ensuring access to secure and reliable energy sources are key to the long-term stability of the Group as energy is essential for mining businesses.

Environmental Protection Departments are established to formulate implementation plans and monitor the progress in energy efficiency improvement and resource conservation. The specialists of the Environmental Protection Departments conduct regular assessments of the energy performance of various operating sites and processes according to the Group's accountability system.

Electricity

Electricity was purchased from the utility company and consumed in the offices and during mining and gold recycling operations.

The Group strives to increase energy efficiency improvement and transformation as well as the application of clean and renewable energy resources. An environmental protection department has been established to formulate implementation plans and monitor the progress of improving energy efficiency and resource conservation. The staff of the department evaluate the energy performance of different operating plants and processes regularly.

Both offices and mining sites of the Group have still stringently complied with relevant regulations and the Group's policy of electricity conservation. A "stop and resume work" policy has been formulated and a reward and punishment system for power management has been established. To quantify and track the consumption of different energy resources in mining operations, internal energy-related policies have also been formulated.

To smoothly transform into a "low carbon and low consumption" business model, environmentally friendly vehicles for transportation and operations are prioritized. 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 a reward and punishment system for electricity management have been established.

During the Reporting period, various measures have been adopted to encourage employees to reduce the electricity consumption of the Group:

- All idle lights and air conditioners are switched off (e.g. most electrical equipment will be turned off during lunch time);
- "Save electricity and turn off the light when you leave please" posters are placed;
- Seminars and training courses are provided to employees to advocate energy conservation;
- New electric generators and transformers with high energy efficiency are purchased and installed on-site;
- More LED bulbs are used for office lighting instead of energy-intensive lamps;
- Energy audits are conducted regularly to monitor equipment operation; and
- Natural ventilation or ventilation fans are adopted for areas not requiring air-conditioning.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A2. Use of Resources *(CONTINUED)*

Other energy resources

Gasoline and diesel were primarily consumed by the Group for digging, loading and transportation of ore and waste rock, comminution process, and heating while coal was used for heating purposes.

China has made notable progress in its clean energy transition over the years. 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 strives to improve energy efficiency and transition to scale up its application of clean and renewable energy resources.

Internal energy-related policies have been established to quantify and track the amount of different energy resources consumed during mining operations. To further reduce gasoline consumption, employees are encouraged to replace them with electric vehicles and to carpool. Energy consumption audits on vehicle performance are conducted on a regular basis. To make a smooth transition towards a "low-carbon and low-consumption" business model, environmentally friendly vehicles for transportation and operations are prioritized during procurement.

In addition, in the cases where the Group outsources the transportation work, a comprehensive background check is undertaken on the outsourced company to assess their performance in energy efficiency.

Water

We value water resources and prioritize water utilization efficiency. To alleviate the potential detrimental impact on water resources during operations, we are committed to responsible water stewardship. Robust water resource protection and monitoring measures have been adopted. For instance, flow meters are installed to control the withdrawal of water resources. The Group did not face any issue in sourcing water that fits for purpose during the Reporting period.

In spite of the 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 encourages the mining sites where water could be largely consumed to reuse the wastewater properly.

We focus on increasing awareness of water conservation among employees to efficiently implement the water conservation and security strategy of the Group as well as accumulate practical experience for future improvement. To promote and prioritize water conservation in daily operations, effective measures based on the "3R rules – Reduce, Reuse and Recycle" have been implemented.

The following practices have been implemented to further enhance water utilisation efficiency:

- Optimise chemical dosage and management procedures in the wastewater treatment processes to monitor and ensure compliance with industry standards

- Fix dripping taps timely to avoid further leakage of the water supply system

- Conduct regular leakage tests on water taps, joint rings and other components in the water supply system

- Strengthen the inspection and maintenance of water taps, water pipelines and water storage

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A2. Use of Resources *(CONTINUED)*

Paper

To effectively control paper usage, the Quantification Management Policy has been formulated and acted as an efficient tool. We have implemented a series of Office Automation ("OA") solutions from document transfer, and information communication, all the way to the review, approval and signing of relevant decisions within the Group.

To promote and achieve a paperless office, the Group has adopted the following measures:

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

Trend Analysis and Goals

1. *Energy Efficiency*

Target	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.
Proposed Steps	On top of electricity conservation, the Group commits to focus its efforts on improving the energy efficiency of its equipment through upgrades and procurement.

2. *Water*

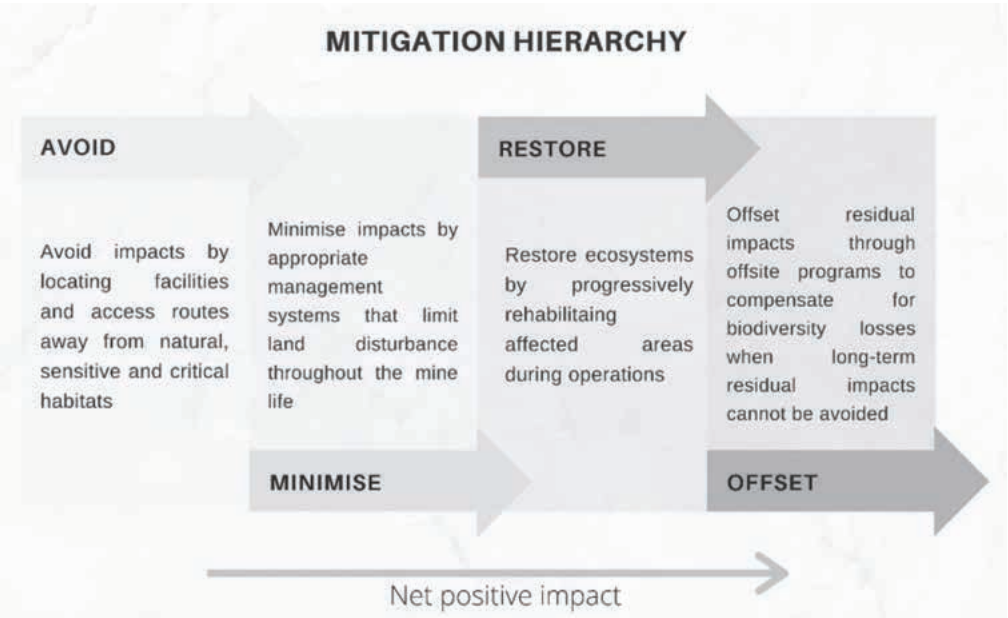
Target	The Group targets to maintain its water recycling rate at 100% and pursues an effort to lower its consumption of freshwater in operations.
Proposed Steps	The Group plans to improve the water recirculating system and employ advanced water recycling facilities to enhance water efficiency.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A3. The Environment and Natural Resources

Gold mining is a resource-intensive activity that consumes significant land and energy, posing potential environmental risks. We are acutely aware of the harmful effects of our mining operations and have made substantial efforts to mitigate the associated environmental impacts and risks to foster coordinated and sustainable long-term development.

The Group consistently concentrated on identifying, evaluating and monitoring its significant environmental impacts, and developing practical and effective solutions to mitigate and manage these risks. To pursue efforts to achieve a net positive impact on operations, the Mitigation Hierarchy concept has been integrated into the environmental management and risk control system.



During the Reporting Period, land Use, Ecosystem and Biodiversity, mining waste management and GHG emission control were classified and considered as material issues to the Group. To mitigate their negative impact, we developed strategies and established critical approaches to effectively address these challenges.

For land use, ecosystem and biodiversity, the Group strives to protect local biodiversity through ecological restoration by various actions. To reduce wasteful dilution and further lower the potential risk of surface subsidence, we have been backfilling the mined-out areas, which props up the surrounding rock mass.

For mining waste management, we recognize that substantial waste may be generated in the mining process while mine tailings are generated in mineral processing plants after separation. These tailings can threaten ecosystems and water resources without proper management. The Group strictly complies with the requirements of national and local regulations, especially the treatment of tailings and onsite sewage. We have implemented and planned for sustainable management of mining tailings. We are dedicated to minimizing the impact of tailings facilities on water resources by monitoring and preventing acid mine drainage and the release of hazardous chemicals. Professional taskforces have also been formed to conduct regular environmental impact assessments of tailing facilities and dams. The Group continues to formulate and implement its internal policies for more effective waste stewardship onsite 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》）.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A3. The Environment and Natural Resources *(CONTINUED)*

In relation to the tailing assessment, pollutants such as heavy metals and organic matter may exist in the tailings pond. Physical, chemical or biological methods are adopted 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. For the damaged land around the tailings pond, various effective measures have been implemented to restore the fertility and ecological functions of the land and reduce the loss of land. For instance, vegetation restoration and soil restoration. The Group has also adopted anti-seepage measures considering tailings ponds may cause pollution to surrounding water bodies. We have implemented measures to prevent tailings leakage and water purification technologies purify contaminated water. In future, we will further promote the reconstruction of ecological balance and improve the ecological environment around tailings ponds' environment quality. The Group will also track and evaluate effects, identify problems in a timely manner and take corresponding measures to ensure the sustainability and stability of governance effects.

For GHG emissions control, the Group adopted various measures to reduce GHG footprints. China's 2060 carbon neutrality commitment greatly accelerates its low-carbon energy transition to rapidly reduce economy-wide emissions towards net zero, diminishing the reliance on fossil fuel consumption. The top priority of the Group in accelerating its transformation is transitioning towards cleaner energy sources including "green" electricity. The Group's initiatives concentrated on three aspects, namely innovative R&D investment and technology deployment, opportunities through partnerships and collaboration, and education to facilitate behaviour change.

A4 Climate Change

The Group is aware that climate change amplifies operating risks, causing a significant increase in the intensity and frequency of extreme weather events with far-reaching consequences. We recognize that the mining sector is especially susceptible to climate change. Accordingly, we have developed a group-wide climate policy that outlines our strategic management approach and serves as a foundation for defining the practices the Group should adopt to address climate-related risks.

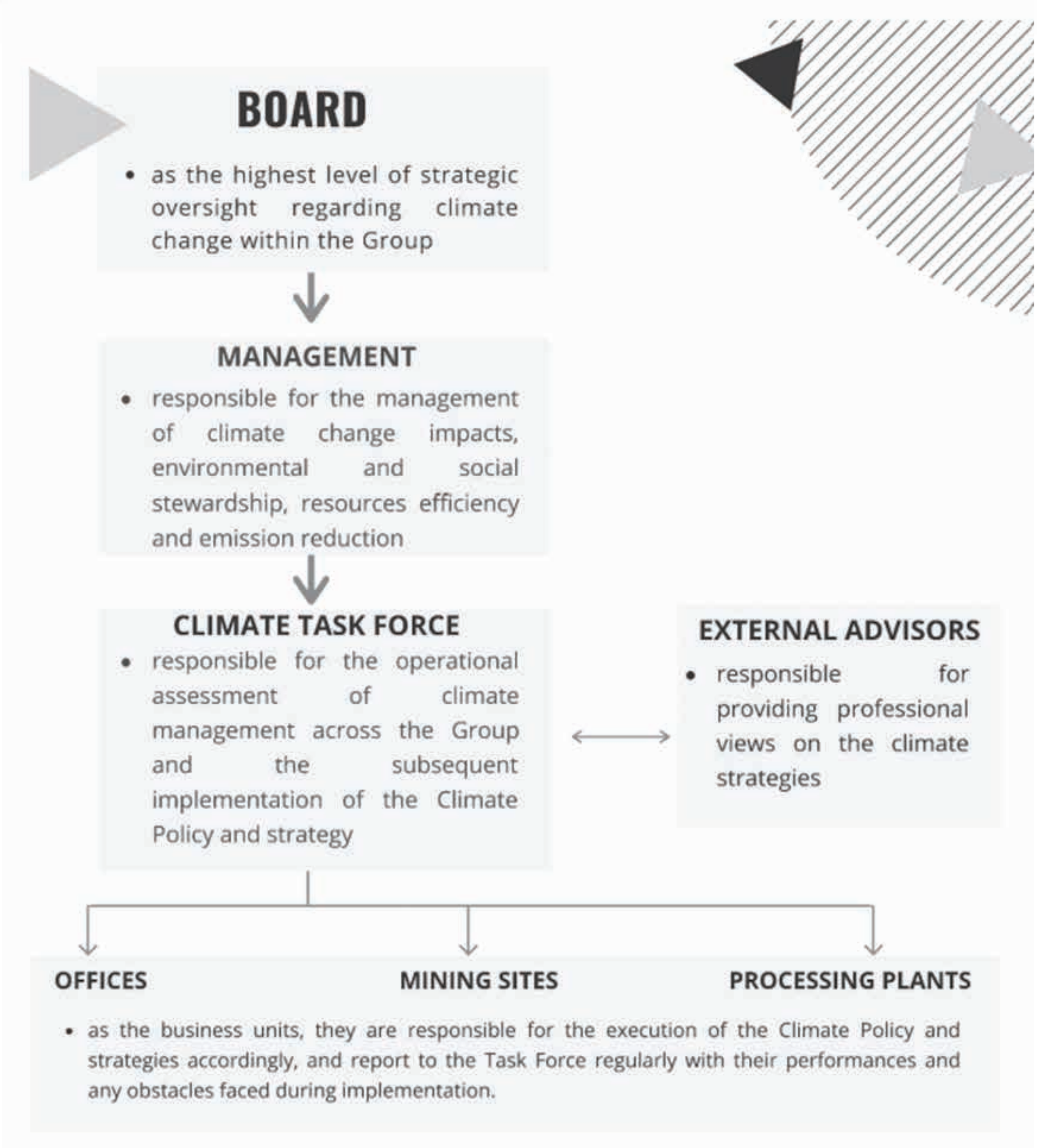
As a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) framework, the Group is dedicated to addressing gaps in climate-proof policies and security strategies, enhancing environmental standards, and boosting resilience. We aim to support national and regional economic growth and development through responsible mining practices. To minimise the impacts of climate change and exposure to climate-related risks, the Group has been formulating its Climate Policy to oversee and regulate the Group's mining operations.

The Group's preliminary analysis of climate-related risks and plans for climate action are detailed in the following sub-sections, which highlight our developing climate policy.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A4 Climate Change *(CONTINUED)*

Governance



The Group has collaborated with external ESG professionals to assist the Board and Management team in understanding material physical and transition risks. These risks could have significant repercussions on the Group's financial performance and position in the long term.

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A4 Climate Change *(CONTINUED)*

Strategy

By conducting a preliminary climate scenario analysis, the Group evaluates its business operations in relation to key factors across various climate projections and prioritizes the implications of both physical and transition climate-related risks on its financial planning and development strategy. Two IPCC emissions scenarios (RCP 2.6 and RCP 8.5) along with two IEA scenarios (ETP 2DS and WEO Current Policies) were adopted. Highlights of the identified climate-related risks that affect the Group's business are shown below:

<table>
<tr><th>Physical risks</th><th>Potential impact on the Group</th><th>Significance</th></tr>
<tr><td><u>Acute risks</u></td><td rowspan="6">• Reduced revenue from decreased production capacity (e.g.. transport difficulties, supply chain interruptions)
• Reduced revenue and higher costs from negative impacts on the 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</td><td></td></tr>
<tr><td>Increased severity of extreme weather events such as cyclones and floods</td><td>Material risks</td></tr>
<tr><td><u>Chronic risks</u></td><td></td></tr>
<tr><td>Changes in precipitation patterns and extreme variability in weather patterns</td><td>Less material risks</td></tr>
<tr><td>Rising mean temperatures</td><td>Material risks</td></tr>
<tr><td>Rising sea levels</td><td>Not significant risks</td></tr>
</table>

<table>
<tr><th>Transition risks</th><th>Potential impact on the Group</th><th>Significance</th></tr>
<tr><td colspan="3"><u>Compliance Risk</u></td></tr>
<tr><td>Increased pricing of GHG emissions</td><td rowspan="2">• 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</td><td>Material risks</td></tr>
<tr><td>Enhanced emissions-reporting obligations</td><td>Not significant risks</td></tr>
<tr><td colspan="3"><u>Technological risks</u></td></tr>
<tr><td>Substitution of existing products and services with lower emissions options</td><td rowspan="2">• 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 operation</td><td>Not significant risks</td></tr>
<tr><td>Costs to transition to lower emissions technology</td><td>Material risks</td></tr>
</table>

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A4 Climate Change *(CONTINUED)*

Risk Management

The Group is dedicated to incorporating climate risk management into its enterprise risk management framework. We conduct climate risk analysis through a three-step process:

1. Evaluate the implications of relevant climate-related risks on the business via internal discussions and support from external advisors;

2. Undertaking a materiality assessment to prioritize risks that require immediate attention;

3. Perform a feasibility analysis of response actions for implementation.

Climate risk will be included on the agenda for the Board's Audit and Risk Committee meetings. Additionally, a quarterly meeting is planned between the Board and Management to discuss the identification of potential climate risks, during which mitigation measures and tracking plans will be addressed.

Metrics and Targets

To identify and manage relevant climate-related risks and opportunities, the Group has set up both directional and quantitative metrics with reference to the seven cross-industry, climate-related metric categories recommended by TCFD.

Highlights of the climate-related metrics and targets established by the Group are shown below:

Metrics

- Total GHG emissions (Scope 1 and Scope 2) intensity

- Annual water consumption intensity

- Resources allocated to climate-related measures and campaigns

ENVIRONMENTAL SUSTAINABILITY *(CONTINUED)*

A4 Climate Change *(CONTINUED)*

Metrics and Targets *(CONTINUED)*

Goals

Target Type	Total GHG Emissions (Scope 1 + Scope 2) intensity
Base Year	FY2023
Target Year	FY2028
Scope	• 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) • Tianshui Xindu Mining Co , Ltd. (天水鑫都礦業有限公司) • Tiuquan Chuangjin Mining Development Co , Ltd. (酒泉市創金礦業發展有限責任公司) • Hong Kong Office
Targeted Reduction from Base Year	12.5%

EMPLOYMENT AND LABOUR PRACTICES

B1. Employment

The Group values employees' talents and is committed to building and sustaining an attractive workplace with excellent career development opportunities for all employees. We strive to provide a suitable platform to them, ensure equal and fair compensation and respect labour rights. Talent development, learning, diversity and culture are prioritized in the human resources management approach of the Group.

We strictly adhere to applicable employment laws and regulations in Hong Kong and the PRC that were material to the Group's businesses, including but not limited to Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Employees' Compensation Ordinance (Cap. 282 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》）and Regulations on the Supervision of Labour Security（《勞動保障監察條例》）.

During the Reporting Period, the Group was not aware of any material violation of laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the Group.

Sports activities among our staff during the International Workers' Day

EMPLOYMENT AND LABOUR PRACTICES *(CONTINUED)*

B1. Employment *(CONTINUED)*

The Human Resource Department of the Group monitors the implementation of company policies, including:

- Measures of Employee Recruitment;
- Employment Management;
- Employee Training Management;
- Employee Transfer Management;
- Employee Leave and Attendance Management;
- Performance Management;
- Compensation Management; and
- Human Resources Management System.

To ensure compliance with the latest laws and regulations, the department reviews and updates internal procedures regularly.

EMPLOYMENT AND LABOUR PRACTICES *(CONTINUED)*

B1. Employment *(CONTINUED)*

As at 31 December 2024, the Group had a total of 436 employees (2023: 420 employees). The employee demographic is as follows:

Total Workforce	2024	2023
By Gender		
Male	**353**	338
Female	**83**	82
By Employment Type		
Full-time	**435**	389
Part-time/Contract	**1**	31
By Age Group		
Below 30	**40**	32
31-40	**112**	117
41-50	**124**	125
Above 51	**160**	146
By Geographical Region		
Hong Kong	**11**	8
Mainland China	**425**	412

Note: The employment data in headcount was obtained from the Group's Human Resources Department based on the employment contracts entered 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.

EMPLOYMENT AND LABOUR PRACTICES *(CONTINUED)*

B1. Employment *(CONTINUED)*

Recruitment and promotion

A set of transparent and clear procedures in annual recruitment is adopted and followed to ensure the recruitment practices comply with the following principles:

Openness (公開)	Fairness (公平)	Transparency (透明)	Standardization (規範)

The recruitment plan is formulated by the General Office according to internal procedure and considering the positions vacancies in various departments. The recruitment sources are identified, and the eligible candidates are selected, in which CV screening, interviews, internal discussion and approval, and entry health examination are normally carried out step by step.

Fair, competitive remuneration and benefits are provided with due consideration of the applicant's past performance, personal attributes, job experiences and career aspirations. The promotion within the Group is strictly based on clear and legitimate procedures. We refer to market benchmarks in relation to staff promotion. Equal promotion opportunities are provided to eligible employees who have exhibited outstanding performance and potential.

Compensation and dismissal

To review and adjust the compensation policy for employees annually after evaluation and approval, the Group benchmarks the standard of local markets, company performance, economic circumstances, individual development and position type.

Any kind of unfair or illegitimate dismissal is strictly prohibited. The termination of the employment contract is implemented in accordance with reasonable, lawful grounds and internal policies such as the Staff Handbook of the Group.

EMPLOYMENT AND LABOUR PRACTICES *(CONTINUED)*

B1. Employment *(CONTINUED)*

Compensation and dismissal *(CONTINUED)*

During the Reporting period, the employee turnover rate of the Group is as follows:

Turnover Rate	2024	2023
By Gender		
Male	**10.5%**	7.4%
Female	**9.6%**	14.6%
By Age Group		
Below 30	**30.0%**	15.6%
31-40	**10.7%**	8.5%
41-50	**5.6%**	13.6%
Above 51	**8.8%**	3.4%
By Geographical Region		
Hong Kong	**0.0%**	0.0%
Mainland China	**10.6%**	9.0%

Verbal warnings will be provided to staff who have violated the Group's employment policies before issuing a warning letter. The employees remaining 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. The Group may consider terminating the labour contract according to laws and regulations if an employee is falling under of the circumstances defined to be serious by the Group:

1. Failure 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 cause damage to the interests of the Group etc.

Working hours and rest periods

The terms and policies in the Group's management of working hours and rest periods are formulated according to 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) and are specified in the Staff Handbook. To compensate those who work overtime with extra pay or additional days off, the attendance management system is adopted to monitor employees' working hours.

EMPLOYMENT AND LABOUR PRACTICES *(CONTINUED)*

B1. Employment *(CONTINUED)*

Working hours and rest periods *(CONTINUED)*

Employees are entitled to leave benefits including but not limited to

Statutory Holidays	Marriage leave	Bereavement leave	Maternity leave

Breastfeeding leave	Sick leave	Personal leave	Family visit leave	Annual leave

Equal opportunity and anti-discrimination

Being an equal-opportunity employer, the Group is dedicated to building a fair, inclusive, and diverse workplace. Anti-discrimination is promoted, and equal opportunities are provided in all human resources and employment-related decisions. Employees are provided with equal opportunity in training, promotions, dismissals, and retirement policies units, irrespective of age, gender, marital status, pregnancy, family status, disability, race, ethnicity, nationality, religion, or any other non-job-related factors. The Group enforces an equal opportunity policy toward workplace discrimination, harassment, or vilification, in compliance with local laws and regulations. Employees are encouraged to report any incidents of discrimination to the Human Resource Department, which is responsible for conducting investigations and implementing appropriate disciplinary measures against those found responsible.

Upholding the value of equality, the Group strives to foster barrier-free internal communication through multiple channels. As the main units responsible for managing employee relations and communication within the organization, the Human Resource Departments and Staff Committees at all levels of the Group assist employees in enhancing job satisfaction, ensuring labour security, providing occupational psychological counselling, and actively listening to their suggestions. All staff are encouraged to share feedback with the Group without hesitation. To cultivate a corporate culture of inclusivity and respect, the Group regularly updates employees on recent operations and management developments via emails, bulletin boards, meetings, and other communication platforms.

Other benefits and welfare

Employees are provided with various corporate benefits following internal policies to enhance their sense of belonging. Social insurance items stipulated by relevant laws and regulations are purchased for employees. For instance, endowment insurance, work-related injury insurance, medical insurance and housing provident funds.

The Group provides routine physical examinations and organizes regular physical exercises and recreational activities to protect employees' physical and mental health.

EMPLOYMENT AND LABOUR PRACTICES *(CONTINUED)*

B2. Health and Safety

The Group has incorporated safeguarding the health and safety of the employee into its corporate values. Systematic safety management strategy, approach and regulations have been formulated and implemented to create a safe and secure work environment for employees.

We strictly complied with applicable national and local regulations in relation to occupational health and safety in Hong Kong and the PRC, including but not limited to the 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》), and Mine Safety Law of the People's Republic of China(《中華人民共和國礦山安全法》).

During the Reporting period, the data in relation to health and safety is shown below:

	Unit	2024	2023	2022
Work-related fatalities	No.	0	0	0
Lost days due to work injury	Day	90	20	100

During the Reporting period, the Group was not aware of any material violation of laws and regulations in relation to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on the Group.

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

To minimise the risks of accidents on mine sites and enhance employees' health and safety awareness, the Group has established a comprehensive mechanism and formulated a list of effective policies managing safety and labour practices in line with applicable health and safety standards. To facilitate and maintain a safe working environment, we have formulated internal policies and guidelines, including the 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). To effectively enhance the level of safety management, a detailed construction plan for the "Six Major Systems" has been developed 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 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 full-time Safety, Environmental Protection, Production and Technology Department has been formed and is equipped with full-time safety officers to facilitate the Group's safety management onsite. Safety Production Management Committees have been established and are responsible for organising educational workshops on the topic of safe production, formulating safety measures and supervising the implementation of internal policies.

EMPLOYMENT AND LABOUR PRACTICES *(CONTINUED)*

B2. Health and Safety *(CONTINUED)*

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

The Group has effectively adopted the following measures to eliminate fatalities and life-altering injuries from the operations and to continuously reduce potential injury and health hazards onsite.

Emergency preparedness programs	Management of hazardous materials	Technical safety training
• Train and build mine rescue team • Improve its real-time monitoring and alerting system	• Promote the lifecycle management of purchase, use, storage, transportation and disposal	• Machine safeguarding training • Simulator training

Equipment operation training

The mining rescue team are provided with suitable protective gear and rescue plans for emergencies. In case of unpredicted circumstances, professional emergency facilities and sufficient supplies are in place. During the outbreak of unwanted environmental and operational incidents that might threaten the health and safety of workers, the designated staff will guard and manage to ensure that the contingency plan can be carried out perfectly. We strive to strengthen the countermeasures to emergencies according to the National Emergency Plans in Response to the Outbreak of Environmental Incidents(《國家突發環境事件總體應急預案》) and to intensify emergency drills in both frequency and quality in the future. Relevant policies have been formulated to guide the correct handling of hazardous materials, to align procurement practices, operations in the mining sites, storage in warehouses, transportation to another place, and disposal measures with industry standards. The awareness and knowledge of employees in occupational health and safety are increased by several training programmes.

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 timely and effectively address the underlying threats, the Group has continuously assessed the safety risks that are material to the Group's operations and adopted a precautionary approach. The Group has also strictly implemented the aforementioned internal policies under the accountability system to address the relevant safety risks. 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.

EMPLOYMENT AND LABOUR PRACTICES *(CONTINUED)*

B3. Development and Training

Employees' capabilities are key to work productivity and efficiency. The Group aims to enhance the ability of employees through training. Various training programmes have been designed and organized for employees in different positions.

During the Reporting Period, the training and development data is as follows:

	2024	2023
Percentage of employees trained by gender		
– Male	84.4%	87.0%
– Female	66.3%	74.4%
Percentage of employees trained by Employee Category		
– Director and the management	93.8%	82.4%
– Senior employee, manager and senior manager	96.3%	89.8%
– General staff	81.1%	83.7%
Average training hours per employee by gender		
– Male	5.6	6.6
– Female	3.8	5.0
Average training hours per employee by Employee Category		
– Director and the management	7.9	8.6
– Senior employee, manager and senior manager	6.4	17.1
– General staff	5.0	4.3

To create more opportunities for employee improvement, the Group has devoted sufficient resources to training development and provision.

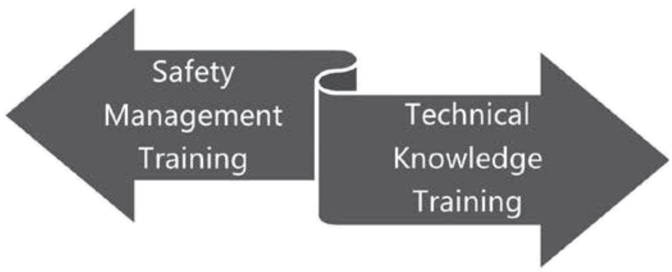
New hires	Technical safety training
• A complete training package covering the History of Company, Corporate Governance Structure, Corporate Culture, Business Processes, and Management System	• Regular courses that match the corporate demands and employees' interest

EMPLOYMENT AND LABOUR PRACTICES *(CONTINUED)*

B3. Development and Training *(CONTINUED)*

Employees are encouraged to obtain more work-related knowledge in their spare time and sign up for professional qualification examinations and external training to further enhance their professional skills and meet the Group's development goals. Reimbursement will be provided to employees who have taken external qualification examinations and obtained vocational qualification certificates.

The training provided by the Group's training can mainly be divided into safety management and technical knowledge.



Safety Management Training

With the support of the Safety, Environmental Protection, Production and Technology Department, the General Office is responsible for formulating an annual safety training plan. The Safety, Environmental Protection, Production and Technology Department organizes relevant business departments and production units to carry out group-wide and company-level safety educational courses and workshops.

According to the annual safety training plan, regular workshop-level safety training is launched for each production unit. Personnel from relevant business departments and production units are required to participate in the Three-Level Safety Training（三級安全培訓）and fill in the "Training Attendance Form". The assessments of the Three-Level Safety Training are regularly performed by the General Office, Safety, Environmental Protection, Production and Technology Department and the production unit.

EMPLOYMENT AND LABOUR PRACTICES *(CONTINUED)*

B3. Development and Training *(CONTINUED)*

Technical Knowledge Training

The Safety, Environmental Protection, Production, and Technology Department, along with mining sites and mineral processing workshops, jointly oversee technical knowledge training. Employees are expected to continuously stay updated on the latest production processes, understand the features of key workshop facilities, and become proficient in the performance of machinery, equipment, and tools. When new processes, technologies, equipment, or materials are introduced, operators must undergo training from the supplier's technical personnel and adhere strictly to specified technological processes and operational requirements. Business skills and knowledge training are provided for employees in critical positions every six months, accompanied by assessments. All training plans, teaching materials, curriculums, and related information are systematically archived in the corporate training records.

B4. Labour Standards

Upholding and protecting labour rights is a fundamental element of the Group's commitment to sustainability. Child and forced labour are strictly prohibited. We strictly abided by applicable labour laws and regulations in Hong Kong and the PRC, including but not limited to 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》）. During the Reporting period, the Group was not aware of any material violation of laws and regulations in relation to preventing child and forced labour that have a significant impact on the Group.

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. To ensure that job applicants are lawfully employable prior to the confirmation of any employment, all of them are required by the Group's Human Resource Department to provide valid identity documents to combat illegal employment of child labour, underage workers and forced labour.

The Group mandates its subsidiaries to report new hires and reviews all employment information monthly. If any case is identified as non-compliant with applicable labour laws, regulations, or standards, the associated employment contract will be terminated immediately, and the individuals responsible for human resource management will face appropriate disciplinary action.

OPERATING PRACTICES

B5. Supply Chain Management

The Group recognizes the importance of supply chain management to achieve sustainable development. As a socially responsible organization, the Group remains steadfast in its commitment to fostering a sustainable and reliable value chain by proactively addressing environmental and social risks. All operating subsidiaries successfully managed their suppliers during the Reporting Period through the effective execution of the supply chain management policies.

During the Reporting period, the Group had a total of 74 major suppliers located in the PRC. The Group's supply chain management policy applies to all its major suppliers and approximately 17 suppliers have committed to complying with our Supplier Code of Conduct.

The main suppliers of the Group include partners providing machinery and equipment, raw materials and labour and transportation services for the Group. For its gold recycling business, the main suppliers consist of partners supplying gold-related materials and subcontractors offering gold refining services. A supply chain management ledger system has been implemented to select eligible suppliers that meet corporate standards and comply with relevant laws and regulations. This system allows the Group to effectively categorize and register suppliers in terms of supply categories, corporate strengths, and other criteria. Candidates are evaluated through inquiries, onsite inspections, benchmarking, bidding, and other methods. Suppliers with strong credibility, industry qualifications, high product quality, fair pricing, and proven experience are prioritized, In General, the procurement plan is submitted by the department for management review and approval. The Procurement Department handles the submission of procurement applications and the purchasing of relevant materials.

The performance of the suppliers and supply chain practices are consistently monitored through engagement. All suppliers and contractors are required to adhere to the policies agreed upon in the contracts throughout the business partnership. Supplier Management Procedures"（供應商管理辦法）and other internal policies have been established to mandate suppliers to consistently align with the Group's standards and guidelines. Regular evaluations of the supply chain are conducted to identify and mitigate major risks. In the event of a risk, an emergency plan is promptly activated, involving the mobilization of professionals and allocation of emergency funds to minimize potential losses. "

Social and Environmental Risk Control

To identify and mitigate potential social and environmental risks within its supply chain, The Procurement Department of the Group prevents any potential threats and monitors the process in collaboration with suppliers. We ensure that each business division has designated personnel in charge of communication with suppliers.

To effectively control the risks, suppliers' environmental performance and compliance, in particular their significant environmental hazards in operations, are assessed through interviews. Regular evaluation is conducted in relation to the legality, technical level, production capacity, quality assurance and industry certificates of the candidate suppliers. We pay attention to the suppliers' progress in improving their performance by abiding by labour standards, human rights, code of conduct, anti-corruption policies, and health and safety-related standards. Internal collaboration and participation in supplier selection and management are strengthened.

OPERATING PRACTICES *(CONTINUED)*

B5. Supply Chain Management *(CONTINUED)*

Social and Environmental Risk Control *(CONTINUED)*

To enlarge the influence to more partners in the value chain and make changes towards environmentally friendly business models, the Group promotes the integration of Green Procurement into operations, by taking into consideration energy efficiencies, 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.

We will continue to strengthen the scientific management of the supplier's online platform system and classify and evaluate its suppliers' performance automatically and more accurately in the future.

B6. Product Responsibility

Upholding the 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), the Group strives 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) and achieve high level of reliability, quality and robustness of products and services.

We strictly complied with the applicable rules, regulations and standards in the PRC and Hong Kong, including but not limited to the 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》).

During the Reporting period, the Group was not aware of any material violation of laws and regulations in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress that have a significant impact on the Group.

Product quality and operation safety

Gold concentrate and gold bullion are our major products. We insist on the production of high-quality gold concentrate and gold bullion, which is "No Impurity and Uniform Colour" to satisfy customers' needs. A set of rules and effective measures have been established and implemented to standardize 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).

In addition, the Group also developed strict rules and effective measures for gold bullion to standardize the supplying and refining process and to ensure product quality, including but not limited to using the spectroscopic gold detector to test the gold-related materials.

To ensure performance and quality, the refining subcontractors are selected from the nationally recognized list.

OPERATING PRACTICES *(CONTINUED)*

B6. Product Responsibility *(CONTINUED)*

Product quality and operation safety *(CONTINUED)*

The product quality of the Group must consistently meet specific standards across various indicators. Regular assessment of quality control is conducted by the relevant personnel to support quality assurance. The production process is monitored and regulated through a set of parameters. An automated management system is utilized throughout the entire production process.

Following internal policies have been established and adopted to control product quality:

Product Plan Management	Product Process Management	Engineering Management
Equipment Management	Production Compliance Management	

In accordance with relevant international and national standards in the mining industry, the Group adheres to YS/T 3004-2011 Gold Concentrate (《金精礦行業標準》) for quality classification, ensuring the delivery of reliable and trustworthy products to its clients. The functional units of the Group, including mineral processing workshops and the Internal Quality and Technique Control Station, closely supervised and monitored the key production aspects, such as ore dressing tests and quality measurements of flotation-enriched gold concentrate. The Internal Quality and Technique Control Station is specifically responsible for sampling, testing, and issuing certifications for gold quality. Prior to the delivery of gold concentrate, the sample extraction is conducted by a representative designated by the buyer, under the supervision of the sales team. Samples must be placed in clean, dry containers and sent to the laboratory of the Quality and Technique Control Station for testing. The experimenter conducts chemical examinations, and the final test report must be signed by the relevant staff.

During the Reporting period, the Group did not encounter any products subject to recalls for safety and health reasons.

As part of its commitment to environmental stewardship and safety, tailing management is crucial for the Group. To ensure that the operations do not compromise the well-being of nearby residents, comprehensive tailings dam management plans have been developed, and safety inspections have been conducted on a regular basis:

- The length and slope of the sedimentation beach are verified to meet the requirement in design, preventing the slurry from brushing the dam body;
- Carry out geological surveys and stability analysis of the tailing dam when the pond accumulation is up to two-thirds of the designed height;
- 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;
- In a 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 differences between the two ends of the dam axis;

OPERATING PRACTICES *(CONTINUED)*

B6. Product Responsibility *(CONTINUED)*

Product quality and operation safety *(CONTINUED)*

- 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.

Complaint handling, Privacy matters & Advertising

The Group values clients' feedback as it is significant to sustainable development. The general office of the PRC subsidiaries is responsible for dealing with customers' complaints. 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. During the Reporting period, no material complaints were received.

To ensure that customers' rights are strictly protected, we strictly adhered to the applicable laws in relation to customer privacy, including but not limited to the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and 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》). Under the confidentiality terms of the contract, employees are prohibited from disclosing any information about the Group and its customers to third parties. Information collected from customers by the Group will be used solely for the purpose for which it was gathered. During the Reporting period, the Group did not receive any complaints or become involved in any legal cases related to breaches of customer privacy or data loss.

With support from various departments, the Marketing Department of the Group is responsible for verifying and delivering accurate marketing materials that comply with relevant laws and regulations for the public and its clients, including but not limited to the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》). Considering 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 the future, we will continue to shift our focus towards a value-oriented mindset and will be dedicated to building a business that produces distinctive and innovative products and services. To achieve this, the Group will further strengthen its unparalleled uniqueness, precision, and authority in the industry, while establishing a comprehensive and systematic competitive advantage in the high-precision sector.

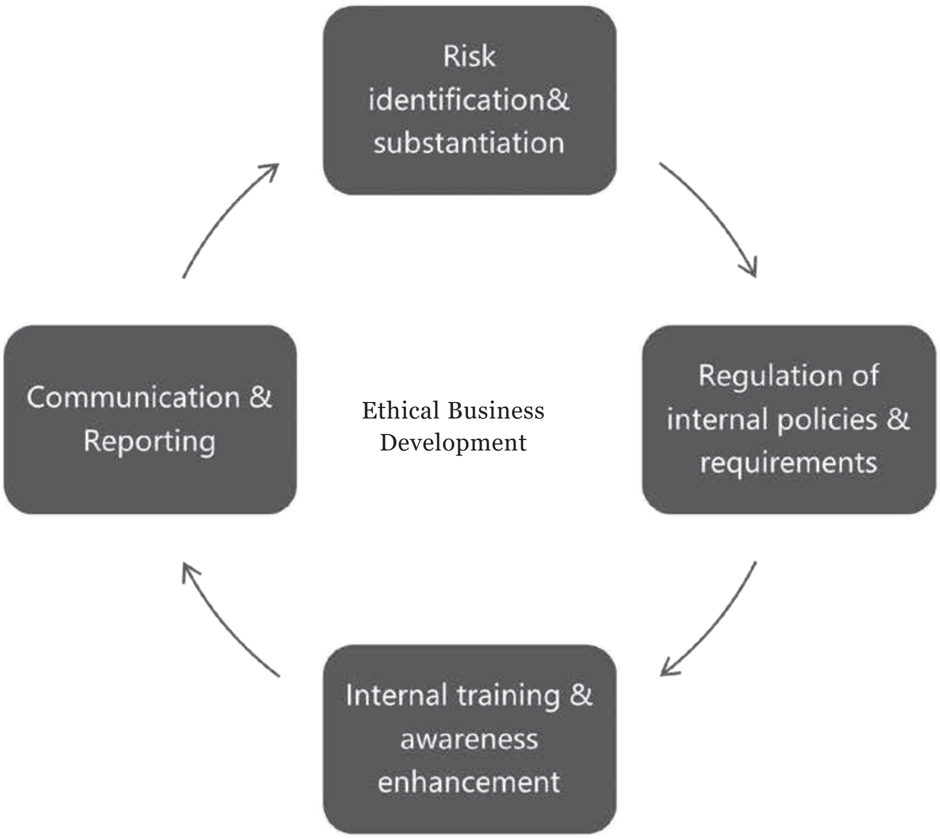
OPERATING PRACTICES *(CONTINUED)*

B7. Anti-corruption

A strong anti-corruption culture and system can effectively safeguard the reputation of the corporation and prevent a decline in business value. The Group is dedicated to ensuring a workplace free from corruption and mandates all employees to adhere to the standards outlined in the code of conduct and internationally recognized ethical guidelines.

We abided by the applicable laws and regulations relating to anti-corruption and bribery in the PRC and Hong Kong, including but not limited to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong), the Law of the People's Republic of China on Anti-money Laundering (《中華人民共和國反洗錢法》) and Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》).

During the Reporting period, the Group was not aware of any material violation of laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group. There were no legal cases concerning corrupt practices were concluded against the Group or its employees.



OPERATING PRACTICES *(CONTINUED)*

B7. Anti-corruption *(CONTINUED)*

The Group enforces a strict zero-tolerance policy against bribery and corruption, rigorously implementing its anti-corruption internal policies, including the Staff Handbook, to combat fraudulent activities. The Group advocates for adherence to professional ethics, emphasizing lawfulness, honesty, integrity, and dedication. Employees are expected to protect the Group's interests and contribute positively to society's well-being. In cases of professional ethics violations that result in significant economic losses to the Group, immediate action will be taken in accordance with relevant laws and regulations. The Group upholds the principle of addressing nepotism in the recruitment or appointment of employees. Mutual oversight between superiors and subordinates is promoted to mitigate risks of bribery, extortion, fraud, and money laundering. A comprehensive internal control management system has been established to oversee business departments and prevent corruption. The Group has formulated a draconian Group-level internal control management system that supervises its business departments to prevent corruption.

As a key component of the anti-corruption strategy, the latest anti-corruption policy of the Group has been distributed to all staff in the Hong Kong office for their review and adherence. All employees who are party members signed the Member's Personal Integrity and Self-Discipline Commitment Letter, affirming their commitment to comply with the Group's anti-corruption policy.

Whistle-blowers are encouraged to report any suspected misconduct, either verbally or in writing, to the Human Resource Department of the Group, providing comprehensive details of the incident along with supporting evidence. To safeguard the Group's interests, the Human Resource Department is primarily responsible for investigating any suspected or illegal behaviour. To protect whistle-blowers from unfair dismissal or victimization, an effective grievance mechanism has been established. If any criminal activity is substantiated, the Group's management will promptly submit a report to the relevant regulators or law enforcement authorities as deemed necessary.

COMMUNITY

B8. Community Investment

As a responsible corporate citizen, the Group upholds the philosophy of "giving back to society" and is dedicated to volunteering and providing financial support to disadvantaged community groups. We primarily focused on supporting community education, green development of infrastructure as well as cultural and sports activities. All employees are organized and encouraged to drive sustainability and welfare of communities where it operates, in alignment with the national Common Prosperity initiative.

During the Reporting period, the Group participated in different community events and has donated approximately HK$3.5 million to various organizations. In particular, we have sponsored The 2024 Second Gansu-Qinghai-Xinjiang-Inner Mongolia "Four Provinces Twelve Cities" Regional Cultural Tourism Alliance Basketball Tournament (2024年第二屆甘青新蒙「四省十二城」區域文化旅遊聯盟籃球賽), held at the Subei County Gymnasium. The event was hosted by the Subei County People's Government and the Jiuquan Municipal Bureau of Culture, Sports, Radio, Television, and Tourism. Through this basketball tournament, we wish to further deepen the exchange and cooperation of the Gansu-Qinghai-Xinjiang-Inner Mongolia "Four Provinces Twelve Cities" Regional Cultural Tourism Alliance (甘青新蒙四省十二城區域文化旅遊聯盟), cultivating regional cultural tourism brands, and promote cultural tourism exchanges and cooperation toward deeper levels, broader fields, and higher standards. Furthermore, we also supported the local governmental organizations in carrying out the Yellow River ecological protection work, demonstrating our commitment to environmental stewardship in China's vital waterways.

We will steadfastly fulfil our social responsibility by leading the way in strengthening its connections with local communities and seeking new opportunities to create value for society in the future.

HKEX ESG REPORTING GUIDE CONTENT INDEX

Aspect		General Disclosures and KPIs	Relevant Section
Mandatory Disclosure Requirements			
Governance Structure		A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Sustainability Governance
Reporting Principles		A description of, or an explanation on, the application of the Reporting Principles (Materiality, Quantitative and Consistency) in the preparation of the ESG report.	Reporting Standards and Principles
Reporting Boundary		A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Reporting Scope and Period
"Comply or explain" Provisions			
A. Environmental			
Aspect A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Sustainability
	KPI A1.1	The types of emissions and respective emissions data.	Air emission
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	GHG emission
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Waste Management
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Waste Management
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Air emission & GHG emission
	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.	Waste Management
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	Use of Resources
	KPI A2.2	Water consumption in total and intensity.	Use of Resources
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Electricity & Other energy resources
	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.	Water
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable
Aspect A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

Aspect		General Disclosures and KPIs	Relevant Section
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.	Climate Change
	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.	Climate Change
B. Social			
Employment and Labour Practices			
Aspect B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Compensation and dismissal
Aspect B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
	KPI B2.2	Lost days due to work injury	Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
	KPI B3.1	The percentage of employees trained by gender and employee category.	Development and Training
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Labour Standards
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Operating Practices			
Aspect B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management

Aspect		General Disclosures and KPIs	Relevant Section
	KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Social and Environmental Risk Control
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product quality and operation safety
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Complaint handling, Privacy matters & Advertising
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Complaint handling, Privacy matters & Advertising
	KPI B6.4	Description of quality assurance process and recall procedures.	Product quality and operation safety
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Complaint handling, Privacy matters & Advertising
Aspect B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Community			
Aspect 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.	Community Investment
	KPI B8.1	Focus areas of contribution	Community Investment
	KPI B8.2	Resources contributed	Community Investment

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 105 to 184, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting 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 2024, 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$257,175,000, HK$1,308,636,000 and HK$1,746,044,000, 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 2024.

As disclosed in Note 18 to the consolidated financial statements, the carrying amount of goodwill of the Group's gold mining operation in Tongguan County and in Subei County as approximately HK$578,151,000 and HK$173,866,000 respectively at 31 December 2024 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 2024.

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 assumptions 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 INFORMATION

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

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

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

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

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group's 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, 24 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue	6	**1,604,821**	1,497,236
Cost of sales		**(1,081,630)**	(1,329,358)
Gross profit		**523,191**	167,878
Other income	7	**4,000**	2,884
Other net gains and losses	8	**(19,371)**	2,906
Administrative and other expenses		**(169,982)**	(76,341)
Finance costs	9	**(30,821)**	(22,403)
Share of result of an associate		**–**	–
Profit before tax	10	**307,017**	74,924
Income tax expense	11	**(96,879)**	(14,890)
Profit for the year		**210,138**	60,034
Other comprehensive income (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		**105**	(2,170)
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		**(52,695)**	(22,413)
Other comprehensive expense for the year, net of tax		**(52,590)**	(25,211)
Total comprehensive income for the year		**157,548**	34,823

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK$'000	2023 HK$'000
Profit (loss) for the year attributable to:			
— Owners of the Company		**211,136**	51,454
— Non-controlling interests		**(998)**	8,580
		210,138	60,034
Total comprehensive income (expense) for the year attributable to:			
— Owners of the Company		**164,260**	28,814
— Non-controlling interests		**(6,712)**	6,009
		157,548	34,823
Earnings per share – Basic and diluted	14	**HK5.19 cents**	HK1.39 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment	15	**1,746,044**	1,756,902
Right-of-use assets	17	**49,868**	50,981
Exploration and evaluation assets	16	**1,308,636**	1,323,399
Goodwill	18	**752,017**	768,452
Other intangible assets	19	**257,175**	284,177
Other financial assets	20	**3,718**	3,613
Interest in an associate	21	**–**	3,266
Other receivable	23	**14,039**	–
		4,131,497	4,190,790
Current assets			
Inventories	22	**188,015**	87,749
Trade and other receivables, deposits and prepayments	23	**101,863**	116,782
Amount due from an associate	21	**–**	1,652
Cash and cash equivalents	24	**172,329**	157,887
		462,207	364,070
Current liabilities			
Other payables	25	**484,595**	416,131
Bank and other borrowings	27	**498,199**	444,159
Contract liabilities	26	**114,237**	11,989
Lease liabilities	17	**1,227**	1,263
Tax payables		**183,506**	157,384
		1,281,764	1,030,926
Net current liabilities		**(819,557)**	(666,856)
Total assets less current liabilities		**3,311,940**	3,523,934

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current liabilities			
Bank and other borrowings	*27*	**32,397**	119,551
Other payables	*25*	**306,287**	601,051
Provision for restoration and environmental costs	*29*	**16,282**	16,298
Lease liabilities	*17*	**1,754**	386
Deferred tax liabilities	*28*	**336,253**	325,229
		692,973	1,062,515
Net assets		**2,618,967**	2,461,419
Capital and reserves			
Share capital	*30*	**407,027**	407,027
Share premium and reserves		**2,073,724**	1,909,464
Equity attributable to owners of the Company		**2,480,751**	2,316,491
Non-controlling interests	*33*	**138,216**	144,928
Total equity		**2,618,967**	2,461,419

The consolidated financial statements on pages 105 to 184 were approved and authorised for issue by the Board of Directors on 24 March 2025 and are signed on its behalf by:

Yeung Kwok Kuen
Director

Shi Xingzhi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	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 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
At 1 January 2024	407,027	1,416,337	29,280	287,496	–	(52,120)	(90,596)	319,067	2,316,491	144,928	2,461,419
Profit (loss) for the year	–	–	–	–	–	–	–	211,136	211,136	(998)	210,138
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	(46,981)	–	(46,981)	(5,714)	(52,695)
Fair value changes of equity investments at fair value through other comprehensive income	–	–	–	–	–	105	–	–	105	–	105
Other comprehensive income (expense) for the year	–	–	–	–	–	105	(46,981)	–	(46,876)	(5,714)	(52,590)
Total comprehensive income (expense) for the year	–	–	–	–	–	105	(46,981)	211,136	164,260	(6,712)	157,548
At 31 December 2024	407,027	1,416,337	29,280	287,496	–	(52,015)	(137,577)	530,203	2,480,751	138,216	2,618,967

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Profit before tax		**307,017**	74,924
Adjustments for:			
Interest income	*7*	**(2,056)**	(1,788)
Interest expenses	*9*	**30,821**	22,403
Depreciation of property, plant and equipment	*10*	**90,081**	52,164
Depreciation of right-of-use assets	*10*	**2,806**	2,543
Amortisation of other intangible assets	*10*	**21,028**	8,989
Government grants		**(9,713)**	–
Write off of property, plant and equipment and exploration and evaluation assets	*8*	**–**	37,132
Loss on disposal of property, plant and equipment	*8*	**3,911**	2,479
Impairment losses in respect of other receivables	*8*	**8,795**	–
Gain on reversal of other payables	*8*	**–**	(5,668)
Gain on modification of other borrowing	*8*	**–**	(34,435)
Gain on deregistration of subsidiaries	*8*	**–**	(628)
Impairment losses on interest in an associate	*8*	**3,212**	–
Impairment losses on amount due from an associate	*8*	**1,625**	–
Provision for restoration and environment costs	*29*	**2,802**	2,615
Cashflow before changes in working capital		**460,329**	160,730
Increase in inventories		**(102,644)**	(19,982)
Decrease (increase) in trade and other receivables, deposits and prepayments		**3,185**	(5,811)
Increase (decrease) in other payables		**93,817**	(137,384)
Increase (decrease) in contract liabilities		**102,486**	(20,246)
Cash generated from (used in) operations		**557,173**	(22,693)
Income tax paid		**(48,826)**	(12,810)
Net cash generated from (used in) operating activities		**508,347**	(35,503)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 HK$'000	2023 HK$'000
Cash flows from investing activities			
Addition to purchase of property, plant and equipment		**(109,565)**	(41,953)
Net decrease in other payables for property, plant and equipment		**(102,762)**	(43,935)
Payment for purchase of other intangible assets		**–**	(7,700)
Payment for restoration and environment costs	*29*	**(2,468)**	(231)
Proceeds from disposal of property, plant and equipment		**61**	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		**(25,448)**	(12,465)
Advance to an independent third party	*23(e)*	**(14,039)**	–
Interest received		**2,056**	1,788
Net cash (used in) generated from investing activities		**(252,165)**	406
Cash flows from financing activities			
Repayment of bank and other borrowings		**(765,609)**	(163,602)
New bank and other borrowings raised		**744,447**	252,304
Advance from related parties		**6,511**	–
Repayment to related parties		**(205,106)**	(16,000)
Payment of principal portion of lease liabilities		**(1,416)**	(1,159)
Repayment of other borrowing included in other payables		**(8,314)**	(8,124)
Interest paid on lease liabilities		**(654)**	(911)
Interest paid		**(20,115)**	(11,933)
Government grants in regards of closure works of the tailings dam		**9,713**	–
Net cash (used in) generated from financing activities		**(240,543)**	50,575
Net increase in cash and cash equivalents		**15,639**	15,478
Cash and cash equivalents at beginning of the year		**157,887**	143,105
Effect of exchange rate changes on cash and cash equivalents		**(1,197)**	(696)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**172,329**	157,887

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 2707A, 27/F., Office Tower of Convention Plaza, 1 Harbour Road, Wanchai, 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 HKFRS ACCOUNTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS ("HKFRSs") *(CONTINUED)*

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 9 and HKAS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
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 Accounting Standard	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

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 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

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

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Shares* are also made.

HKFRS 18, and amendments to other standards, will effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in future financial statements. The Group is in process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

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$819,557,000 at 31 December 2024 (2023: approximately HK$666,856,000).

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.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC) – Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC) – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination.

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 *Share-based Payment* 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 *Leases*) as if the acquired leases were new leases at the acquisition date, except for leases for which 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).

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, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

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 and assets and liabilities 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The financial statements of associate 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 *Impairment of Assets* 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. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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 estimated useful lives, residual values, and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 of the contract, 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)*

Short-term leases

The Group applies the short-term lease recognition exemption to leases of machinery that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

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 remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

– The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;

– A lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “lease modification”).

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Leases *(CONTINUED)*

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its plant. 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.

Exploration and evaluation assets

All costs directly associated with exploration and evaluation assets 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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

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. If such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

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.

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.

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 CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs, to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill, if applicable, and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measureable), its value in use (if determinable) and zero. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 balances 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.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalent as defined above.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. 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.

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 fair value through profit or loss ("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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Financial assets *(CONTINUED)*

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

(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.

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 *Financial Instruments*. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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.

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

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.

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.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Financial assets *(CONTINUED)*

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

(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;

(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.

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

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.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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

– Past-due status;

– Nature, size and industry of debtors; and

– External credit rating where available.

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

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 net gains and losses’ line item as part of the net foreign exchange (losses) gains;

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

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Financial assets *(CONTINUED)*

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.

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 net gains and losses' line item in profit or loss as part of net foreign exchange (losses) gains.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Financial liabilities and equity *(CONTINUED)*

Derecognition and modification of financial liabilities *(CONTINUED)*

When the contractual terms of a financial liability are modified, 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. The exchange or modification is considered as non-substantial modification when such difference is less than 10 percent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

When the contractual terms of financial liabilities are modified, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration payable is recognised in profit or loss.

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 tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Income tax *(CONTINUED)*

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

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 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Income tax *(CONTINUED)*

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 monetary liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e., HK$) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated into presentation currency of the Group (i.e., HK$") 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 non-controlling 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 other comprehensive income.

Employee benefits

(i) Short term employee benefits

Short term employee benefits are recognised at the 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

Employee benefits *(CONTINUED)*

(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.

For long services payment obligation, the Group accounts for the employers Mandatory Provident Fund ("MPF") contributions expected to be offset as a deemed employee contributions towards the LSP obligation in terms of HKAS 19 *Employee Benefits* paragraph 93(a) and it is measured on a net basis. The estimated amount of LSP obligation is determined after deducting the negative service cost arising from the accrued benefits (being projected and attributed to periods of service) derived from the Group's MPF contributions that have been vested with employees and would be used to offset the employees' LSP benefits, which are deemed to be contributions from the relevant 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.

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 without taking into consideration all non-market vesting conditions over the vesting period on a straight-line basis 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 option reserve will be transferred to retained earnings. 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 option reserve will be transferred to retained earnings.

When shares granted are vested, the amount previously recognised in share option reserve will be transferred to retained earnings.

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. 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 and amortisation rates of those non-financial assets depreciated or amortised under UOP method.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses of mining structure and amortisation of other intangible assets and impairment losses (see below).

(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 loss or reversal of impairment loss in future periods, where applicable.

5. 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 on 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 2024, the carrying amount of other intangible assets, exploration and evaluation assets, property, plant and equipment and goodwill relating to the gold mining operation are amounted to approximately HK$257,175,000, HK$1,308,636,000, HK$1,746,044,000 and HK$752,017,000 respectively (2023: approximately HK$284,177,000, HK$1,323,399,000, HK$1,756,902,000 and HK$768,452,000 respectively). No impairment loss was recognised on the respective assets during both years.

(iii) Going concern and liquidity

A explained in Note 3 to the financial statements, the Group had net current liabilities of approximately HK$819,557,000. 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 ended 31 December 2023, 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. No changes of business operation and segment reporting during the year ended 31 December 2024.

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 2024

	Gold mining operation *HK$'000*	**Gold recycling** *HK$'000*	**Total** *HK$'000*
Revenue	**1,302,774**	**302,047**	**1,604,821**
Cost of sales	**(779,802)**	**(301,828)**	**(1,081,630)**
Segment results	**522,972**	**219**	**523,191**

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

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

	2024 *HK$'000*	2023 *HK$'000*
Reportable segment results	**523,191**	167,878
Unallocated income and expenses:		
Other income	**4,000**	2,884
Other net gains and losses	**(19,371)**	2,906
Administrative and other expenses	**(169,982)**	(76,341)
Finance costs	**(30,821)**	(22,403)
Profit before tax	**307,017**	74,924
Income tax expense	**(96,879)**	(14,890)
Profit for the year	**210,138**	60,034

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:

	2024	2023
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
Income from gold mining operation	**1,302,774**	637,693
Income from gold recycling	**302,047**	859,543
	1,604,821	1,497,236

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:

	2024	2023
	HK$'000	*HK$'000*
Customer A	**875,479**	326,238
Customer B	**N/A *(Note)***	*272,961*
Customer C	**306,986**	*504,422*

Included in revenue, consist of approximately HK$86,393,000 for the year ended 31 December 2024 (2023: approximately HK$140,091,000) is derived from selling gold bullion in a trading platform of Shanghai Gold Exchange through a member registered in Shanghai Gold Exchange.

Note:

The corresponding revenue for the year ended 31 December 2024 did not contribute over 10% of revenue to the Group.

7. OTHER INCOME

	2024 HK$'000	2023 HK$'000
Government grants *(Note)*	**1,917**	238
Interest on bank deposits	**1,337**	1,788
Interest on loan receivable *(Note 23(e))*	**719**	–
Rental income	**–**	821
Others	**27**	37
	4,000	2,884

Note:

The government grants represent 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

	2024 HK$'000	2023 HK$'000
Net foreign exchange (losses) gains	**(1,332)**	1,518
Impairment losses in respect of other receivables *(Note 23(c))*	**(8,795)**	–
Impairment losses on interest in an associate *(Note 21)*	**(3,212)**	–
Impairment losses on amount due from an associate *(Note 21)*	**(1,625)**	–
Loss on disposal of property, plant and equipment	**(3,911)**	(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	**(496)**	268
	(19,371)	2,906

9. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest on bank and other borrowings	**23,619**	15,511
Interest on promissory note payable at amortised cost	**6,548**	5,981
Interest expenses on lease liabilities *(Note 17)*	**654**	911
	30,821	22,403

10. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2024 HK$'000	2023 HK$'000
Director's emoluments *(Note 12)*	**4,107**	3,105
Staff's salaries, bonus and allowances	**40,352**	26,155
Contributions to staff's retirement benefits schemes	**4,069**	2,439
Total staff costs	**48,528**	31,699
Amortisation of other intangible assets	**21,028**	8,989
Auditor's remuneration *(Note (a))*	**2,000**	1,800
Cost of sales comprise of:		
— Cost of inventories recognised as an expense *(Note (b))*	**975,878**	1,282,526
— Documentation transferring fee	**6,761**	13,782
Depreciation charges		
— property, plant and equipment	**90,081**	52,164
— right-of-use assets		
— office premise and factories	**1,400**	1,458
— prepaid lease payments	**1,406**	1,085
Invalid exploration costs recognised in administrative and other expenses	**39,617**	2,001

Note:

(a) The auditor's remuneration comprised audit services and non-audit services of HK$1,500,000 and HK$500,000 respectively (2023: HK$1,400,000 and HK$400,000 respectively).

(b) Costs of inventories recognised as an expense mainly include mining extraction costs and mining ore processing costs of approximately HK$547,440,000 (2023: approximately HK$347,201,000); transportation cost of approximately HK$3,506,000 (2023: approximately HK$2,689,000); amortisation and depreciation charges of approximately HK$84,999,000 (2023: approximately HK$50,176,000) and purchase cost of gold related materials of approximately HK$301,695,000 (2023: approximately HK$858,256,000).

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 2024 and 2023.

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:

	2024	2023
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
— Current year	**78,532**	15,259
— Under (over)-provision in prior years	**634**	(401)
	79,166	14,858
Deferred tax *(Note 28)*	**17,713**	32
	96,879	14,890

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:

	2024	2023
	HK$'000	*HK$'000*
Profit before tax	**307,017**	74,924
Notional tax on profit before tax, calculated at 25% (2023: 25%)	**76,754**	18,731
Income tax on concessionary rate	**(6,540)**	(20,273)
Tax effect of expenses not deductible for tax purposes	**12,962**	11,106
Tax effect of income not taxable for tax purposes	**(3,747)**	(561)
Tax losses and temporary differences not recognised	**16,816**	6,288
Under (over)-provision in prior years	**634**	(401)
Income tax expense	**96,879**	14,890

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:

	2024 ***HK$'000***	2023 *HK$'000*
Fees	**1,020**	1,020
Other emoluments		
Salaries and other benefits	**2,083**	1,578
Performance related incentive payments *(Note (a))*	**932**	437
Contributions to retirement benefits schemes	**72**	70
	4,107	3,105

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

For the year ended 31 December 2024

	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Performance related incentive payments *(Note (a))* *HK$'000*	Contributions to retirement benefits schemes *HK$'000*	Total *HK$'000*
Executive directors					
Yeung Kwok Kuen	–	1,200	200	70	1,470
Shi Xingzhi	240	195	214	–	649
Shi Shengli	240	195	196	–	631
Jiang Zhiyong (appointed on 8 October 2024)	–	416	69	–	485
Feng Fangqing (appointed on 8 October 2024)	–	77	163	2	242
Independent non-executive directors					
Chu Kang Nam	180	–	30	–	210
Liang Xushu	180	–	30	–	210
Leung Ka Wo	180	–	30	–	210
	1,020	2,083	932	72	4,107

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

For the year ended 31 December 2023

	Fees	Salaries and other benefits	Performance related incentive payments *(Note(a))*	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 Xingzhi	240	189	65	–	494
Shi Shengli	240	189	82	–	511
Independent non-executive directors					
Chu Kang Nam	180	–	30	–	210
Liang Xushu	180	–	30	–	210
Leung Ka Wo	180	–	30	–	210
	1,020	1,578	437	70	3,105

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 2024 and 2023.

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

Five highest paid employees

The five highest paid employees of the Group during the year included one director of the Company (2023: two directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining four (2023: three) highest paid employees who are not a director nor chief executive of the Company are as follows:

	2024	2023
	HK$'000	*HK$'000*
Salaries and other benefits	**2,680**	1,918
Performance related incentive payments	**327**	320
Contributions to retirement benefits schemes	**108**	70
	3,115	2,308

The remaining highest paid employees' remuneration was each within Nil to HK$1,000,000 (2023: within Nil to HK$1,000,000).

During the years ended 31 December 2024 and 2023, 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

Subsequent to the end of the reporting period, the Board proposed a final dividend in respect of the year ended 31 December 2024 of HK1.2 cents (2023: Nil) per share, amounting to a total of approximately HK$48,843,000 (2023: Nil), which is subject to approval by the shareholders of the Company (the "Shareholders") in the forthcoming annual general meeting. The final dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

14. EARNINGS PER SHARE

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

	2024	2023
Earnings per share 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)*	**211,136**	51,454
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**4,070,272,221**	3,696,907,837

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 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 and 1 January 2024	291,584	177,111	3,715	11,422	776,354	718,375	1,978,561
Exchange adjustments	(6,276)	(4,197)	(71)	(252)	(16,363)	(15,686)	(42,845)
Additions	1,577	13,620	397	1,593	92,378	–	109,565
Transfer	12,004	74,379	–	–	(141,587)	55,204	–
Transfer from exploration and evaluation assets *(Note 16)*	–	–	–	–	–	10,995	10,995
Disposals	(5,422)	(4,093)	–	(54)	–	–	(9,569)
At 31 December 2024	293,467	256,820	4,041	12,709	710,782	768,888	2,046,707
Accumulated depreciation and impairment							
At 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)
At 31 December 2023 and 1 January 2024	44,539	67,803	2,396	2,720	–	104,201	221,659
Exchange adjustments	(1,018)	(1,313)	(46)	(71)	–	(3,032)	(5,480)
Charge for the year	17,142	23,507	778	2,631	–	46,023	90,081
Eliminated on disposals	(3,702)	(1,895)	–	–	–	–	(5,597)
At 31 December 2024	56,961	88,102	3,128	5,280	–	147,192	300,663
Net book value							
At 31 December 2024	236,506	168,718	913	7,429	710,782	621,696	1,746,044
At 31 December 2023	247,045	109,308	1,319	8,702	776,354	614,174	1,756,902

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 ended 31 December 2023, 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$76,781,000 (2023: approximately HK$57,255,000) have been pledged to secure the bank and other borrowings (Note 27) of approximately HK$107,990,000 (2023: approximately HK$108,143,000) which with maturity of within one year.

16. EXPLORATION AND EVALUATION ASSETS

	2024 HK$'000	2023 HK$'000
Cost		
At 1 January	**1,323,399**	1,305,913
Exchange adjustments	**(29,216)**	(17,949)
Additions	**25,448**	12,465
Written off *(Note 15(a))*	**–**	(26,900)
Acquisition of subsidiaries *(Note 34)*	**–**	53,851
Transfer to mining structures *(Note 15)*	**(10,995)**	(3,981)
At 31 December	**1,308,636**	1,323,399
Carrying amount		
At 31 December	**1,308,636**	1,323,399

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, which are under the exploration and evaluation stage as at 31 December 2024 with a carrying value of approximately HK$1,308,636,000 (2023: approximately HK$1,323,399,000). 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:

	2024 HK$'000	2023 HK$'000
Right-of-use-assets		
Office premise and factories	**2,698**	1,349
Prepaid lease payments	**47,170**	49,632
	49,868	50,981
Lease liabilities		
Current liabilities	**1,227**	1,263
Non-current liabilities	**1,754**	386
	2,981	1,649

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

At 31 December 2024, certain of the Group's prepaid lease payments with carrying amount of approximately HK$46,427,000 (2023: approximately HK$21,518,000) were pledged to secure the bank borrowings (Note 27) of approximately HK$35,637,000 (2023: approximately HK$55,175,000) which with maturity of within one year.

Addition to the right-of-use assets during the year ended 31 December 2024 represented approximately HK$2,749,000 from lease of a new office premise for 3 years while during the year ended 31 December 2023, addition to right-of-use assets consist of approximately HK$22,451,000 prepaid lease payments arising from acquisition of subsidiaries (Note 34) and approximately HK$2,178,000 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:

	2024 HK$'000	2023 HK$'000
Depreciation of right-of-use-assets		
Office premise and factories	**1,400**	1,458
Prepaid lease payments	**1,406**	1,085
	2,806	2,543
Interest expenses (included in finance costs) *(Note 9)*	**654**	911

The total cash outflow for leases for the year ended 31 December 2024 was approximately HK$2,070,000 (2023: approximately HK$2,070,000).

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

	2024 HK$'000	2023 HK$'000
Cost		
At 1 January	**816,604**	648,202
Arising from acquisition of subsidiaries *(Note 34)*	**–**	176,080
Exchange adjustments	**(17,465)**	(7,678)
At 31 December	**799,139**	816,604
Accumulated impairment		
At 1 January	**48,152**	48,850
Exchange adjustments	**(1,030)**	(698)
At 31 December	**47,122**	48,152
Carrying amount		
At 31 December	**752,017**	768,452

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$578,151,000 (2023: approximately HK$590,786,000) and in Subei County with carrying amount of approximately HK$173,866,000 (2023: approximately HK$177,666,000).

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 which are identified as a single CGU for impairment assessment propose by the management.

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 (2023: Masterpiece 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.

	2024	**2023**
Pre-tax discount rate	**13.6%**	**14.5%**
Spot price of Gold	**RMB616/g**	**RMB480/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 2024 and 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 years ended 31 December 2024 and 2023.

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.

	2024	2023
Pre-tax discount rate	15.3%	14.2%
Spot price of Gold	RMB616/g	RMB480/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 2024 and 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 years ended 31 December 2024 and 2023.

19. OTHER INTANGIBLE ASSETS

	Mining rights HK$'000 (Note)
Cost	
At 1 January 2023	213,853
Exchange adjustments	(2,219)
Acquisition of subsidiaries *(Note 34)*	122,155
Additions	67,377
At 31 December 2023 and 1 January 2024	401,166
Exchange adjustments	(8,579)
At 31 December 2024	392,587
Accumulated amortisation and impairment	
At 1 January 2023	109,506
Exchange adjustments	(1,506)
Charge for the year	8,989
At 31 December 2023 and 1 January 2024	116,989
Exchange adjustments	(2,605)
Charge for the year	21,028
At 31 December 2024	135,412
Carrying amount	
At 31 December 2024	257,175
At 31 December 2023	284,177

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.

(ii) At 31 December 2024, certain of the Group's mining licenses with a carrying amount of approximately HK$108,138,000 (2023: approximately HK$119,115,000) were pledged to secure the bank borrowings of approximately HK$185,743,000 (2023: approximately HK$204,148,000), which with maturity of within one year.

20. OTHER FINANCIAL ASSETS

	2024 HK$'000	2023 HK$'000
Equity securities listed in overseas stock exchange — as financial assets measured at FVTOCI	**3,718**	3,613

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

	2024 HK$'000	2023 HK$'000
Share of net assets	**3,212**	3,266
Less: impairment losses *(Note 8)*	**(3,212)**	–
	–	3,266
Amount due from an associate*	**1,620**	1,655
Less: expected credit loss allowance	**(1,620)**	(3)
	–	1,652

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

Movement in impairment loss on amount due from an associate:

	2024 HK$'000	2023 HK$'000
At 1 January	**3**	3
Impairment loss recognised *(Note 8)*	**1,625**	–
Exchange adjustments	**(8)**	–
At 31 December	**1,620**	3

21. INTEREST IN AN ASSOCIATE *(CONTINUED)*

Details of the Group's 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.

	2024	2023
	HK$'000	*HK$'000*
Loss for the year	**–**	–
Other comprehensive expense	**(180)**	(157)
Total comprehensive expense	**(180)**	(157)

22. INVENTORIES

	2024	2023
	HK$'000	*HK$'000*
Raw materials and consumable materials	**61,216**	13,718
Finished goods	**126,799**	74,031
	188,015	87,749

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

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	2024 HK$'000	2023 HK$'000
Trade receivables	(a)	–	10,897
Less: loss allowance		–	–
		–	10,897
Other receivables	(c),(d)	**67,408**	70,472
Loan receivable	(e)	**14,039**	–
Less: loss allowance	(b)	**(9,242)**	(490)
		72,205	69,982
Deposits and prepayments		**43,274**	35,642
Value added tax recoverable		**423**	261
		115,902	116,782
Analysed for reporting purposes as:			
–Current portion		**101,863**	116,782
–Non-current portion		**14,039**	–
		115,902	116,782

Notes:

(a) The following is an aged analysis of trade receivables net of allowances for impairment losses under expected credit loss model presented based on invoice dates/date of delivery of goods:

	2024 HK$'000	2023 HK$'000
Within 30 days	–	10,897

(b) Movement in impairment loss allowances under expected credit loss model on other receivables:

	2024 HK$'000	2023 HK$'000
At 1 January	**490**	490
Impairment loss recognised *(Note 8)*	**8,795**	–
Exchange adjustments	**(43)**	–
At 31 December	**9,242**	490

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(CONTINUED)*

Notes: (Continued)

(c) As at the end of 31 December 2024, other receivables amounting to approximately HK$31,034,000 (2023: approximately HK$31,712,000) are secured by properties pledged as collateral. During the year ended 31 December 2024, the fair value of these properties, as determined by independent valuer, amounts to approximately HK$21,792,000. Valuations are performed annually and are based on Level 2 inputs under the fair value hierarchy, which include observable market data and comparable property transactions.

An impairment loss of approximately HK$8,795,000 (2023: Nil) was recognised during the year ended 31 December 2024, reflecting the excess of the carrying amount of the relevant other receivables over the fair value of the collateral properties, less estimated selling costs.

Management continues to monitor market conditions and reviews the adequacy of the impairment provision on an ongoing basis.

(d) As at the end of 31 December 2024, approximately HK$31,413,000 (2023: approximately HK$31,074,000) included in other receivables 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.

(e) During the year ended 31 December 2024, the Group has granted the loan to an independent third party for approximately HK$14,039,000, which carried at fixed interest rate of 5.4% per annum, secured by a part of rights of return generated from the mining asset constructed by the debtor and repayable on 30 May 2027.

24. CASH AND CASH EQUIVALENTS

Bank balances carry interest at prevailing market rates ranging from 0.001% to 0.25% per annum (2023: 0.001% to 4.85% per annum) at 31 December 2024.

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

	2024	2023
	HK$'000	*HK$'000*
Amounts denominated in:		
RMB	**162,460**	146,069

25. OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Other payables and accruals *(Note (a))*	**461,711**	487,844
Amounts due to related parties *(Note (b))*	**253,461**	460,176
Promissory note payable *(Note (c))*	**75,710**	69,162
	790,882	1,017,182
Analysed for reporting purposes as:		
— Current portion	**484,595**	416,131
— Non-current portion	**306,287**	601,051
	790,882	1,017,182

25. OTHER PAYABLES *(CONTINUED)*

Notes:

(a) As at 31 December 2024, included in other payables were mainly payable to subcontractors of approximately HK$310,787,000 (2023: approximately HK$329,465,000) for mining extraction and construction; and unsecured borrowing from an independent third party of approximately Nil (2023: approximately HK$8,455,000) carried at interest free and repayable on 14 January 2025. The unsecured borrowing has been settled in full during the year ended 31 December 2024.

(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. 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:

	2024 ***HK$'000***	2023 *HK$'000*
Contract liabilities arising from:		
Sales of goods under gold mining operations	**114,237**	11,989

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

The contract liabilities are expected to be recovered or settled within one year.

Movements in contract liabilities:

	2024 ***HK$'000***	2023 *HK$'000*
Balance as at 1 January	**11,989**	32,655
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	**(11,989)**	(32,655)
Increase in contract liabilities as a result of receipt in advance of sales of gold products not yet delivered at year end	**114,237**	11,989
Balance at 31 December	**114,237**	11,989

The increase in contract liabilities was due to the increase in sales transactions and more deposits are received during the year ended 31 December 2024.

27. BANK AND OTHER BORROWINGS

	2024 HK$'000	2023 HK$'000
Current		
Unsecured other borrowing *(Note (a))*	**104,035**	–
Unsecured bank borrowings *(Notes (b) and (c))*	**78,833**	70,624
Secured bank borrowings *(Notes (b), (c) and (d))*	**315,331**	287,462
Bill payables *(Note (d))*	**21,598**	172,146
Less: Cash deposit *(Note (e))*	**(21,598)**	(86,073)
	498,199	444,159
Non-current		
Unsecured other borrowing *(Note (a))*	–	106,309
Unsecured bank borrowings *(Notes (b) and (c))*	**18,358**	13,242
Secured bank borrowings *(Notes (b), (c) and (d))*	**14,039**	–
	32,397	119,551
Bank and other borrowings repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	**498,199**	444,159
More than one year but not more than two years	**9,719**	119,551
More than two years but not more than five years	**22,678**	–
	530,596	563,710

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 ranged from loan prime rate ("LPR") +0.85% to LPR+2.60% per annum (2023: LPR+0.47% to 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) and properties of independent third parties.

(e) Subsidiaries of the Group are required to maintain cash on deposit of approximately HK$21,598,000 (2023: approximately HK$86,073,000) 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 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 and 1 January 2024	29,866	260,213	30,334	5,176	(221)	(139)	325,229
Exchange adjustments	(695)	(5,229)	(664)	(105)	(1)	5	(6,689)
Transfer	2,749	(2,749)	–	–	–	–	–
Charge (credit) to profit or loss *(Note 11)*	2,080	13,171	3,026	(274)	1	(291)	17,713
At 31 December 2024	34,000	265,406	32,696	4,797	(221)	(425)	336,253

At the end of the reporting period, the Group has unused tax losses of approximately HK$191,672,000 (2023: approximately HK$204,801,000) 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:

	2024	2023
	HK$'000	*HK$'000*
Year 2024	–	41,085
Year 2025	**34,901**	35,690
Year 2026	**33,981**	34,711
Year 2027	**35,178**	35,956
Year 2028	**28,340**	28,996
Year 2029	**43,229**	–

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$814,108,000 (2023: approximately HK$582,530,000) 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

	2024	2023
	HK$'000	*HK$'000*
At 1 January	**16,298**	13,290
Exchange adjustments	**(350)**	(171)
Arising from acquisition of subsidiaries *(Note 34)*	–	795
Additions to site reclamation	**2,802**	2,615
Payment during the year	**(2,468)**	(231)
At 31 December	**16,282**	16,298

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 2023, 31 December 2023, 1 January 2024 and 31 December 2024	**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 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, 1 January 2024 and 31 December 2024	**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. Under the Company Act of Bermuda 1981 (as amended), the contributed surplus of the Company is distributable to the shareholders in certain circumstances which the Company is able to satisfy.

(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 2024 *HK$*	**Number of shares issuable under options 2024** *'000*	Weighted average exercise price 2023 *HK$*	Number of shares issuable under options 2023 *'000*
Outstanding at beginning of the year	–	–	0.52	50,000
Lapsed during the year	–	–	(0.52)	(50,000)
Outstanding at the end of the year	–	–	–	–

All options granted at an exercise price of HK$0.52 per share were lapsed during the year ended 31 December 2023.

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 Xingzhi	7 December 2018	*(Note 1)*	12,000,000	–	(12,000,000)	–	–	HK$0.52	HK$0.51	–
Shi Shengli	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 Xushu	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.

There are no share options granted during the year ended 31 December 2024 and outstanding as at 31 December 2024.

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:

	2024	2023
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	**569,501**	1,203,059
Profit for the year	**5,272**	91,095
Total comprehensive (expense)/income	**(12,653)**	78,827
Profit allocated to NCI	**527**	9,110
Dividends paid to NCI	**–**	–
Cash flows generated from operating activities	**11,101**	16,895
Cash flows used in investing activities	**(1,441)**	(30,816)
Cash flows generated from (used in) financing activities	**21,895**	(2,625)
Net cash inflows (outflows)	**31,555**	(16,546)
At 31 December		
Current assets	**671,894**	510,637
Non-current assets	**1,010,959**	998,455
Current liabilities	**(619,948)**	(361,707)
Non-current liabilities	**(85,099)**	(150,423)
Net equity	**977,806**	996,962
Accumulated non-controlling interests	**57,412**	58,677

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:

	2024	2023
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	–	–
Loss for the year	**(4,509)**	(2,926)
Total comprehensive expense	**(10,480)**	(1,359)
Loss allocated to NCI	**(451)**	(293)
Dividends paid to NCI	–	–
Cash flows generated from operating activities	**8,682**	8,618
Cash flows used in investing activities	**(8,572)**	(7,810)
Net cash inflows	**110**	808
At 31 December		
Current assets	**4,272**	3,963
Non-current assets	**682,140**	682,902
Current liabilities	**(267,197)**	(240,305)
Non-current liabilities	**(88,088)**	(90,013)
Net equity	**331,127**	356,547
Accumulated non-controlling interests	**21,212**	22,260

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:

	2024	2023
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	**25,601**	99,207
(Loss)/profit for the year	**(487)**	18,329
Total comprehensive (expense) income	**(10,631)**	17,357
(Loss)/profit allocated to NCI	**(49)**	1,833
Dividends paid to NCI	**–**	–
Cash flows generated from (used in) operating activities	**5,769**	(22,809)
Cash flows used in investing activities	**(5,413)**	(236)
Cash flows used in financing activities	**(1,647)**	(1,770)
Net cash outflows	**(1,291)**	(24,815)
At 31 December		
Current assets	**79,951**	88,295
Non-current assets	**721,222**	738,182
Current liabilities	**(211,527)**	(210,139)
Non-current liabilities	**(114,264)**	(127,751)
Net equity	**475,382**	488,587
Accumulated non-controlling interests	**40,125**	41,188

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:

	2024	2023
	HK$'000	*HK$'000*
For the year ended 31 December		
Revenue	–	–
Loss for the year	**(10,256)**	(20,378)
Total comprehensive expense	**(31,619)**	(27,569)
Loss allocated to NCI	**(1,025)**	(2,038)
Dividends paid to NCI	–	–
Cash flows generated from (used in) operating activities	**4,248**	(966)
Cash flows used in investing activities	–	(29)
Net cash inflows (outflows)	**4,248**	(995)
At 31 December		
Current assets	**749,930**	762,669
Non-current assets	**946,418**	978,995
Current liabilities	**(643,606)**	(645,814)
Non-current liabilities	**(83,137)**	(88,375)
Net equity	**969,605**	1,007,475
Accumulated non-controlling interests	**17,705**	20,867

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 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 ended 31 December 2023 is approximately HK$10,697,000 attributable to the additional business generated by Grand Gallant Group. Revenue for the year ended 31 December 2023 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 respective 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 year ended 31 December 2023, 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:

	2024	2023
	HK$'000	*HK$'000*
Bank and other borrowings	**530,596**	563,710
Cash and cash equivalents	**(172,329)**	(157,887)
Net debts	**358,267**	405,823
Equity	**2,618,967**	2,461,419
Net debts to equity ratio	**13.68%**	16.49%

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Promissory note payable *(Note 25)* HK$'000	Other payables HK$'000	Amounts due to related parties *(Note 25)* HK$'000	Bank and other borrowings *(Note 27)* HK$'000	Lease liabilities *(Note 17)* HK$'000
At 1 January 2023	63,181	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	–
Actual interest expenses on bank and other borrowings	–	3,578	–	11,933	–
Interest expense on promissory note payable	5,981	–	–	–	–
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	5,981	(53,817)	56,151	323,950	3,089
At 31 December 2023 and 1 January 2024	69,162	12,018	460,176	563,710	1,649
Changes from cash flows:					
Proceeds from new bank and other borrowings	–	–	–	744,447	–
Repayment of bank and other borrowings	–	–	–	(765,609)	–
Advance from related parties	–	–	6,511	–	–
Repayment to related parties	–	–	(205,106)	–	–
Payment of lease liabilities	–	–	–	–	(1,416)
Repayment of other borrowing included in other payables	–	(8,314)	–	–	–
Interest paid	–	–	–	(20,115)	(654)
Total changes from financing cash flows	–	(8,314)	(198,595)	(41,277)	(2,070)
Exchange adjustments	–	(234)	(8,120)	(11,952)	(1)
Other changes:					
Addition to new lease	–	–	–	–	2,749
Interest expenses on bank and other borrowings	–	3,504	–	20,115	–
Interest expense on promissory note payable	6,548	–	–	–	–
Interest expenses on leases liabilities	–	–	–	–	654
Total other changes	6,548	3,504	–	20,115	3,403
At 31 December 2024	75,710	6,974	253,461	530,596	2,981

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2024	2023
	HK$'000	*HK$'000*
Financial assets		
Financial assets measured at FVTOCI		
— Equity investments	**3,718**	3,613
Financial assets measured at amortised cost		
Trade and other receivables, and deposits	**81,954**	91,412
Amount due from an associate	**–**	1,652
Cash and cash equivalents	**172,329**	157,887
	254,283	250,951
	258,001	254,564
Financial liabilities		
Financial liabilities measured at amortised cost		
Other payables	**786,574**	1,013,499
Bank and other borrowings	**530,596**	563,710
Lease liabilities	**2,981**	1,649
	1,320,151	1,578,858

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 2024				
Financial assets measured at FVTOCI				
— Listed equity investments	3,718	—	—	3,718

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 2023				
Financial assets measured at FVTOCI				
— Listed equity investments	3,613	—	—	3,613

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 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 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 (2023: 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 2024 and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK$121,000 (2023: approximately HK$1,715,000). 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 (2023: one entity) listed in Toronto Stock Exchange for the years ended 31 December 2024 and 2023. 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% (2023: 10%) higher/lower, other comprehensive expenses for the year ended 31 December 2024 and the investment revaluation reserve as at 31 December 2024 would increase/decrease by approximately HK$372,000 (2023: approximately HK$361,000) 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	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2024							
Other payables	9.08	483,017	33,910	256,748	17,189	790,864	786,574
Bank and other borrowings	4.54	530,469	9,625	29,072	–	569,166	530,596
Lease liabilities	4.75	1,385	1,065	730	104	3,284	2,981
		1,014,871	44,600	286,550	17,293	1,363,314	1,320,151
At 31 December 2023							
Other payables	9.08	412,447	517,585	67,463	26,842	1,024,337	1,013,499
Bank and other borrowings	4.80	454,144	124,094	–	–	578,238	563,710
Lease liabilities	4.79	1,849	329	26	115	2,319	1,649
		868,440	642,008	67,489	26,957	1,604,894	1,578,858

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Credit risk

As at 31 December 2024 and 2023, 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. During the year ended 31 December 2024, with the value of properties pledges as collateral for other receivables decreased, the Group has recognised loss allowance for such other receivables up to the fair value of the pledged properties of these collaterals as disclosed in Note 23(c) (2023: Nil loss allowances recognised).

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.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2024 HK$'000	2023 HK$'000
Non-current assets		
Investments in subsidiaries	**393,241**	393,241
Property, plant and equipment	**97**	44
Right-of-use assets	**2,625**	1,270
	395,963	394,555
Current assets		
Amounts due from subsidiaries	**1,796,503**	1,804,801
Other receivables, deposits and prepayments	**3,070**	1,587
Cash and cash equivalents	**121**	1,668
	1,799,694	1,808,056
Current liabilities		
Amounts due to subsidiaries	**1**	1
Other payables	**2,020**	1,903
Lease liabilities	**1,224**	1,260
	3,245	3,164
Net current assets	**1,796,449**	1,804,892
Non-current liabilities		
Other payables	**75,711**	69,162
Lease liabilities	**1,671**	299
Deferred tax liabilities	**1**	1
	77,383	69,462
NET ASSETS	**2,115,029**	2,129,985
Capital and reserves		
Share capital	**407,027**	407,027
Reserves *(Note)*	**1,708,002**	1,722,958
TOTAL EQUITY	**2,115,029**	2,129,985

On behalf of the board of directors

Yeung Kwok Kuen
Director

Shi Xingzhi
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$'000	Retained earnings HK$'000	Total HK$'000
At 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 and 1 January 2024	1,416,337	287,496	–	19,125	1,722,958
Loss and total comprehensive expense for the year	–	–	–	(14,956)	(14,956)
At 31 December 2024	1,416,337	287,496	–	4,169	1,708,002

40. PARTICULARS OF SUBSIDIARIES OF THE GROUP

The following are the details of the Group's subsidiaries at 31 December 2024 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
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	Attributable equity interests held by the Company 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	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	Indirectly	Principal activities and place of operation
Elite Master Limited (鋭精有限公司)	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)	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) *(Note (a))*	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) *(Note (a))*	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) *(Note (a))*	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) *(Note (a))*	The PRC	Registered capital of RMB30,000,000	–	100%	Production and sales of gold products in the PRC
Robust Market International Limited	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.

41. CAPITAL COMMITMENTS

	2024	2023
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in respect of the acquisition of property, plant and equipment	**19,229**	12,884

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 years ended 31 December 2024 and 2023, no contribution was forfeited (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) under the retirement benefit schemes which may be used by the Group to reduce the contribution payable in the future years.

43. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The key management of the Group comprises all the directors, details of their remuneration is determined by the Remuneration Committee having regard to the financial performance of the Group, performance of individuals and market trends. Details of their remuneration are disclosed in Note 12 to the consolidated financial statements.

44. MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in Notes 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. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2024, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to approximately HK$2,749,000 (2023: approximately HK$2,178,000) and approximately HK$2,749,000 (2023: approximately HK$2,178,000) 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.

46. EVENTS AFTER THE REPORTING PERIOD

On 27 September 2024, the Company, Tongfei Investment Limited (the "Vendor") and Mr. Wang Congfei (王從飛), being the ultimate beneficial owner of the Vendor (the "Vendor Guarantor") entered into the sales and purchase agreement ("Agreement"), pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the sale shares, representing 100% of the total issued share capital of Huasheng Construction Investment Limited (the "Target Company") at the total consideration of RMB30,000,000 (i.e., HK$33,000,000, subject to adjustment), which will be satisfied by the issue of the convertible bond ("Convertible Bond") upon completion.

The consideration shall be paid and settled in full by the Company by issuing the Convertible Bond with the conversion price to the Vendor upon completion subject to the terms and conditions set out in the Agreement. Details as disclosed in the announcements dated on 27 September 2024, 17 October 2024 and 20 December 2024.

On 24 January 2025, the Convertible Bond has been issued in accordance with the terms and conditions of the Agreement. Following the completion, the Target Company and its subsidiaries have become subsidiaries of the Company and the financial information of the Target Company and its subsidiaries will be consolidated into the Group's consolidated financial statements.

47. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 24 March 2025.