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

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 00340)**

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board of directors (the “Board”) of Tongguan Gold Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024, with the comparative figures for the corresponding period in 2023, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**

*For the six months ended 30 June 2024*

	<i>Notes</i>	<b>2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>
Revenue	4	<b>849,951</b>	676,548
Cost of sales		<b>(631,193)</b>	(626,983)
Gross profit		<b>218,758</b>	49,565
Other income		<b>2,298</b>	787
Other net (losses)/gains		<b>(106)</b>	111
Administrative and other expenses		<b>(72,610)</b>	(22,669)
Finance costs	5	<b>(15,529)</b>	(5,074)
<b>Profit before tax</b>	6	<b>132,811</b>	22,720
Income tax expense	7	<b>(42,111)</b>	(6,640)
<b>Profit for the period</b>		<b>90,700</b>	16,080

	<i>Notes</i>	<b>2024</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2023 <i>HK\$'000</i> <i>(Unaudited)</i>
<b>Other comprehensive expense</b>			
<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		<b>3,919</b>	(1,773)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>(15,486)</u>	<u>(64,680)</u>
<b>Other comprehensive expense for the period</b>		<u>(11,567)</u>	<u>(66,453)</u>
<b>Total comprehensive income (expense) for the period</b>		<u><b>79,133</b></u>	<u>(50,373)</u>
Profit for the period attributable to:			
— Owners of the Company		<b>91,956</b>	13,930
— Non-controlling interests		<u>(1,256)</u>	<u>2,150</u>
		<u><b>90,700</b></u>	<u>16,080</u>
Total comprehensive income (expense) for the period attributable to:			
— Owners of the Company		<b>82,269</b>	(44,221)
— Non-controlling interests		<u>(3,136)</u>	<u>(6,152)</u>
		<u><b>79,133</b></u>	<u>(50,373)</u>
Earnings per share – Basic and diluted	9	<u><b>HK\$2.26 cents</b></u>	<u>HK\$0.41 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		1,735,381	1,756,902
Right-of-use assets		49,351	50,981
Exploration and evaluation assets		1,322,022	1,323,399
Goodwill		763,020	768,452
Other intangible assets		271,340	284,177
Other financial asset		7,431	3,613
Interest in an associate		3,243	3,266
Other receivable	10	14,244	—
		<u>4,166,032</u>	<u>4,190,790</u>
<b>Current assets</b>			
Inventories		153,367	87,749
Trade and other receivables, deposits and prepayments	10	93,180	116,782
Amount due from an associate		1,641	1,652
Cash and cash equivalents		194,947	157,887
		<u>443,135</u>	<u>364,070</u>
<b>Current liabilities</b>			
Other payables	11	497,305	416,131
Bank and other borrowings		519,732	444,159
Contract liabilities		57,133	11,989
Lease liabilities		976	1,263
Tax payables		172,269	157,384
		<u>1,247,415</u>	<u>1,030,926</u>
<b>Net current liabilities</b>		<u><b>(804,280)</b></u>	<u><b>(666,856)</b></u>
<b>Total assets less current liabilities</b>		<u><b>3,361,752</b></u>	<u><b>3,523,934</b></u>

		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Bank and other borrowings		<b>14,244</b>	119,551
Other payables	<i>11</i>	<b>456,673</b>	601,051
Provision for restoration and environmental costs		<b>16,330</b>	16,298
Lease liabilities		<b>85</b>	386
Deferred tax liabilities		<b>333,868</b>	325,229
		<u><b>821,200</b></u>	<u>1,062,515</u>
<b>Net assets</b>		<u><b>2,540,552</b></u>	<u>2,461,419</u>
<b>Capital and reserves</b>			
Share capital		<b>407,027</b>	407,027
Share premium and reserves		<b>1,991,733</b>	1,909,464
		<u><b>2,398,760</b></u>	<u>2,316,491</u>
Equity attributable to owners of the Company		<b>2,398,760</b>	2,316,491
Non-controlling interests		<b>141,792</b>	144,928
		<u><b>2,540,552</b></u>	<u>2,461,419</u>
<b>Total equity</b>		<u><b>2,540,552</b></u>	<u>2,461,419</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2024*

## 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 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 the 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 2024 are the same as those presented in the Group’s audited annual consolidated financial statements for the year ended 31 December 2023 (the “Annual Report 2023”).

### **Basis of measurement and going concern assumption**

The Group had net current liabilities of approximately HK\$804,280,000 at 30 June 2024.

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) renewal of financing facilities and (ii) enhancing the Group’s operational efficiency and implementing cost control measures. The Group will actively negotiate with the financial institution for the renewal of the Group’s borrowings when they fall due in order to secure necessary funds to meet the Group’s working capital and financial requirements in the foreseeable future. In the opinion of the Directors, 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.

## 2. PRINCIPAL ACCOUNTING POLICIES

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following 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 2024 for the preparation of the Group's condensed consolidated financial statements:

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

The application of the amendments in the current 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.

## 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 2023. 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 (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered or services provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions.

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

On July 2023, the Group has completed the acquisition of Grand Gallant Investments Limited and its subsidiaries (the "Grand Gallant Group"), and since then, the results of Grand Gallant Group has been aggregated into gold mining operation segment.

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

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

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

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

The information of segment results is as follows:

**For the six months ended 30 June 2024**

	<b>Gold mining operation HK\$'000 (Unaudited)</b>	<b>Gold recycling HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
Revenue	644,847	205,104	849,951
Cost of sales	(426,242)	(204,951)	(631,193)
Segment results	<u>218,605</u>	<u>153</u>	<u>218,758</u>

**For the six months ended 30 June 2023**

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

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Reportable segment results</i>	<b>218,758</b>	49,565
Unallocated income and expenses:		
Other income	<b>2,298</b>	787
Other net (losses)/gains	<b>(106)</b>	111
Administrative and other expenses	<b>(72,610)</b>	(22,669)
Finance costs	<b>(15,529)</b>	(5,074)
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Profit before tax	<b>132,811</b>	22,720
Income tax expense	<b>(42,111)</b>	(6,640)
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Profit for the period	<b>90,700</b>	16,080
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The Group recognises revenue on sale of gold products at a point in time when control of the goods has transferred, being when the goods are delivered to the 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.

### **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:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Customer A ( <i>note a</i> )	N/A	72,112
Customer B ( <i>note b</i> )	N/A	90,065
Customer C	<b>252,941</b>	206,692
Customer D	<b>370,007</b>	277,433
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Included in revenue, consist of approximately HK\$86,377,000 for the six months period ended 30 June 2024 (six months ended 30 June 2023: Nil) is derived from selling gold bullion in a trading platform of Shanghai Gold Exchange through a member registered in Shangha Gold Exchange.

*Notes:*

- a. The corresponding revenue for the six months ended 30 June 2024 for Customer A as Nil.
- b. The corresponding revenue for the six months ended 30 June 2024 for Customer B contributed of less than 10% of total revenue of the Group.

## 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest on bank and other borrowings	<b>11,951</b>	7,791
Interest expenses on lease liabilities	<b>378</b>	399
Interest on promissory note payable at amortised cost	<b>3,200</b>	2,923
	<b>15,529</b>	11,113
<i>Less: amount capitalised (Note)</i>	–	(6,039)
	<b>15,529</b>	5,074

*Note:*

Borrowing costs capitalised during six months ended 30 June 2023 arose on the general borrowings pool are calculated by applying the capitalisation rate of 9.30% to expenditure on qualifying assets (six months ended 30 June 2024: Nil).

## 6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Directors' emoluments	1,317	1,304
Other staff's salaries, bonus and allowances	18,355	6,983
Other staff's contribution to retirement benefits schemes	1,697	884
Total staff costs	<u>21,369</u>	<u>9,171</u>
Amortisation of other intangible assets	10,723	2,038
Cost of sales comprise of:		
— Cost of inventories recognised as an expense ( <i>Note</i> )	573,294	614,834
— Documentation transferring fee	6,760	5,776
Depreciation charges		
— property, plant and equipment	40,895	17,732
— right-of-use assets	1,271	1,303

*Note:*

Costs of inventories recognised as an expense mainly include mining extraction costs and mining ore processing costs of approximately HK\$301,852,000 (six months ended 30 June 2023: approximately HK\$110,844,000), transportation cost of approximately HK\$1,721,000 (six months ended 30 June 2023: approximately HK\$701,000), amortisation and depreciation charges of approximately HK\$45,852,000 (six months ended 30 June 2023: approximately HK\$17,490,000) and purchase cost of gold related materials of approximately HK\$204,845,000 (six months ended 30 June 2023: approximately HK\$483,347,000).

## 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 2024 and 2023.

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) (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% up to 2030.

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax — PRC EIT:		
— Provision for the period	<b>30,779</b>	3,795
— Underprovision in prior year	<b>299</b>	168
	<b>31,078</b>	3,963
Deferred tax	<b>11,033</b>	2,677
	<b>42,111</b>	6,640

\* *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 2024, nor has any dividend been proposed for the six months ended 30 June 2024 (six months ended 30 June 2023: 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\$91,956,000 (six months ended 30 June 2023: approximately HK\$13,930,000) and the weighted average number of ordinary shares of approximately 4,070,272,000 in issue during the six months ended 30 June 2024 (six months ended 30 June 2023: 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 2024 and 30 June 2023.

## 10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Trade receivables <i>(Note (a))</i>	—	10,897
Less: allowances	—	—
	—	10,897
Other receivables <i>(Note (b))</i>	<b>40,797</b>	70,472
Loan receivable <i>(Note (c))</i>	<b>14,244</b>	—
Less: allowances <i>(Note (d))</i>	<b>(490)</b>	(490)
	<b>54,551</b>	69,982
Deposits and prepayments	<b>52,474</b>	35,642
Value added tax recoverable	<b>399</b>	261
	<b>107,424</b>	116,782
Analysed for reporting purposes as:		
— current portion	<b>93,180</b>	116,782
— non-current portion	<b>14,244</b>	—
	<b>107,424</b>	116,782

Notes:

- (a) Trade receivables are arisen from the gold bullion smelting from mining operation which was traded on or through Shanghai Gold Exchange, and would be collected on T+2 days upon completion of the transaction with the members of the Shanghai Gold Exchange. Therefore, there is no significant credit risk in respect of the trade receivables.

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

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Within 30 days	—	10,894

- (b) As at 30 June 2024, included in the Group's other receivables consist of approximately HK\$31,488,000 (31 December 2023: approximately HK\$31,712,000) is secured by properties held by the guarantors; and approximately HK\$934,000 (31 December 2023: approximately HK\$31,074,000) representing the cooperation receivables from independent third parties under their respective cooperation agreements for the future exploration of the Group's resources under three exploration sites.

- (c) During the current period, the Group has granted the loan to an independent third party for approximately HK\$14,244,000, which carried at fixed interest rate of 5.4% per annum, secured by a part of rights of return generated from the mining asset constructed by the debtor and repayable on 30 May 2027.

- (d) Movement in impairment loss on other receivables:

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
At 1 January	490	490
Impairment loss recognised	—	—
At 30 June/31 December	<b>490</b>	<b>490</b>

## 11. OTHER PAYABLES

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Other payables and accruals ( <i>Note (a)</i> )	<b>560,290</b>	487,844
Amounts due to related parties ( <i>Note (b)</i> )	<b>321,326</b>	460,176
Promissory note payable ( <i>Note (c)</i> )	<b>72,362</b>	69,162
	<b>953,978</b>	1,017,182
Analysed for reporting purposes as:		
— current portion	<b>497,305</b>	416,131
— non-current portion	<b>456,673</b>	601,051
	<b>953,978</b>	1,017,182

### Notes:

- (a) Included in other payables were mainly payables to subcontractors of approximately HK\$396,570,000 at 30 June 2024 (31 December 2023: approximately HK\$329,465,000) for mining extraction and construction. As at 31 December 2023, unsecured borrowing from an independent third party of approximately HK\$8,455,000 carried at interest-free and repayable on 14 January 2025, the unsecured borrowing has been settled in full during the current period, and thus, no outstanding balances noted as at 30 June 2024.
- (b) The amounts are due to certain beneficial owners of the shareholders of the Company and are non-trade in nature, unsecured, interest-free and repayable 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 2023: repayable on 9 October 2025). It is measured at amortised cost at effective interest rate of 9.08% per annum.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS REVIEW

For the six months ended 30 June 2024 (the “Interim Period”), Tongguan Gold Group Limited (the “Company”) together with its subsidiaries (the “Group”) recorded the revenue amounted to approximately HK\$849,951,000, representing an increase of approximately 25.6% as compared to the revenue of approximately HK\$676,548,000 for the corresponding period in 2023. The increase in revenue was mainly attributable to (i) the increase in the average selling price of mine-produced gold; and (ii) the increase in sale volume of mine-produced gold following the acquisition of Grand Gallant Investments Limited and its subsidiaries (the “Grand Gallant Group”) in July 2023. Detailed analysis is set out in below “Review of Operations” section.

Administrative and other expenses amounted to approximately HK\$72,610,000, representing an increase of approximately 220.3% from approximately HK\$22,669,000 for the corresponding period in 2023 and was primarily due to (i) an increase in one-off expense, such as invalid exploration costs; and (ii) the inclusion of the administrative and other expenses incurred by the Grand Gallant Group in the Interim Period.

The Group recorded the finance costs amounted to approximately HK\$15,529,000, representing an increase of approximately 206.1% from approximately HK\$5,074,000 for the corresponding period in 2023 and was mainly due to the consolidation of Grand Gallant Group’s interest expense on bank borrowings in the Interim Period.

Income tax expense was increased by approximately HK\$35,471,000 as compared to income tax expense of approximately HK\$6,640,000 for the corresponding period in 2023. The increase was mainly due to an increase in the overall gross profit in the Interim Period.

The Group recorded profit for the Interim Period attributable to owners of the Company was approximately HK\$91,956,000, representing an increase of approximately 560.1% from approximately HK\$13,930,000 for the corresponding period in 2023 and was mainly due to the increase in sale volume of mine-produced gold together with higher average gold grade of ore per tonne mined and higher average selling price of mine-produced gold per gram in the Interim Period.

## REVIEW OF OPERATIONS

### A. Gold Mining Operation

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

For the Interim Period, the Group's revenue from gold mining operation amounted to approximately HK\$644,847,000, representing an increase of approximately 235.1% from approximately HK\$192,423,000 for the corresponding period in 2023 and was primarily contributed by (i) the increase in average selling price of mine-produced gold by upwards trend of gold from RMB435 per gram for the corresponding period in 2023 to RMB499 per gram in the Interim Period; and (ii) an increase in sale volume of mine-produced gold from approximately 0.39 tonnes for the corresponding period in 2023 to approximately 1.19 tonnes in Interim Period, such increase mainly contributed by Grand Gallant Group.

The cost of sales amounted to approximately HK\$426,242,000, representing an increase of approximately 197.2% from approximately HK\$143,442,000 for the corresponding period in 2023. As results, the gross profit from this operation amounted to approximately HK\$218,605,000 (gross profit margin 33.9%), representing an increase in approximately 346.3% as compared with gross profit of approximately HK\$48,981,000 (gross profit margin 25.5%) for the corresponding period in 2023. The increase in gross profit margin was mainly contributed by increase in average gold grade of ore mined from 3.89 gram per tonne for the corresponding period in 2023 to 5.48 gram per tonne in the Interim Period.

### 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 0.40 tonnes (six months ended 30 June 2023: approximately 1.11 tonnes). Approximately HK\$205,104,000 of revenue (six months ended 30 June 2023: approximately HK\$484,125,000) and approximately HK\$204,951,000 of cost of sales (six months ended 30 June 2023: approximately HK\$483,541,000) were contributed from this operation for the six months ended 30 June 2024. Gross profit from this operation was thin and amounted to approximately HK\$153,000 (six months ended 30 June 2023: approximately HK\$584,000).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2024, the Group had total assets and net assets of approximately HK\$4,609,167,000 (31 December 2023: approximately HK\$4,554,860,000) and approximately HK\$2,540,552,000 (31 December 2023: approximately HK\$2,461,419,000), respectively. The current ratio was approximately 0.36 (31 December 2023: approximately 0.35).



As at 30 June 2024, the Group had bank balances and cash, of approximately HK\$194,947,000 (31 December 2023: approximately HK\$157,887,000), of which most were denominated in Renminbi and Hong Kong dollar.

As at 30 June 2024, the Group had total bank and other borrowings of approximately HK\$533,976,000 (31 December 2023: approximately HK\$563,710,000) which were denominated in Renminbi, including the effective interest rates ranged from 3.28% to 6.45% (31 December 2023: 3.28% to 6.60%) per annum. This included bank borrowings with variable market rates ranged from loan prime rate (“LPR”) +2.60% to +2.95% (31 December 2023: LPR+0.47% to +2.95%) per annum. The slightly decrease in total borrowings is mainly due to adequate funds to cope with daily operation. The gearing ratio, as a ratio of total borrowings to shareholders’ fund was approximately 22.3% (31 December 2023: approximately 24.3%).

As at 30 June 2024, the Group had promissory note of approximately HK\$72,362,000 (31 December 2023: approximately HK\$69,162,000). 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 2024, the Company had 4,070,272,221 ordinary shares in issue with a total shareholders’ fund of the Group amounting to approximately HK\$407,027,000.

## **PLEDGE OF ASSETS**

As at 30 June 2024, the Group has pledged certain property, plant and equipment, prepaid lease payments, other intangible assets and right-of-use assets with carrying amounts of approximately HK\$78,987,000 (31 December 2023: HK\$57,255,000), HK\$21,086,000 (31 December 2023: HK\$21,518,000), HK\$119,064,000 (31 December 2023: HK\$119,115,000) and HK\$26,598,000 (31 December 2023: Nil) respectively to secure bank borrowings granted to the Group.

## **CONTINGENT LIABILITIES**

As at 30 June 2024, the Group did not have any contingent liabilities (31 December 2023: Nil).

## **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 2024, the Group had approximately 9 and 419 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\$21,369,000 for the Interim Period (six months ended 30 June 2023: approximately HK\$9,171,000).

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 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 6 June 2024, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

## **PROSPECTS**

In the first half of 2024, the global economy is facing various challenges such as complex geopolitical crises, rising trade protectionism and macro-economic uncertainties. Meanwhile, due to the construction of a new tailings plant in Tongguan County, the Group has suspended the processing plant in Tongguan County since April 2024. Under such uncertain and fluctuating environment, the Group was still able to achieve revenue and net profit growth of approximately 26% and 464%, as compared with the corresponding period in 2023 and was mainly attributable from the revenue and net profit contributed by Grand Gallant Investments Limited and its subsidiaries, which acquired on 21 July 2023. We estimate that the tailings plant in Tongguan County will be completed in the second half of 2024 and expect to drive our revenue and net profit to a higher level.

The profitability of the Group is highly dependent on the gold price in domestic and international markets. Gold prices continue to hit fresh highs and become the new normal in 2024. Market consensus gradually believes that it is reasonable for gold prices to remain at its current levels. The best proof is that a strong yen rally, likely fuelled by a carry trade unwinds, at the end of July 2024, the prices of most class of assets fell but the gold prices hit a new record high again in middle of August 2024, that mean gold still serves its solid role as a safe-haven asset. Driven by heightened geopolitical risks and expectations of interest rate cut and central bank buying, such factors will continue to be a support point for gold prices. The Group will closely monitor the market trends in commodity prices and take necessary actions to control any potential risks.

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

Looking forwards, we continue to enjoy the benefit from business growth through our acquisition strategy. We will continue to explore various acquisition/integration opportunities for our shareholders to maximize shareholder value.

## **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 C1 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 C1 of the Listing Rules during the six months ended 30 June 2024, 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.

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 31 May 2024 in accordance with the Bye-laws of the Company. Mr. Yeung Kwok Kuen has sufficient calibre and knowledge for communication with the shareholders of the Company at the annual general meeting of the Company.
3. Under Code Provision C.6.3 of the 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 C3 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 2024.

## **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.

## **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 2024. 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 2024.

## **REVIEW OF INTERIM RESULTS**

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 2024.

In addition, the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2024 have been reviewed by CL Partners CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published in the Company's website ([www.tongguangold.com](http://www.tongguangold.com)) and the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report will be available on the websites of the Company and the Stock Exchange in due course.

By Order of the Board  
**Tongguan Gold Group Limited**  
**Yeung Kwok Kuen**  
*Executive Director and Chief Financial Officer*

Hong Kong, 26 August 2024

*As at the date of this announcement, the board of directors of the Company comprises Mr. Yeung Kwok Kuen, Mr. Shi Xing Zhi and Mr. Shi Sheng Li as executive Directors, Mr. Chu Kang Nam, Mr. Liang Xu Shu and Mr. Leung Ka Wo as independent non-executive Directors.*