



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

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

2023
INTERIM REPORT



Content

CORPORATE INFORMATION	2
MANAGEMENT DISCUSSION AND ANALYSIS	3
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	12
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	14
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	16
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	18
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	20
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	21
CORPORATE GOVERNANCE	44
DISCLOSURE OF INTERESTS AND OTHER INFORMATION	47

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

CL Partners CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditor

Room 3203A to 05

Lippo Center Tower 2

Admiralty

Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
(Asia) Limited

Industrial and Commercial Bank of China
Limited

Industrial Bank Company Limited

STOCK CODE

00340

COMPANY WEBSITE

www.tongguangold.com

Management Discussion and Analysis

RESULTS REVIEW

For the six months ended 30 June 2023 (the “Interim Period”), Tongguan Gold Group Limited (the “Company”) together with its subsidiaries (the “Group”) recorded the revenue amounted to approximately HK\$676,548,000 (six months ended 30 June 2022: approximately HK\$179,593,000). Such increase was mainly attributable from the Group’s expansion of its gold related business into gold recycling business since the second half of 2022. This business contributed approximately HK\$484,125,000 in revenue in the Interim Period. Details analysis is set out in below “Review of Operations” section.

The Group recorded the profit attributable to owners of the Company amounted to approximately HK\$13,930,000 in the Interim Period (six months ended 30 June 2022: approximately HK\$26,832,000). Profit from operations attributable to owners of the Company decreased by approximately HK\$12,902,000 was primarily resulting from decrease in average gold grade of ore per tonne mined and more excavation cost incurred.

Administrative and other expenses amounted to approximately HK\$22,669,000, representing a decrease of approximately 5.3% from approximately HK\$23,950,000 for the corresponding period in 2022 and is primarily due to decrease in the staff cost.

REVIEW OF OPERATIONS

A. Gold Mining Operation

The 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 amount to approximately HK\$192,423,000, representing an increase of approximately 7.1% from approximately HK\$179,593,000 for the corresponding period in 2022 and was primarily contributed by an increase in average selling price by upward trend of gold from RMB374 per gram for the corresponding period in 2022 to RMB435 per gram in the Interim Period.

The cost of sales amounted to approximately HK\$143,442,000, representing an increase of approximately 23.6% from approximately HK\$116,008,000 for the corresponding period in 2022. Gross profit from this operation amounted to approximately HK\$48,981,000 (gross profit margin 25.5%), representing a

Management Discussion and Analysis

decrease in approximately 23.0% as compared with gross profit of approximately HK\$63,585,000 (gross profit margin 35.4%) for the corresponding period in 2022. The increase in cost of sales and the decrease in gross profit were mainly contributed by (i) decrease in average gold grade of ore mined from 5.05 gram per tonne for the corresponding period in 2022 to 3.89 gram per tonne in the Interim Period; and (ii) more excavation cost incurred when compared with corresponding period in 2022.

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’s exploration right was successfully converted into mining right and is currently applying for a safety production license before carrying out exploration and mining activities.

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

During the 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, drilling engineering is used to control the peripheral veins.

Management Discussion and Analysis

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 4,353 meters and (ii) the pit drilling project of approximately 2,679 meters.

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 2023
Underground mining	
Mine production (thousand tonnes)	88.9
	<hr/>
Total mine production (thousand tonnes)	88.9
	<hr/>
Average gold grade (gram/tonne)	3.89

(2) Ore processing operation — Concentrating

	Six months ended 30 June 2023
Concentrate production — Gold (thousand tonnes)	5.56
Average gold grade (gram/tonne)	67.01
Metal in the concentrate (Kilogram)	372.87

Management Discussion and Analysis

Jinhui Mining, Tongxin Mining and Tongjin Mining

During the Interim Period, 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 Interim Period are set out as below:

	Mine produced Gold (HK\$'000)
Exploration and Mining activities	
Exploration and development construction	23,003
Mining ore	63,542
	<hr/>
Total	86,545
	<hr/>
<i>(Concentrating not included)</i>	

B. Gold Recycling Business

The activity of the Group's gold recycling business is involving sale of physical gold bullion by purchasing gold related materials from other supply chain players, and refining by subcontractors. For the Interim Period, the volume of sale of gold bullion was approximately 1.11 tonnes. Approximately HK\$484,125,000 of revenue and approximately HK\$483,541,000 of cost of sales were contributed from this operation for the six months ended 30 June 2023. Gross profit from this operation was thin and amounted to approximately HK\$584,000.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group had total assets and net assets of approximately HK\$3,508,096,000 (31 December 2022: approximately HK\$3,650,157,000) and approximately HK\$1,982,983,000 (31 December 2022: approximately HK\$2,033,356,000), respectively. The current ratio was approximately 0.17 (31 December 2022: approximately 0.28).

As at 30 June 2023, the Group had bank balances and cash, of approximately HK\$73,792,000 (31 December 2022: approximately HK\$143,105,000), of which most were denominated in Renminbi and Hong Kong dollar.

As at 30 June 2023, the Group had total bank and other borrowings of approximately HK\$154,262,000 (31 December 2022: approximately HK\$160,905,000) which were denominated in Renminbi. For the bank and other borrowings of approximately HK\$87,560,000 (31 December 2022: approximately HK\$90,377,000) carried at fixed rates at 12% (31 December 2022: fixed rate at 12%) per annum. For the bank and other borrowings of approximately HK\$66,702,000 (31 December 2022: approximately HK\$70,528,000) carried at variable interest rate which are loan prime rate (“LPR”) +1.550%, LPR+2.025%, LPR+2.60% and LPR+2.95% per annum (31 December 2022: LPR+2.025%, LPR+2.60% and LPR+2.95% per annum). The decrease in total borrowings is mainly resulting from the depreciation of the exchange rate of Renminbi against Hong Kong dollars. The gearing ratio, as a ratio of total borrowings to shareholders’ fund was approximately 8.3% (31 December 2022: approximately 8.5%).

As at 30 June 2023, the Group had promissory note of approximately HK\$66,104,000 (31 December 2022: approximately HK\$63,181,000). The promissory note with principal amount of HK\$80,000,000 carries zero interest and to be due on 9 October 2025.

FOREIGN EXCHANGE RISK MANAGEMENT

As part of the Group’s assets and liabilities are denominated in Hong Kong 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.

Management Discussion and Analysis

SHARE CAPITAL

As at 30 June 2023, 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 2023, the Group had not pledged any assets as a security for the bank and other borrowings granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had a contingent liability and detail is set out in Note 18 to the condensed consolidated financial statements (31 December 2022: detail is set out in Note 44 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had approximately 8 and 191 employees in Hong Kong and the PRC 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\$9,171,000 for the Interim Period (six months ended 30 June 2022: approximately HK\$11,343,000).

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

Management Discussion and Analysis

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 the PRC 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 scheme adopted by the Company on 13 June 2022, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

PROSPECTS

Although the COVID-19 pandemic (the "Pandemic") has come to an end, and in particular the easing of restrictions and policies related to Pandemic in Mainland China, international geopolitical crises, persistent inflationary pressure and banking crisis in the United States ("U.S.") still haunt the global economic environment and caused the economic growth to remain weak. Under such circumstances, the Group can still achieve a revenue growth of approximately 277% compared with last period. It is mainly attributable from the expansion of gold related business to gold recycling business since the second half of 2022. According to World Gold Council, the demand for gold recycling was continue to grow in the first half of 2023. The Group intends to seize this opportunity to expand market share and enhance our reputation in the gold industry in the Mainland China.



Management Discussion and Analysis

Despite the substantial increase in revenue, the overall net profit fell by approximately 47% compared with last period. It is primarily due to the decrease in the net profit of gold mining operation mainly resulting from lower average gold grade of ore per tonne mined in 2023. We expect average gold grade will gradually improve during the second half of 2023 and improve our overall performance. On the other hand, the Group successfully acquired Grand Gallant Investments Limited and its subsidiaries (the “Grand Gallant Group”) on 21 July 2023. As published in the announcement dated 7 July 2023, Grand Gallant Group is principally engaged in the exploration and mining of gold and related minerals by undergrounds mining method and operates its own processing plants. Under the existing licenses on hand, Grand Gallant Group contains more than 16 tonnes gold reserve. We expect that results of Grand Gallant Group will contribute and enhance our performance during the rest of 2023.

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. After experiencing systemic risk concerns triggered by U.S. banking crisis in March 2023 and one of U.S. rating agencies downgraded the U.S. credit rating since the beginning of August 2023, the gold price has remained stable so far. These proved that gold still serves its solid role as a safe-haven asset. According to the survey organised by World Gold Council, gold continues to be viewed favorably by central banks, it revealed that some central banks intend to increase their holding reserves in the next 12 months. Furthermore, interest rate cut expectations, financial systemic risk and geopolitical risk will continue to be the support points for gold price. The Group will closely monitor the market trends in commodity prices and take necessary actions to control any potential risks.

Management Discussion and Analysis



The Group is committed to being a responsible corporate citizen and to fulfilling its corporate social responsibility while remaining competitive and sustainable in its business development. Environmental sustainability, safety production and supporting local communities would continue to be the priority tasks of the Group. In response to safety production, the Group adhered to provide safe and healthy working environment, and carried out trainings to all workers and employees to enhance their safety management and technical knowledge skills. To ensure environmental sustainability, the Group continues to monitor and review waste and pollution reduction measures at all of the operating plants to comply with the relevant regulations and requirements. To support the local community, the Group continues to participate in various community activities.

Although there are uncertainties in the pace of economic recovery in 2023, we expect we will have a new chapter in the post-pandemic era. As always, the Group will continue to seek opportunities and explore other investment opportunities to enhance the portfolio, so as to return the shareholders of the Company.



Report on Review of Condensed Consolidated Financial Statements

To the Board of Directors of Tongguan Gold Group Limited

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Tongguan Gold Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 14 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements

To the Board of Directors of Tongguan Gold Group Limited

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2022 and the relevant explanatory notes included in these condensed consolidated financial statements were extracted from the interim financial information of the Group for six-month period ended 30 June 2022 reviewed by another auditor who expressed an unmodified conclusion on the interim financial information on 29 August 2022. The comparative condensed consolidated statement of financial position as at 31 December 2022 were extracted from consolidated financial statements of the Group for the year ended 31 December 2022 audited by the same auditor who expressed an unmodified opinion on those statements on 27 March 2023.

CL Partners CPA Limited

Certified Public Accountants

Hong Kong

28 August 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	676,548	179,593
Cost of sales		(626,983)	(116,008)
Gross profit		49,565	63,585
Other income		787	1,274
Other net gains/(losses)		111	(65)
Administrative and other expenses		(22,669)	(23,950)
Finance costs	5	(5,074)	(5,513)
Profit before tax	6	22,720	35,331
Income tax expense	7	(6,640)	(5,074)
Profit for the period		16,080	30,257
Other comprehensive expense			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes in equity investment at fair value through other comprehensive income		(1,773)	(4,256)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		(64,680)	(98,130)
Other comprehensive expense for the period		(66,453)	(102,386)
Total comprehensive expense for the period		(50,373)	(72,129)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit for the period attributable to:			
– Owners of the Company		13,930	26,832
– Non-controlling interests		2,150	3,425
		<u>16,080</u>	<u>30,257</u>
Total comprehensive expense for the period attributable to:			
– Owners of the Company		(44,221)	(62,909)
– Non-controlling interests		(6,152)	(9,220)
		<u>(50,373)</u>	<u>(72,129)</u>
Earnings per share – Basic and diluted	9	<u>HK\$0.41 cents</u>	<u>HK\$0.79 cents</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	1,351,754	1,391,712
Right-of-use assets	10	29,091	29,097
Exploration and evaluation assets	10	1,268,265	1,305,913
Goodwill	10	580,667	599,352
Other intangible assets	10	165,102	104,347
Other financial asset	11	4,076	5,737
Interest in an associate	12	3,210	3,313
		3,402,165	3,439,471
Current assets			
Inventories		7,696	25,120
Other receivables	13	22,819	40,785
Amount due from an associate	12	1,624	1,676
Bank balances and cash		73,792	143,105
		105,931	210,686
Current liabilities			
Other payables	14	347,143	419,163
Bank and other borrowings	15	126,062	130,119
Contract liabilities		2,503	32,655
Lease liabilities		957	537
Tax payables		149,516	159,899
		626,181	742,373
Net current liabilities		(520,250)	(531,687)
Total assets less current liabilities		2,881,915	2,907,784

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		30 June 2023	31 December 2022
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Bank and other borrowings	15	28,200	30,786
Other payables	14	548,406	515,546
Provision for restoration and environmental costs		13,886	13,290
Lease liabilities		1,064	94
Deferred tax liabilities		307,376	314,712
		<u>898,932</u>	<u>874,428</u>
Net assets		<u>1,982,983</u>	<u>2,033,356</u>
Capital and reserves			
Share capital	16	339,227	339,227
Share premium and reserves		1,510,989	1,555,210
Equity attributable to owners of the Company		1,850,216	1,894,437
Non-controlling interests		132,767	138,919
Total equity		<u>1,982,983</u>	<u>2,033,356</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 2023

	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	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2022 (audited)	339,227	1,090,897	29,280	287,496	10,235	(42,565)	93,797	207,088	2,015,405	156,970	2,172,375
Profit for the period	-	-	-	-	-	-	-	26,832	26,832	3,425	30,257
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	(85,485)	-	(85,485)	(12,645)	(98,130)
Fair value changes in equity investment at fair value through other comprehensive income	-	-	-	-	-	(4,256)	-	-	(4,256)	-	(4,256)
Other comprehensive expense for the period	-	-	-	-	-	(4,256)	(85,485)	-	(89,741)	(12,645)	(102,386)
Total comprehensive (expense) income for the period	-	-	-	-	-	(4,256)	(85,485)	26,832	(62,909)	(9,220)	(72,129)
At 30 June 2022 (unaudited)	339,227	1,090,897	29,280	287,496	10,235	(46,821)	8,312	233,870	1,952,496	147,750	2,100,246

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	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	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2023 (audited)	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
Profit for the period	-	-	-	-	-	-	-	13,930	13,930	2,150	16,080
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	(56,378)	-	(56,378)	(8,302)	(64,680)
Fair value changes in equity investment at fair value through other comprehensive income	-	-	-	-	-	(1,773)	-	-	(1,773)	-	(1,773)
Other comprehensive expense for the period	-	-	-	-	-	(1,773)	(56,378)	-	(58,151)	(8,302)	(66,453)
Total comprehensive (expense) income for the period	-	-	-	-	-	(1,773)	(56,378)	13,930	(44,221)	(6,152)	(50,373)
At 30 June 2023 (unaudited)	339,227	1,090,897	29,280	287,496	10,235	(51,723)	(126,504)	271,308	1,850,216	132,767	1,982,983

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash used in operating activities	(46,241)	(12,431)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(15,153)	(30,782)
Proceeds from disposals of property, plant and equipment	12	–
Expenditure paid on exploration and evaluation assets	(3,199)	(7,001)
Interest received	607	576
Net cash used in investing activities	(17,733)	(37,207)
Cash flows from financing activities		
Repayments of bank and other borrowings	(39,078)	(51,987)
Payments of principal portion of lease liabilities	(2,110)	(1,047)
New bank and other borrowings raised	38,512	83,421
Interest paid on lease liabilities	(399)	(38)
Interest paid on bank and other borrowings	(1,752)	(2,805)
Net cash (used in) generated from financing activities	(4,827)	27,544
Net decrease in cash and cash equivalents	(68,801)	(22,094)
Cash and cash equivalents at 1 January	143,105	157,700
Effect of exchange rate changes on cash and cash equivalents	(512)	(5,321)
Cash and cash equivalents at 30 June, represented by bank balances and cash	73,792	130,285

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

Other than change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) which relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s audited annual consolidated financial statements for the year ended 31 December 2022 (the “Annual Report 2022”).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. BASIS OF PREPARATION *(Continued)*

Basis of measurement and going concern assumption

The Group had net current liabilities of approximately HK\$520,250,000 at 30 June 2023.

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the Group's condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 2022. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. REVENUE AND SEGMENT REPORTING *(Continued)*

During the second half of the prior year, the Group commenced the business engaging in gold recycling in the People's Republic of China ("PRC"), and it is considered as a new reportable and operating segment by the Board. Accordingly, the Board reviews the business with the following reportable segments:

1. Gold mining operation – exploration, mining, processing and sale of gold concentrate and related products in the PRC
2. Gold recycling – purchasing of gold related materials, refining and sale of gold bullion in the PRC

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. REVENUE AND SEGMENT REPORTING (Continued)

The information of segment results is as follows:

For the six months ended 30 June 2023

	Gold mining operation <i>HK\$'000</i> (Unaudited)	Gold recycling <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue	192,423	484,125	676,548
Cost of sales	(143,442)	(483,541)	(626,983)
Segment results	48,981	584	49,565

For the six months ended 30 June 2022

	Gold mining operation <i>HK\$'000</i> (Unaudited)	Gold recycling <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue	179,593	–	179,593
Cost of sales	(116,008)	–	(116,008)
Segment results	63,585	–	63,585

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. REVENUE AND SEGMENT REPORTING (Continued)

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<i>Reportable segment results</i>	49,565	63,585
Unallocated income and expenses:		
Other income	787	1,274
Other net gains and losses	111	(65)
Administrative and other expenses	(22,669)	(23,950)
Finance costs	(5,074)	(5,513)
Profit before tax	22,720	35,331
Income tax expense	(6,640)	(5,074)
Profit for the period	16,080	30,257

The Group recognises revenue on sale of gold concentrates and related products and gold bullion at a point in time when control of the goods has transferred, being when the goods are delivered to the customers in accordance with HKFRS 15 *Revenue from Contracts with Customers*. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. REVENUE AND SEGMENT REPORTING (Continued)

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 customers

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A (note a)	72,112	146,785
Customer B (notes a & b)	N/A	32,808
Customer C (notes a & c)	90,065	N/A
Customer D (notes c & d)	206,692	N/A
Customer E (notes c & d)	277,433	N/A

Notes:

- The corresponding revenue represents revenue arisen from gold mining operation.
- The corresponding revenue for the six months ended 30 June 2023 for Customer B contributed of less than 10% of total revenue of the Group.
- The corresponding revenue for the six months ended 30 June 2022 for the relevant customers as nil.
- The corresponding revenue represents revenue arisen from gold recycling business.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. FINANCE COSTS

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on unsecured bank and other borrowings	7,791	12,007
Less: amount capitalised (<i>Note</i>)	(6,039)	(9,202)
Interest expenses on lease liabilities	399	38
Interest on promissory note payable at amortised cost	2,923	2,670
	<u>5,074</u>	<u>5,513</u>

Note:

Borrowing costs capitalised during the period arose on the general borrowings pool are calculated by applying the capitalisation rate of 9.30% (six months ended 30 June 2022: 11.90%) to expenditure on qualifying assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Directors' emoluments	1,304	1,113
Other staff's salaries, bonus and allowances	6,983	9,470
Other staff's contribution to retirement benefits schemes	884	760
Total staff costs	<u>9,171</u>	<u>11,343</u>
Amortisation of other intangible assets	2,038	5,684
Cost of sales comprise of:		
— Cost of inventories recognised as an expense (<i>Note</i>)	614,834	105,183
— Documentation transferring fee*	5,776	5,506
Depreciation charges		
— property, plant and equipment	17,732	17,670
— right-of-use assets	<u>1,303</u>	<u>1,533</u>

Note:

Costs of inventories recognised as an expense mainly include mining extraction costs and mining ore processing costs of approximately HK\$110,844,000 (six months ended 30 June 2022: approximately HK\$78,456,000), transportation cost of approximately HK\$701,000 (six months ended 30 June 2022: approximately HK\$960,000), amortisation and depreciation charges of approximately HK\$17,490,000 (six months ended 30 June 2022: approximately HK\$20,810,000) and purchase cost of gold related materials of approximately HK\$483,347,000 (six months ended 30 June 2022: nil).

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

7. 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 six months ended 30 June 2023 and 2022.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the Enterprise Income Tax (“EIT”) 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)(國家發改委令2013年第21號)(transliterated as Catalogue of Industrial Structure Adjustment Guidance (2011 Revised)) (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%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

7. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — PRC EIT:		
— Provision for the period	3,795	5,321
— Underprovision in prior year	168	248
	3,963	5,569
Deferred tax	2,677	(495)
	6,640	5,074

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

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2023, nor has any dividend been proposed for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately HK\$13,930,000 (six months ended 30 June 2022: approximately HK\$26,832,000) and the weighted average number of ordinary shares of approximately 3,392,272,000 in issue during the six months ended 30 June 2023 (six months ended 30 June 2022: approximately 3,392,272,000).

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2023 and 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

10. CAPITAL EXPENDITURE

	Right-of use assets HK\$'000	Property, plant and equipment HK\$'000	Exploration and evaluation assets HK\$'000	Goodwill HK\$'000	Other intangible assets HK\$'000
Cost					
At 1 January 2023 (audited)	45,965	1,564,567	1,305,913	648,202	213,853
Exchange adjustments	(1,104)	(49,645)	(40,847)	(20,208)	(9,592)
Additions	2,178	21,192	3,199	–	68,885*
Disposals	–	(343)	–	–	–
	<u>47,039</u>	<u>1,535,771</u>	<u>1,268,265</u>	<u>627,994</u>	<u>273,146</u>
At 30 June 2023 (unaudited)	47,039	1,535,771	1,268,265	627,994	273,146
Accumulated depreciation, amortisation and impairment					
At 1 January 2023 (audited)	16,868	172,855	–	48,850	109,506
Exchange adjustments	(223)	(6,245)	–	(1,523)	(3,500)
Charge for the period	1,303	17,732	–	–	2,038
Eliminated on disposals	–	(325)	–	–	–
	<u>17,948</u>	<u>184,017</u>	<u>–</u>	<u>47,327</u>	<u>108,044</u>
At 30 June 2023 (unaudited)	17,948	184,017	–	47,327	108,044
Carrying amounts					
At 30 June 2023 (unaudited)	<u>29,091</u>	<u>1,351,754</u>	<u>1,268,265</u>	<u>580,667</u>	<u>165,102</u>
At 31 December 2022 (audited)	29,097	1,391,712	1,305,913	599,352	104,347

* During the six months period ended 30 June 2023, included in addition of other intangible assets were approximately HK\$13,779,000 released from other receivables, prepayment and deposits upon completion of application of mining license, while remaining balances had not been settled.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

11. OTHER FINANCIAL ASSET

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Equity investment listed in overseas stock exchange		
— as financial asset measured at fair value through other comprehensive income (“FVOCI”)	4,076	5,737

The equity investment was irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature. The fair value of financial assets at FVOCI is measured by quoted market price at which is Level 1 fair value hierarchy (31 December 2022: Level 1).

12. INTEREST IN AN ASSOCIATE

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Share of net assets	3,210	3,313
Amount due from an associate*	1,627	1,679
Less: allowance	(3)	(3)
	1,624	1,676

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. INTEREST IN AN ASSOCIATE (Continued)

Movement in impairment loss on amount due from an associate:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 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 (Note (a))	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 2023

12. INTEREST IN AN ASSOCIATE *(Continued)*

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

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Loss for the period	—	—
Other comprehensive expense	(103)	(530)
Total comprehensive expense	(103)	(530)

13. OTHER RECEIVABLES

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
	Other receivables	2,834
Less: allowances <i>(Note)</i>	(490)	(490)
	2,344	2,377
Deposits and prepayments	20,231	38,156
Value added tax recoverable	244	252
	22,819	40,785

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

13. OTHER RECEIVABLES (Continued)

Note:

Other receivables

Movement in impairment loss on other receivables:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
At 1 January	490	490
Impairment loss recognised	—	—
At 30 June/31 December	490	490

The Group does not hold any collateral over these balances.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

14. OTHER PAYABLES

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Other payables and accruals (<i>Note (a)</i>)	416,641	445,391
Amounts due to related parties (<i>Note (b)</i>)	412,804	426,137
Promissory note payable (<i>Note (c)</i>)	66,104	63,181
	895,549	934,709
Analysed for reporting purposes as:		
— current portion	347,143	419,163
— non-current portion	548,406	515,546
	895,549	934,709

Notes:

- (a) Included in other payables were mainly payables to subcontractors of approximately HK\$207,826,000 at 30 June 2023 (31 December 2022: approximately HK\$304,069,000) for mining extraction and construction; and unsecured borrowing from an independent third party of approximately HK\$16,269,000 (31 December 2022: HK\$16,792,000) carried at fixed interest rate of 12% per annum and repayable on 14 January 2024 (31 December 2022: carried at fixed interest rate of 12% per annum and repayable on 14 January 2023).
- (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.
- (c) Promissory note payable carried at zero interest rate, unsecured and repayable on 9 October 2025 (31 December 2022: repayable on 9 October 2025).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

15. BANK AND OTHER BORROWINGS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Current		
Unsecured other borrowings (Note (a))	87,560	90,377
Unsecured bank borrowings (Note (b))	38,502	1,679
Bill payables (Note (c))	15,184	44,780
Less: cash deposit (Note (d))	(15,184)	(6,717)
	<u>126,062</u>	<u>130,119</u>
Non-current		
Unsecured bank borrowings (Note (b))	<u>28,200</u>	<u>30,786</u>
Bank and other borrowings repayable*:		
Within one year	126,062	130,119
More than one year		
but not more than two years	28,200	17,352
More than two years		
but not more than five years	–	13,434
	<u>154,262</u>	<u>160,905</u>

* 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 2023

15. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

- (a) The effective interest rate (which is also equal to contracted interest rate) on the Group's other borrowing is at a fixed interest rate of 12% per annum (31 December 2022: fixed rate at 12% per annum).
- (b) Personal and corporate guarantees were given to banks for the bank borrowings by subsidiaries and/or the independent third parties. The effective interest rates on the Group's bank borrowings are the variable market rates which are loan prime rate ("LPR")+1.550%, LPR+2.025%, LPR+2.60% and LPR+2.95% per annum (31 December 2022: LPR+2.025%, LPR+2.60% and LPR+2.95% per annum).
- (c) As at 30 June 2023, the bills payable were fully secured by the cash deposit. As at 31 December 2022, personal and corporate guarantees were given to banks for the bill payables by subsidiaries and/or the independent third parties and secured by the cash deposit.
- (d) Xiangshun Mining is required to maintain cash on deposit of approximately HK\$15,184,000 for the six months ended 30 June 2023 (31 December 2022: approximately HK\$6,717,000) 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 2023

16. SHARE CAPITAL

	Number of ordinary shares at HK\$0.1 each '000	HK\$'000
Authorised:		
At 1 January 2022 (audited), 30 June 2022 (unaudited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	46,223,810	4,622,381
Issued and fully paid:		
At 1 January 2022 (audited), 30 June 2022 (unaudited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	3,392,272	339,227

All the shares rank pari passu with the other shares in all respects.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

17. CAPITAL COMMITMENTS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in respect of the acquisition of:		
– Property, plant and equipment	5,142	5,614
– Mining right	–	5,446
	5,142	11,060

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

18. 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 approximately 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 was responsible for repaying the outstanding borrowings together with any accrued interest and penalty owed by the Borrower to the bank. The Group’s guarantee period has commenced from the date of grant of the relevant banking facility for 3 years.

As at 31 December 2022, the Borrower has utilised the relevant banking facility of RMB80,000,000 (equivalent to approximately HK\$89,560,000) by pledging the Borrower’s properties and machineries of approximately RMB25,000,000 and RMB55,600,000 respectively to the bank. The Directors considered the fair value of the financial guarantee contract at initial recognition was to be insignificant based on the fair value of the pledged assets of the Borrower.

As at 30 June 2023, the banking facility guaranteed by the Group to the Borrower has been expired. No further renewal nor new financial guarantee has been provided by the Group at the end of the reporting period.

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 7 July 2023, the Company (as purchaser), Qinlong Jinxin Mining Investment Limited, an independent third party as vendor (“Vendor”) and Ms. Jiang Wei and Ms. Lo Ting, being the ultimate beneficial owners of the Vendor as guarantors have entered into equity transfer agreement (the “Equity Transfer Agreement”). Pursuant to the Equity Transfer Agreement, the Company has conditionally agreed to acquire 100% equity of Grand Gallant Investments Limited and its subsidiaries at a consideration of HK\$339,000,000 and shall be settled by way of issue of consideration shares. The Company allotted and issued 678,000,000 shares to the Vendor upon completion of the transaction on 21 July 2023.



Corporate Governance

The Company is committed to comply with its established best practice in corporate governance and are based on the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The 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 CG Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2023, 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 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. 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. 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.

Corporate Governance

The Board believes that this arrangement still enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board will review the current structure from time to time and as and when appropriate if candidate with suitable leadership, knowledge, skills and experience is identified, the Company may make the necessary modification to the management structure.

2. Under Code Provision F.2.2 of the CG Code, the Chairman should attend the annual general meeting. Since the Company currently does not have any officer with the title of the Chairman, Mr. Yeung Kwok Kuen, the executive Director, has been elected by other Directors present to act as the chairman of the annual general meeting of the Company held on 2 June 2023 in accordance with the Bye-laws of the Company. Mr. Yeung Kwok Kuen has sufficient calibre and knowledge for communication with the shareholders of the Company at the annual general meeting of the Company.
3. Under Code Provision C.6.3 of the CG Code, the company secretary should report to the board chairman and/or the chief executive officer. Since the Company currently does not have any officer with the title of the Chairman or CEO, the company secretary of the Company reported to the executive Directors since 1 June 2016.

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

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 2023.



Corporate Governance

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.

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 2023, 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 2023, none of the directors and chief executives of the Company or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 Scheme – 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 2023, 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 (Note 1)
Huang Aidong	Interest in controlled corporation	Ordinary	508,334,000 (Note 2)	14.99%
Hu Jianzhong	Interest in controlled corporation	Ordinary	470,000,000 (Note 3)	13.86%
Lin Eddie Chang	Interest in controlled corporation	Ordinary	330,000,000 (Note 4)	9.73%
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 2023, 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.

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 2023.

SHARE SCHEME – SHARE OPTION SCHEME

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

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

Disclosure of Interests and Other Information

SHARE SCHEME – SHARE OPTION SCHEME *(Continued)*

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.
2. The participants of the New Share Option Scheme are: (i) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or an entity in which any member of the Group holds any interest from time to time (“Invested Entity”); (ii) any discretionary trust who discretionary objects include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and (iii) the option may be granted to any corporation wholly-owned by any person mentioned in (i).
3. As at 28 August 2023, the total number of ordinary shares of HK\$0.1 each in the capital of the Company (“Shares”) available for issue under the New Share Option Scheme was 339,227,222 representing approximately 8% of the issued ordinary share capital of the Company.
4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued ordinary share capital of the Company from time to time.

Disclosure of Interests and Other Information

SHARE SCHEME – SHARE OPTION SCHEME *(Continued)*

5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.
6. Though there is no specified minimum period under the New Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the New Share Option Scheme, the Board may at its discretion when offering the grant of any option impose any performance targets which must be met before the option shall vest and become exercisable and/or impose any minimum period for which an option must be held.
7. An option shall be accepted by a participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.
8. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations on the date of grant which must be a business day, (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.
9. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 13 June 2022.

No share options was granted for the six months ended 30 June 2023 under the New Share Option Scheme.

Disclosure of Interests and Other Information

SHARE SCHEME – 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 Old Share Option Scheme for the six months ended 30 June 2023 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at 1 January 2023	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 2023	Exercise price per share	* Market value per share at date of grant of options	* Market value per share on exercise of options
Share options granted in 2018										
Directors										
Yeung Kwok Kuen	7 December 2018	(Note 1)	10,000,000	–	–	–	10,000,000	HK\$0.52	HK\$0.51	–
Shi Xing Zhi	7 December 2018	(Note 1)	12,000,000	–	–	–	12,000,000	HK\$0.52	HK\$0.51	–
Shi Sheng Li	7 December 2018	(Note 1)	12,000,000	–	–	–	12,000,000	HK\$0.52	HK\$0.51	–
Chu Kang Nam	7 December 2018	(Note 1)	1,000,000	–	–	–	1,000,000	HK\$0.52	HK\$0.51	–
Liang Xu Shu	7 December 2018	(Note 1)	1,000,000	–	–	–	1,000,000	HK\$0.52	HK\$0.51	–
Leung Ka Wo	7 December 2018	(Note 1)	1,000,000	–	–	–	1,000,000	HK\$0.52	HK\$0.51	–
			37,000,000	–	–	–	37,000,000			
Former directors										
(Note 2)	7 December 2018	(Note 1)	4,000,000	–	–	–	4,000,000	HK\$0.52	HK\$0.51	–
Employees in aggregate										
	7 December 2018	(Note 1)	9,000,000	–	–	–	9,000,000	HK\$0.52	HK\$0.51	–
			50,000,000	–	–	–	50,000,000			

Disclosure of Interests and Other Information

SHARE SCHEME – 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.

As at 1 January 2023 and 30 June 2023, the total number of options available for grant under the current scheme mandate limit was 339,227,222 Shares and 339,227,222 Shares, respectively, representing approximately 10% of the issued ordinary share capital of the Company.

The number of Shares that may be issued in respect of options granted under all schemes of the Company during the six months ended 30 June 2023 divided by weighted average number of Shares in issue for the six months ended 30 June 2023 is 1.47%.

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 2023. 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 2023.



Disclosure of Interests and Other Information

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 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

By Order of the Board

Tongguan Gold Group Limited

Yeung Kwok Kuen

Executive Director and Chief Financial Officer

Hong Kong, 28 August 2023