



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

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



2021

INTERIM REPORT

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Corporate Information

DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

Chu Kang Nam
Liang Xu Shu
Leung Ka Wo

AUDIT COMMITTEE

Leung Ka Wo (*Chairman*)
Chu Kang Nam
Liang Xu Shu

REMUNERATION COMMITTEE

Chu Kang Nam (*Chairman*)
Liang Xu Shu
Leung Ka Wo
Yeung Kwok Kuen

NOMINATION COMMITTEE

Chu Kang Nam (*Chairman*)
Liang Xu Shu
Leung Ka Wo

COMPANY SECRETARY

Leung Lai Ming

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITORS

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

00340

COMPANY WEBSITE

www.tongguangold.com

Management Discussion and Analysis



RESULTS REVIEW

For the six months ended 30 June 2021 (the “Interim Period”), Tongguan Gold Group Limited (the “Company”) together with its subsidiaries (the “Group”) recorded an unaudited profit attributable to owners of the Company amounted to HK\$67,141,000 (six months ended 30 June 2020: loss of HK\$5,804,000). Profit from operations increased by HK\$72,945,000 to approximately HK\$67,141,000 in 2021 from loss of approximately HK\$5,804,000 for the corresponding period in 2020. Such an increase in profit is primarily due to increase in overall sales volumes, as well as the improvement on gross profit margins from a favourable trend of gold price and increase in grade of ore for production.

Administrative and other expenses amounted to approximately HK\$27,696,000, representing an increase of approximately 26% from approximately HK\$22,058,000 for the corresponding period in 2020 and is primarily due to increase in salary for newly employed staff for the new processing plant and performance bonus issued to staff in 2021.

REVIEW OF OPERATIONS

Gold Mining Operation

The principal activity of the Group’s gold mining operation is the production and sale of gold concentrates and related products. For the Interim Period, the Group’s revenue from gold mining operation amounted to approximately HK\$280,143,000, representing an increase of approximately 223% from approximately HK\$86,728,000 for the corresponding period in 2020 and is primarily contributed by increase in gold price and sale volumes following the operation of the new processing plant. The cost of sales amounted to HK\$180,137,000, representing an increase of approximately 180% from approximately HK\$64,340,000 for the corresponding period in 2020 and is in line with the increase in revenue. Gross profit from operations amounted to approximately HK\$100,006,000, representing an increase in 347% as compared with approximately HK\$22,388,000 for the corresponding period in 2020. The average gross profit margin for the current period was 36%, representing an increase of 10 percentage points as compared with 26% of average gross profit margin in the corresponding period in 2020. Increase in gross profit margin was mainly attributable to the increase in average selling price by upward trend of gold from RMB343/gram for the corresponding period in 2020 to RMB370/gram in 2021 and the increase in average grade of ore from 3.46 gram/tonne for the corresponding period in 2020 to 4.81 gram/tonne in 2021.

Management Discussion and Analysis



Details of the exploration, development and mining production activities and a summary of expenditure incurred on these activities during the Interim Period are as below:

I Exploration

Tongguan County Xiangshun Mining Development Co., Ltd. (“Xiangshun Mining”)

During the Interim Period, combination of pit drilling and tunnel exploration methods are used to carry out exploration activities.

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

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

Tongguan County De Xing Mining L.L.C. (“De Xing Mining”)

During the Interim Period, combination of tunnel exploration and pit drilling methods are used to carry out deep exploration activities.

Tongguan Tongjin Mining Company Limited (“Tongjin Mining”)

During the Interim Period, Tongjin Mining is performing deep pit exploration planning and the use of drilling engineering to control the peripheral veins.

II Development

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

During the Interim Period, Xiangshun Mining, Tongxin Mining, De Xing Mining and Tongjin Mining have appointed several engineering and technical companies and have completed (i) the pit exploration project of approximately 3,584.6 meters and (ii) the pit drilling project of approximately 4,615.2 meters.

Management Discussion and Analysis



Jinhui Mining

During the Interim Period, Jinhui Mining did not carry out any development activities.

III Mining Production Activities

Xiangshun Mining and De Xing Mining

(1) Mining operation

	Six months ended 30 June 2021
Underground mining	
Mine production (thousand tonnes)	<u>129.13</u>
Total mine production (thousand tonnes)	<u>129.13</u>
Average gold grade (gram/tonne)	4.81

(2) Ore processing operation — Concentrating

	Six months ended 30 June 2021
Concentrate production — Gold (thousand tonnes)	7.75
Average gold grade (gram/tonne)	64.91
Metal in the concentrate (Kilogram)	503.09

Jinhui Mining, Tongxin Mining and Tongjin Mining

During the Interim Period, there was no mining production.

Management Discussion and Analysis

IV Exploration, development and mining production cost of the Group

Expenses of exploration, development and mining production activities of the Group for the Interim Period are set out as below:

	Mine produced Gold (HK\$'000)
Exploration and Mining activities	
Exploration and development construction	28,394
Mining ore	92,352
	<hr/>
Total	120,746
	<hr/>

(Concentrating not included)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group had total assets and net assets of HK\$3,764,390,000 (31 December 2020: HK\$3,777,831,000) and HK\$2,048,810,000 (31 December 2020: HK\$1,949,138,000), respectively. The current ratio was 0.22, as compared to 0.30 as of year ended 31 December 2020.

As at 30 June 2021, the Group had bank balances and cash, of HK\$68,423,000 (31 December 2020: HK\$130,293,000), of which most were denominated in Renminbi and Hong Kong dollar.

As at 30 June 2021, the Group had bank and other loans of approximately HK\$180,546,000 (31 December 2020: HK\$239,696,000) which were denominated in Renminbi including the fixed rates ranged from 6%-12% (31 December 2020: 6%-12%) per annum. For the borrowings under variable rate, the interest rates are loan prime rate ("LPR") +0.95%, LPR +2.025% and LPR+2.088% per annum (31 December 2020: LPR+0.95%, LPR+2.025% and LPR+2.088% per annum). The decrease in total borrowings is due to the completion of certain construction projects. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 9.5% (31 December 2020: 13.2%).

Management Discussion and Analysis



As at 30 June 2021, the Group had promissory note of approximately HK\$55,164,000 (31 December 2020: HK\$64,288,000). The promissory note with principal amount of HK\$80,000,000 carries zero interest and to be due on 9 October 2025.

FOREIGN EXCHANGE RISK MANAGEMENT

As part of the Group's assets and liabilities are denominated in Hong Kong dollar and Canadian dollar, 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 30 June 2021, the Company had 3,392,272,221 ordinary shares in issue with a total shareholders' fund of the Group amounting to approximately HK\$339,227,000.

PLEDGE OF ASSETS

As at 30 June 2021, the Group had not pledged any machinery as a security for the other borrowing granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had a contingent liability and detail is set out in Note 19 to the consolidated financial statements (31 December 2020: detail is set out in Note 19 to the consolidated financial statements).

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

There were no material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the Interim Period.

Management Discussion and Analysis



EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had approximately 10 and 195 employees in Hong Kong and Mainland China respectively.

The staff cost of the Group (including directors' remuneration in form of salary and other benefits, share-based payments, performance related incentive payments and retirement benefit contributions) was approximately HK\$11,067,000 for the Interim Period (six months ended 30 June 2020: HK\$7,354,000).

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

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

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

Management Discussion and Analysis



PROSPECTS

Stepping into 2021, COVID-19 has been relatively under control in various parts of the world, though still with some challenges. The economy has been improving on a global basis as well as the gaining pace on its way to gradual resumption in international trade, investment and manufacturing activities. Under such optimistic business environment, the Group has achieved a promising performance under the period of review by strengthening production and operation management, optimizing production capacity and efficiency and conducting continuous inspection.

Economies of scale have been achieved since the commencement of new processing plant last year. Following the modernization and automation of operation, the production has reached its remarkable record in 2021. The Group is confident that the production volume can be constantly increased in the foreseeable future.

Having said that, the profitability of the Group is highly dependent on the gold price in domestic and international markets. The market prices of gold (and other precious metals) are correlated to the global economic environment and stability. During the period under review, although the global economic is recovering which lowers risk aversion sentiment, the heated inflation and constant challenges posed by the COVID-19 viruses offsets such effect. Therefore, gold will continue to serve as a popular reserve asset among the public. The management of the Group will also closely follow the market trends in commodity prices and take necessary actions to mitigate any potential risks.

Further, the Group believes that corporate social responsibility is highly correlated to its business performance. In line with such belief, the Group will increase safety and environmental investment as well as promoting the concept of sustainable development. "Green mine" will be promoted so as to create an environment-friendly workplace and to reduce pollutants and wastes. Workshops and trainings have also been provided during the period under review.

Looking forward, the Group would proactively seize the opportunities in expanding the gold mining portfolio and accelerate the pace of modern mining and processing.

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 June 2021

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	280,143	86,728
Cost of sales		<u>(180,137)</u>	<u>(64,340)</u>
Gross profit		100,006	22,388
Other income		672	633
Other net gains and losses		9,137	(4,583)
Administrative and other expenses		(27,696)	(22,058)
Finance costs	5	<u>(4,226)</u>	<u>(1,917)</u>
Profit/(loss) before tax	6	77,893	(5,537)
Income tax (expense)/credit	7	<u>(2,863)</u>	<u>695</u>
Profit/(loss) for the period		75,030	(4,842)
Other comprehensive income, net of income tax			
Item that will not be reclassified to profit or loss:			
Fair value changes in equity investments at fair value through other comprehensive income		5,038	438
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<u>19,604</u>	<u>(25,984)</u>
Other comprehensive income for the period, net of income tax		<u>24,642</u>	<u>(25,546)</u>
Total comprehensive income for the period		<u>99,672</u>	<u>(30,388)</u>

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 June 2021

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to:			
– Owners of the Company		67,141	(5,804)
– Non-controlling interests		<u>7,889</u>	<u>962</u>
		<u>75,030</u>	<u>(4,842)</u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		88,098	(26,681)
– Non-controlling interests		<u>11,574</u>	<u>(3,707)</u>
		<u>99,672</u>	<u>(30,388)</u>
Earning/(loss) per share – Basic and diluted	9	<u>HK\$1.98 cents</u>	<u>HK\$(0.17) cents</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	1,348,998	1,303,782
Right-of-use assets	10	36,072	33,534
Exploration and evaluation assets	10	1,428,317	1,409,990
Goodwill	10	636,132	636,132
Other intangible assets	10	147,429	147,229
Other financial assets	11	12,473	6,989
Interest in an associate	12	3,557	3,517
		3,612,978	3,541,173
Current assets			
Inventories		24,957	61,674
Other receivables	13	56,232	42,912
Amount due from an associate	12	1,800	1,779
Bank balances and cash		68,423	130,293
		151,412	236,658
Current liabilities			
Other payables	14	405,513	437,588
Bank and other borrowings	15	83,525	121,791
Contract liabilities		21,366	68,700
Lease liabilities		2,556	1,303
Income tax payable		163,576	161,266
		676,536	790,648
Net current liabilities		(525,124)	(553,990)
Total assets less current liabilities		3,087,854	2,987,183

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current liabilities			
Bank and other borrowings	15	97,021	117,905
Other payables	14	589,244	571,662
Provision for restoration and environmental costs		12,367	12,973
Lease liabilities		1,525	102
Deferred tax liabilities		338,887	335,403
		<u>1,039,044</u>	<u>1,038,045</u>
Net assets		<u>2,048,810</u>	<u>1,949,138</u>
Capital and reserves			
Share capital	16	339,227	339,227
Share premium and reserves		1,566,648	1,478,550
Equity attributable to owners of the Company		1,905,875	1,817,777
Non-controlling interests		142,935	131,361
Total equity		<u>2,048,810</u>	<u>1,949,138</u>

On behalf of the board of directors

Yeung Kwok Kuen

Director

Shi Xing Zhi

Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	339,227	1,090,897	1,326	287,496	10,235	(49,020)	(59,923)	102,645	1,722,883	112,222	1,835,105
(Loss)/profit for the period	-	-	-	-	-	-	-	(5,804)	(5,804)	962	(4,842)
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	(21,315)	-	(21,315)	(4,669)	(26,984)
Fair value changes in other financial assets	-	-	-	-	-	438	-	-	438	-	438
Other comprehensive income for the period	-	-	-	-	-	438	(21,315)	-	(20,877)	(4,669)	(25,546)
Total comprehensive income for the period	-	-	-	-	-	438	(21,315)	(5,804)	(26,681)	(3,707)	(30,388)
Appropriation to statutory reserve	-	-	1,906	-	-	-	-	(1,906)	-	-	-
At 30 June 2020 (unaudited)	339,227	1,090,897	3,232	287,496	10,235	(48,582)	(81,238)	94,935	1,696,202	108,515	1,804,717

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company								Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000			
At 1 January 2021 (audited)	339,227	1,090,897	7,976	287,496	10,235	(49,005)	41,286	89,665	1,817,777	131,361	1,949,138
Profit for the period	-	-	-	-	-	-	-	67,141	67,141	7,889	75,030
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	15,919	-	15,919	3,685	19,604
Fair value changes in other financial assets	-	-	-	-	-	5,038	-	-	5,038	-	5,038
Other comprehensive income for the period	-	-	-	-	-	5,038	15,919	-	20,957	3,685	24,642
Total comprehensive income for the period	-	-	-	-	-	5,038	15,919	67,141	88,098	11,574	99,672
Appropriation to statutory reserve	-	-	8,210	-	-	-	-	(8,210)	-	-	-
At 30 June 2021 (unaudited)	339,227	1,090,897	16,186	287,496	10,235	(43,967)	57,205	148,596	1,905,875	142,935	2,048,810

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Net cash generated from operating activities	51,296	34,283
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(36,744)	(36,430)
Payments for other intangible assets	(2,275)	(11,262)
Expenditure paid on exploration and evaluation assets	(1,286)	(5,450)
Interest received	660	450
Net cash used in investing activities	(39,645)	(52,692)
Cash flows from financing activities		
Repayments of bank and other borrowings	(102,544)	(41,724)
Payments of lease liabilities	(1,696)	(1,888)
New bank and other borrowings raised	40,776	93,823
Interest paid on lease liabilities	(54)	(104)
Interest paid on bank and other borrowings	(12,676)	(8,086)
Net cash (used in)/generated from financing activities	(76,194)	42,021
Net (decrease)/increase in cash and cash equivalents	(64,543)	23,612
Cash and cash equivalents at 1 January	130,293	90,277
Effect of exchange rate changes on cash and cash equivalents	2,673	(2,417)
Cash and cash equivalents at 30 June, represented by bank balances and cash	68,423	111,472

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Tongguan Gold Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). It was authorised for issue on 25 August 2021.

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2020, except for those relating to new standards or interpretations effective for the first time in the consolidated financial statements for the year ending 31 December 2021. Details of any changes in accounting policies are set out in Note 2.

The preparation of these condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, as appropriate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. BASIS OF PREPARATION *(Continued)*

These condensed consolidated financial statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2020. These condensed consolidated interim financial statements and notes thereon do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2020.

2. ADOPTION OF HKFRSs

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

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

The adoption of these amendments to HKFRSs does not have any material impact on the presentation and disclosure of the Group’s interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that applied to the Group's Annual Report 2020. In addition, management makes assumptions about the future in deriving critical accounting estimates used in preparing the condensed consolidated interim financial information.

4. REVENUE AND SEGMENT REPORTING

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

The principal activity of the Group is the production and sale of gold concentrates and related products for the six months ended 30 June 2021 and 2020.

The Group has only one reportable segment, gold mining operation, for the six months ended 30 June 2021 and the year ended 31 December 2020. Since this is the only reportable and operating segment of the Group, no further analysis thereof is presented. All the revenue of the Group is generated from gold mining operation for the six months ended 30 June 2021 and 2020.

All the revenue of the Group are generated from the exploration, mining, processing and sale of gold concentrates and related products segment for the six months ended 30 June 2021 and 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. REVENUE AND SEGMENT REPORTING (Continued)

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Gold mining operation — Exploration, mining, processing and sale of gold concentrates and related products	280,143	86,728

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Timing of revenue recognition under HKFRS 15		
At a point in time	280,143	86,728

(a) Geographical information

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 customer

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Customer A	280,143	86,728

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Unsecured interest on bank and other borrowings	10,918	7,335
Secured interest on bank borrowings	1,758	751
Less: amount capitalised (<i>Note (a)</i>)	(8,504)	(6,273)
Interest expenses on lease liabilities	54	104
	<u>4,226</u>	<u>1,917</u>

Note:

- (a) Borrowing costs capitalised during the period arose on the general borrowing pool and specific borrowing are calculated by applying the capitalisation rate of 5.8% and nil respectively (six months ended 30 June 2020: 4.77% and 1.98%) to expenditure on qualifying assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Directors' emoluments	270	345
Other staff's salaries, bonus and allowances	10,648	6,878
Other staff's contribution to retirement benefits schemes	149	131
	<hr/>	<hr/>
Total staff costs	11,067	7,354
	<hr/>	<hr/>
Impairment loss on other receivables	243	304
Reversal of impairment loss previously recognised on other receivables	(1)	(5)
Amortisation of other intangible assets	3,665	4,180
Costs of inventories recognised as an expense <i>(Note (a))</i>	141,787	49,149
Depreciation charges		
— property, plant and equipment	12,431	7,952
— right-of-use assets	2,198	2,296
	<hr/>	<hr/>

Note:

- (a) Costs of inventories recognised as an expense mainly include mining extraction costs, documentation transferring fee and amortisations and depreciation charges of HK\$103,531,000 (six months ended 30 June 2020: HK\$31,499,000), HK\$9,573,000 (six months ended 30 June 2020: HK\$5,759,000) and HK\$13,647,000 (six months ended 30 June 2020: HK\$9,706,000) respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7. INCOME TAX EXPENSE/(CREDIT)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2021 and 2020.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the Enterprise Income 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 to 31 December 2021, 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 statutory EIT rate of 25%.

During the six months ended 30 June 2021 and 2020, 潼關縣祥順礦業發展有限公司 (transliterated as Tongguan County Xiangshun Mining Development Co., Ltd.* (“Xiangshun Mining”)), the operating subsidiary of One Champion International Limited, obtained the in-charge tax bureau’s approval previously and was granted a reduced EIT rate of 15%.

* The English translation of the names are for reference only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7. INCOME TAX EXPENSE/(CREDIT) (Continued)

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — PRC Enterprise Income Tax	3,233	—
Deferred tax	(370)	(695)
	<u>2,863</u>	<u>(695)</u>

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2021, nor has any dividend been proposed for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. EARNING/(LOSS) PER SHARE

The calculation of basic earning/(loss) per share is based on the profit/(loss) for the period attributable to owners of the Company of approximately HK\$67,141,000 (six months ended 30 June 2020 loss: HK\$5,804,000) and the weighted average number of ordinary shares of approximately 3,392,272,000 (six months ended 30 June 2020: 3,392,272,000) in issue during the six months ended 30 June 2021.

Diluted earning/(loss) per share equals to basic earning/(loss) per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2021 and 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

10. CAPITAL EXPENDITURE

	Right-of use assets	Property, plant and equipment	Exploration and evaluation assets	Goodwill	Other intangible assets
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1 January 2021 (audited)	43,775	1,415,497	1,409,990	687,980	211,617
Exchange adjustments	430	16,289	17,041	–	2,425
Additions	4,363	42,679	1,286	–	2,275
	<u>48,568</u>	<u>1,474,465</u>	<u>1,428,317</u>	<u>687,980</u>	<u>216,317</u>
At 30 June 2021 (unaudited)	<u>48,568</u>	<u>1,474,465</u>	<u>1,428,317</u>	<u>687,980</u>	<u>216,317</u>
Accumulated depreciation, amortisation and impairment					
At 1 January 2021 (audited)	10,241	111,715	–	51,848	64,388
Exchange adjustments	57	1,321	–	–	835
Charge for the period	2,198	12,431	–	–	3,665
	<u>12,496</u>	<u>125,467</u>	<u>–</u>	<u>51,848</u>	<u>68,888</u>
At 30 June 2021 (unaudited)	<u>12,496</u>	<u>125,467</u>	<u>–</u>	<u>51,848</u>	<u>68,888</u>
Carrying amounts					
At 30 June 2021 (unaudited)	<u>36,072</u>	<u>1,348,998</u>	<u>1,428,317</u>	<u>636,132</u>	<u>147,429</u>
At 31 December 2020 (audited)	<u>33,534</u>	<u>1,303,782</u>	<u>1,409,990</u>	<u>636,132</u>	<u>147,229</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

11. OTHER FINANCIAL ASSETS

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Equity securities listed in overseas stock exchange		
— as financial assets measured at fair value through other comprehensive income (“FVOCI”)	12,473	6,989

The equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

12. INTEREST IN AN ASSOCIATE

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Share of net assets	3,557	3,517
Amount due from an associate*	1,803	1,782
Less: allowance	(3)	(3)
	1,800	1,779

* The amount is unsecured, interest free and is with no fixed repayment terms.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

12. INTEREST IN AN ASSOCIATE (Continued)

Movement in impairment loss on amount due from an associate:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
At 1 January	3	3
Impairment loss recognised	—	—
At 30 June/31 December	<u>3</u>	<u>3</u>

Details of the Group's 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) The company is limited liability company established in the PRC. The English translation of the company name is for reference only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

12. INTEREST IN AN ASSOCIATE (Continued)

In the opinion of the directors of the Company, the above associate is not material to the Group and the summarised financial information is set out below.

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss for the period	—	—
Other comprehensive income	—	—
Total comprehensive income	—	—

13. OTHER RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Other receivables	8,860	11,184
Less: allowances (Note (a))	(510)	(268)
	8,350	10,916
Deposits and prepayments	45,821	29,986
Value added tax recoverable	2,061	2,010
	56,232	42,912

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

13. OTHER RECEIVABLES (Continued)

Note:

(a) Other receivables

Movement in impairment loss on other receivables:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
At 1 January	268	104
Reversal of impairment loss previously recognised	(1)	(101)
Impairment loss recognised	243	265
	<hr/>	<hr/>
At 30 June/31 December	510	268

Included in the Group's allowance for doubtful debts are individually impaired other receivables in which the Directors consider that it is unlikely to recover these debts as they are long outstanding balances. The Group does not hold any collateral over these balances.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14. OTHER PAYABLES

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Other payables and accruals (<i>Note (a)</i>)	519,582	539,718
Amounts due to related parties (<i>Note (b)</i>)	475,175	469,532
	<u>994,757</u>	<u>1,009,250</u>
Analysed for reporting purposes as:		
— current portion	405,513	437,588
— non-current portion	589,244	571,662
	<u>994,757</u>	<u>1,009,250</u>

Notes:

- (a) Included in other payables were mainly payable to subcontractors of HK\$265,000,000 for the six months ended 30 June 2021 (year ended 31 December 2020: HK\$306,000,000) for mining extraction and construction and promissory note payable of HK\$55,164,000 (year ended 31 December 2020: HK\$64,288,000).
- (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 after one year at the end of reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. BANK AND OTHER BORROWINGS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Current		
Unsecured other borrowings (Note (a))	24,036	23,764
Unsecured bank borrowings (Note (b)&(d))	11,417	46,934
Secured other borrowing (Note (c))	—	43,964
Bill payables (Note (d))	60,090	30,893
Less: cash deposit (Note (e))	<u>(12,018)</u>	<u>(23,764)</u>
	83,525	121,791
Non-current		
Unsecured other borrowings (Note (a))	97,021	95,923
Unsecured bank borrowing (Note (b)&(d))	<u>—</u>	<u>21,982</u>
	97,021	117,905
Other borrowing and bank borrowings repayable*:		
Within one year	83,525	121,791
More than one year but not more than two years	<u>97,021</u>	<u>117,905</u>
	180,546	239,696

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. BANK AND OTHER BORROWINGS (Continued)

Notes:

- (a) The effective interest rates (which are also equal to contracted interest rates) on the Group's other borrowings are including the fixed rates at 12% per annum (year ended 31 December 2020: 12% per annum).
- (b) The ranges of effective interest rates on the Group's bank borrowings are including the variable market rates which are loan prime rate ("LPR")+0.95%, LPR+2.025% and LPR+2.088% per annum (year ended 31 December 2020: LPR+0.95%, LPR+2.025% and LPR+2.088% per annum).
- (c) During the period, the Group has pledged the machineries of HK\$55,217,000 (year ended 31 December 2020: HK\$55,217,000) to secure the other borrowing granted to the Group. The effective interest rates on the other borrowings is fixed rate at 6% per annum.
- (d) Personal and corporate guarantees were given to banks for the bank borrowings and bill payables by a subsidiary and/or the independent third parties.
- (e) Xiangshun Mining is required to maintain cash on deposit of HK\$12,018,000 for the six months ended 30 June 2021 (year ended 31 December 2020: HK\$23,764,000) in respect of bill payables. The cash cannot be withdrawn or used by the company for liquidity purposes whilst the bill payables are outstanding. Upon maturity of the borrowing, the company and the lender intend to net settle. As a result, Xiangshun Mining's borrowings have been presented net of the cash on deposit.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

16. SHARE CAPITAL

Number of
ordinary
shares at
HK\$0.1 each
'000 *HK\$'000*

Authorised:

At 1 January 2020 (audited), 30 June 2020
(unaudited), 31 December 2020 (audited) and
30 June 2021 (unaudited)

46,223,810

4,622,381

Issued and fully paid:

At 1 January 2020 (audited), 30 June 2020
(unaudited), 31 December 2020 (audited) and
30 June 2021 (unaudited)

3,392,272

339,227

All the shares issued during the period rank pari passu with the then existing shares in all respects.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17. CAPITAL COMMITMENTS

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	18,798	22,935
Exploration right	12,510	12,178
Mining right	28,122	29,552
	59,430	64,665

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets/liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets/liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
At 30 June 2021 (unaudited)				
Financial assets measured at FVOCI				
— listed equity securities	<u>12,473</u>	<u>—</u>	<u>—</u>	<u>12,473</u>
At 31 December 2020 (audited)				
Financial assets measured at FVOCI				
— listed equity securities	<u>6,989</u>	<u>—</u>	<u>—</u>	<u>6,989</u>

The listed equity securities of the Group were measured at fair value determined based on their quoted bid prices in active markets at the end of each reporting period.

The fair value of contingent consideration payable is estimated using a discounted cash flow method.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

There were no transfers between Level 1, 2 and 3 in current and prior period.

(i) Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) is as follows:

Contingent consideration payable

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
At 1 January	—	51,214
Change in fair value:		
— in profit or loss (included in other net gains and losses)	—	13,074
— Derecognition of financial liabilities measured at FVTPL	—	(64,288)
	<hr/>	<hr/>
At 30 June/31 December	—	—
	<hr/>	<hr/>
(Loss)/gain recognised in profit or loss (included in other net gains and losses) relating to financial instruments held by the Group at the reporting date	—	(13,074)
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. CONTINGENT LIABILITIES

During the year ended 31 December 2020, a subsidiary of the Group has provided a corporate guarantee in respect of a banking facility of RMB200,000,000 (equivalent to HK\$ 237,640,000) granted by a bank to a company established in the PRC, an independent third party (the “Borrower”). Pursuant to the terms of the guarantee arrangement, in case of default on payments by the Borrower, the Group is responsible for repaying the outstanding loans together with any accrued interest and penalty owed by the Borrower to the bank. The Group’s guarantee period has commenced from the date of grant of the relevant banking facility for 3 years.

As at 30 June 2021, the banking facility guaranteed by the Group to the Borrower was utilised to the extent of RMB40,000,000 (equivalent to HK\$48,000,000) (31 December 2020: RMB88,000,000 (equivalent to HK\$104,561,000)) by pledging the Borrower’s properties and machineries of approximately RMB25,000,000 and RMB55,600,000 respectively to the bank. The directors considered the fair value of the financial guarantee contract at initial recognition was to be insignificant based on the fair value of the pledged properties of the Borrower.

Corporate Governance



The Company is committed to comply with its established best practice in corporate governance and is acting in line with those practices as set out in the annual report of the Company for the financial year ended 31 December 2020. The Board believes that good corporate governance is crucial to enhance the performance of the Group and to safeguard the interests of the shareholders of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company has complied with the code provisions (“Code Provision(s)”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) during the six months ended 30 June 2021, except for certain deviations as specified and explained below with considered reasons for such deviations.

1. Under Code Provision A.2.1 of the CG 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 (“Director”) on 31 January 2014, the Company has not appointed a new chairman of the Board (the “Chairman”). Until the appointment of the new Chairman, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board.

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

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

Corporate Governance

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

2. Under Code Provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014, Mr. Yeung Kwok Kuen, the executive Director, has been elected by other Directors present to act as the chairman of the annual general meeting of the Company held on 28 May 2021 in accordance with the Bye-laws of the Company.
3. Under Code Provision F.1.3 of the CG Code, the company secretary should report to the board chairman and/or the chief executive officer. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014 and the new CEO has not been appointed following the resignation of Mr. Wang Hui as the CEO on 1 June 2016, the company secretary of the Company reported to the executive Directors since 1 June 2016.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Upon specific enquiries, all Directors confirmed they had complied with the required standards set out in the Model Code during the six months ended 30 June 2021.

BOARD OF DIRECTORS

The Board is responsible for the formulation of the Group’s business strategies and management objective, supervision of the management and evaluation of the effectiveness of management strategies. 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 a written terms of reference specifying a schedule of matters which should be reserved to the Board and which should be delegated to management.

Corporate Governance



AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors. They are responsible for ensuring the quality and integrity of internal control, conducting review of the Group's accounting principles and practices, risk management and the Group's interim and annual accounts.

REMUNERATION COMMITTEE

The Remuneration Committee comprises one executive Director and three independent non-executive Directors. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy, remuneration packages for the Directors and members of the senior management and on the establishment of a formal and transparent process for approving such remuneration policy.

NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive Directors. The principal responsibilities of the Nomination Committee are to lead the process for the appointments of the member of the Board, and to identify and nominate suitable candidates for appointment to the Board and make recommendations to the Board.

Disclosure of Interests and Other Information

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

As at 30 June 2021, the interests or short positions of the directors and chief executives of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company were as follow:

Interests in underlying shares of the Company – share options

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

Saved as disclosed above, as at 30 June 2021, none of the directors and chief executives of the Company or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interests and Other Information

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in “Share Option Scheme” below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 2021, persons (other than directors or chief executives of the Company as disclosed herein) 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 <i>(Note 1)</i>
Huang Aidong	Interest in controlled corporation	Ordinary	508,334,000 <i>(Note 2)</i>	14.99%
Hu Jianzhong	Interest in controlled corporation	Ordinary	470,000,000 <i>(Note 3)</i>	13.86%
Lin Eddie Chang	Interest in controlled corporation	Ordinary	330,000,000 <i>(Note 4)</i>	9.73%
Lin Yuhua	Interest in controlled corporation	Ordinary	185,250,000 <i>(Note 5)</i>	5.46%
Ho Ping Tanya	Beneficial owner	Ordinary	330,000,000	9.73%

Disclosure of Interests and Other Information

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

(Continued)

Long position in shares of the Company *(Continued)*

Notes:

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2021, which were 3,392,272,221.
2. These ordinary shares are held by Profit Linkage Enterprises Limited which is 100% beneficially owned by Ms. Huang Aidong.
3. These ordinary shares are held by Golden Blossom Investment Limited which is 100% beneficially owned by Mr. Hu Jianzhong.
4. These ordinary shares are held by Fung Wai Enterprises Ltd. which is 100% beneficially owned by Mr. Lin Eddie Chang.
5. These ordinary shares are held by Supreme Success Group Limited which is 100% beneficially owned by Ms. Lin Yuhua.

Saved as disclosed above, the Company had not been notified of any interests or short positions in the shares and underlying shares of equity derivatives of the Company as required to be recorded in the register under section 336 of the SFO as at 30 June 2021.

SHARE OPTION SCHEME

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

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

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

Disclosure of Interests and Other Information

SHARE OPTION SCHEME *(Continued)*

2. The participants of the New Share Option Scheme are: (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or advisers of or contractor to the Group or an entity in which any member of the Group holds any interest from time to time ("Invested Entity"); (ii) any discretionary trust whose discretionary objects include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and (iii) the option may be granted to any corporation wholly-owned by any person mentioned in (i).
3. As at 25 August 2021, the total number of ordinary shares of HK\$0.1 each in the capital of the Company ("Shares") available for issue under the New Share Option Scheme was 339,227,222 representing approximately 10% of the issued ordinary share capital of the Company.
4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued ordinary share capital of the Company from time to time.
5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.

Disclosure of Interests and Other Information



SHARE OPTION SCHEME *(Continued)*

6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.
7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations on the date of grant which must be a business day, (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.
8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 25 May 2012.

Disclosure of Interests and Other Information

SHARE OPTION SCHEME (Continued)

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the New Share Option Scheme for the six months ended 30 June 2021 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at 1 January 2021	No. of options granted during the period	No. of options cancelled during the period	No. of shares acquired on exercise of options during the period	No. of options outstanding at 30 June 2021	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share options granted in 2018										
Directors										
Yeung Kwok Kuen	7 December 2018	(Note 1)	10,000,000	—	—	—	10,000,000	HK\$0.52	HK\$0.51	—
Shi Xing Zhi	7 December 2018	(Note 1)	12,000,000	—	—	—	12,000,000	HK\$0.52	HK\$0.51	—
Shi Sheng Li	7 December 2018	(Note 1)	12,000,000	—	—	—	12,000,000	HK\$0.52	HK\$0.51	—
Chu Kang Nam	7 December 2018	(Note 1)	1,000,000	—	—	—	1,000,000	HK\$0.52	HK\$0.51	—
Liang Xu Shu	7 December 2018	(Note 1)	1,000,000	—	—	—	1,000,000	HK\$0.52	HK\$0.51	—
Leung Ka Wo	7 December 2018	(Note 1)	<u>1,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000,000</u>	HK\$0.52	HK\$0.51	—
			<u>37,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>37,000,000</u>			
Former directors										
(Note 2)	7 December 2018	(Note 1)	<u>4,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,000,000</u>	HK\$0.52	HK\$0.51	—
Employees in aggregate										
	7 December 2018	(Note 1)	<u>9,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,000,000</u>	HK\$0.52	HK\$0.51	—
			<u>50,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>50,000,000</u>			

Disclosure of Interests and Other Information

SHARE OPTION SCHEME *(Continued)*

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

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

Notes:

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

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

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

The Company has not redeemed any of its listed securities during the six months ended 30 June 2021. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee of the Company and management have reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021.

Disclosure of Interests and Other Information



CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information since the date of the 2020 annual report and up to the date of this interim report is as follows:

Mr. Leung Ka Wo, the independent non-executive Director, was appointed as the independent non-executive director of Ye Xing Group Holdings Limited (Stock Code: 1941), a company listed on the main board of the Stock Exchange, with effect from 7 July 2021.

By Order of the Board
Tongguan Gold Group Limited
Yeung Kwok Kuen

Executive Director and Chief Financial Officer

Hong Kong, 25 August 2021