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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 2023**

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 2023, with the comparative figures for the corresponding period in 2022, as follows:

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

*For the six months ended 30 June 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Revenue	4	<b>676,548</b>	179,593
Cost of sales		<b>(626,983)</b>	(116,008)
Gross profit		<b>49,565</b>	63,585
Other income		<b>787</b>	1,274
Other net gains/(losses)		<b>111</b>	(65)
Administrative and other expenses		<b>(22,669)</b>	(23,950)
Finance costs	5	<b>(5,074)</b>	(5,513)
<b>Profit before tax</b>	6	<b>22,720</b>	35,331
Income tax expense	7	<b>(6,640)</b>	(5,074)
<b>Profit for the period</b>		<b>16,080</b>	30,257

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2022 <i>HK\$'000</i> (Unaudited)
<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		(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		<u>(64,680)</u>	<u>(98,130)</u>
<b>Other comprehensive expense for the period</b>		<u>(66,453)</u>	<u>(102,386)</u>
<b>Total comprehensive expense for the period</b>		<u>(50,373)</u>	<u>(72,129)</u>
Profit for the period attributable to:			
— Owners of the Company		13,930	26,832
— Non-controlling interests		<u>2,150</u>	<u>3,425</u>
		<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		<u>(6,152)</u>	<u>(9,220)</u>
		<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

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

		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Bank and other borrowings		<b>28,200</b>	30,786
Other payables	<i>11</i>	<b>548,406</b>	515,546
Provision for restoration and environmental costs		<b>13,886</b>	13,290
Lease liabilities		<b>1,064</b>	94
Deferred tax liabilities		<b>307,376</b>	314,712
		<u><b>898,932</b></u>	<u>874,428</u>
<b>Net assets</b>		<u><b>1,982,983</b></u>	<u>2,033,356</u>
<b>Capital and reserves</b>			
Share capital		<b>339,227</b>	339,227
Share premium and reserves		<b>1,510,989</b>	1,555,210
		<u><b>1,850,216</b></u>	<u>1,894,437</u>
Equity attributable to owners of the Company		<b>1,850,216</b>	1,894,437
Non-controlling interests		<b>132,767</b>	138,919
		<u><b>1,982,983</b></u>	<u>2,033,356</u>
<b>Total equity</b>		<u><b>1,982,983</b></u>	<u>2,033,356</u>

# 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”).

### **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.

## 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.

## 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.

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.

The information of segment results is as follows:

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

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

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	<u>(116,008)</u>	<u>–</u>	<u>(116,008)</u>
Segment results	<u><u>63,585</u></u>	<u><u>–</u></u>	<u><u>63,585</u></u>

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

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

### **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>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Customer A ( <i>note a</i> )	<b>72,112</b>	146,785
Customer B ( <i>notes a &amp; b</i> )	<b>N/A</b>	32,808
Customer C ( <i>notes a &amp; c</i> )	<b>90,065</b>	N/A
Customer D ( <i>notes c &amp; d</i> )	<b>206,692</b>	N/A
Customer E ( <i>notes c &amp; d</i> )	<b>277,433</b>	N/A
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Notes:

- a. The corresponding revenue represents revenue arisen from gold mining operation.
- b. 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.
- c. The corresponding revenue for the six months ended 30 June 2022 for the relevant customers as nil.
- d. The corresponding revenue represents revenue arisen from gold recycling business.

## 5. FINANCE COSTS

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

## 6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (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	9,171	11,343
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	1,303	1,533

*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.*

## 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%.

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>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax — PRC EIT:		
— Provision for the period	<b>3,795</b>	5,321
— Underprovision in prior year	<b>168</b>	248
	<b>3,963</b>	5,569
Deferred tax	<b>2,677</b>	(495)
	<b>6,640</b>	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.

## 10. OTHER RECEIVABLES

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Other receivables	2,834	2,867
Less: allowances ( <i>Note</i> )	<u>(490)</u>	<u>(490)</u>
	----- 2,344	----- 2,377
Deposits and prepayments	20,231	38,156
Value added tax recoverable	<u>244</u>	<u>252</u>
	<u><u>22,819</u></u>	<u><u>40,785</u></u>

*Note:*

### Other receivables

Movement in impairment loss on other receivables:

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

The Group does not hold any collateral over these balances.

## 11. OTHER PAYABLES

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

## **12. 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.

## **13. 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.

## 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 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.

## **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.

## **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 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). 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.



## **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 12 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.

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.

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.

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.

## **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.

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.

## **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 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.

## **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 2023.

In addition, the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 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 2023.

## **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, 28 August 2023

*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.*