



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

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



**2022**

INTERIM REPORT

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# Corporate Information

## **DIRECTORS**

### **Executive Directors:**

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

### **Independent Non-executive Directors:**

Chu Kang Nam  
Liang Xu Shu  
Leung Ka Wo

## **AUDIT COMMITTEE**

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

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

## **COMPANY SECRETARY**

Leung Lai Ming

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

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

## **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## **PRINCIPAL SHARE REGISTRAR**

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

## **HONG KONG BRANCH SHARE REGISTRAR**

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

## **AUDITORS**

CCTH CPA Limited  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
Unit 1510-1517, 15/F., Tower 2  
Kowloon Commerce Centre  
No. 51 Kwai Cheong Road  
Kwai Chung  
New Territories  
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](http://www.tongguangold.com)

# Management Discussion and Analysis



## RESULTS REVIEW

For the six months ended 30 June 2022 (the “Interim Period”), Tongguan Gold Group Limited (the “Company”) together with its subsidiaries (the “Group”) recorded an unaudited profit attributable to owners of the Company amounted to approximately HK\$26,832,000 (six months ended 30 June 2021: approximately HK\$67,141,000). Profit from operations decreased by approximately HK\$40,309,000 to approximately HK\$26,832,000 for the Interim Period from approximately HK\$67,141,000 for the corresponding period in 2021. Such a decrease in profit is primarily due to decrease in sale volume.

Administrative and other expenses amounted to approximately HK\$23,950,000, representing a decrease of approximately 13.5% from approximately HK\$27,696,000 for the corresponding period in 2021 and is primarily due to decrease in one off expenses, such as invalid exploration costs.

## REVIEW OF OPERATIONS

### Gold Mining Operation

The principal activity of the Group’s gold mining operation is the production and sale of gold concentrates and related products. For the Interim Period, the Group’s revenue from gold mining operation amounted to approximately HK\$179,593,000, representing a decrease of approximately 35.9% from approximately HK\$280,143,000 for the corresponding period in 2021 and is primarily arisen from the decrease in production volume and sale volume following an enhanced measures for disease control and other policies in the Mainland China (the “PRC”), which led to suspension of production for varying periods. The cost of sales amounted to approximately HK\$116,008,000, representing a decrease of approximately 35.6% from approximately HK\$180,137,000 for the corresponding period in 2021 and is in line with the decrease in revenue. Gross profit from operations amounted to approximately HK\$63,585,000 (gross profit margin 35.4%), representing a decrease in approximately 36.4% as compared with gross profit of approximately HK\$100,006,000 (gross profit margin 35.7%) for the corresponding period in 2021. The decrease in gross profit was in line with the decrease in revenue as a result of lower production volume and sale volume during the reporting period.

# Management Discussion and Analysis



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

## I Exploration

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

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

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

During the Interim Period, Jinhui Mining did not carry out any exploration activities. Tongxin Mining is in the progress of conversion of exploration right to mining right. The delineation of the mining area and the development and utilization plan of mineral resources, the geological environment restoration and management and the land reclamation plan have been completed and the environmental assessment report have been completed and subject to approval.

### **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.

## 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 2,448 meters and (ii) the pit drilling project of approximately 5,288 meters.

# Management Discussion and Analysis



## **Jinhui Mining**

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

## **III Mining Production Activities**

### **Xiangshun Mining and De Xing Mining**

#### **(1) Mining operation**

	<b>Six months ended 30 June 2022</b>
Underground mining	
Mine production (thousand tonnes)	<u>78.17</u>
Total mine production (thousand tonnes)	<u>78.17</u>
Average gold grade (gram/tonne)	5.05

#### **(2) Ore processing operation – Concentrating**

	<b>Six months ended 30 June 2022</b>
Concentrate production – Gold (thousand tonnes)	6.88
Average gold grade (gram/tonne)	58.86
Metal in the concentrate (Kilogram)	404.98

### **Jinhui Mining, Tongxin Mining and Tongjin Mining**

During the Interim Period, there was no mining production.

# Management Discussion and Analysis



## IV Exploration, development and mining production cost of the Group

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

	<b>Mine produced Gold</b> <i>(HK\$'000)</i>
Exploration and Mining activities	
Exploration and development construction	15,957
Mining ore	69,480
	<hr/>
Total	85,437
	<hr/>
<i>(Concentrating not included)</i>	

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group had total assets and net assets of approximately HK\$3,760,921,000 (31 December 2021: approximately HK\$3,897,027,000) and approximately HK\$2,100,246,000 (31 December 2021: approximately HK\$2,172,375,000), respectively. The current ratio was 0.31 (31 December 2021: 0.31).

As at 30 June 2022, the Group had bank balances and cash, of approximately HK\$130,285,000 (31 December 2021: approximately HK\$157,700,000), of which most were denominated in Renminbi and Hong Kong dollar.

As at 30 June 2022, the Group had total bank and other borrowings of approximately HK\$199,635,000 (31 December 2021: approximately HK\$177,019,000) which were denominated in Renminbi. For the bank and other borrowings under fixed rates of approximately HK\$117,784,000 (31 December 2021: approximately HK\$98,741,000) carried at fixed rates ranged from 6% to 12% (31 December 2021: fixed rate at 12%) per annum. For the bank and other borrowings under variable rates of approximately HK\$33,910,000 (31 December 2021: approximately HK\$28,131,000), the interest rates are loan prime rate ("LPR") +2.025%, LPR +2.60% and LPR+2.95% per annum (31 December 2021: LPR+2.025%, LPR+2.088% and LPR+2.95% per annum). The increase in total borrowings is to cope with daily operation and future development demands. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 10.2% (31 December 2021: 8.8%).

# Management Discussion and Analysis



As at 30 June 2022, the Group had promissory note of approximately HK\$60,386,000 (31 December 2021: approximately HK\$57,716,000). 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 2022, 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 2022, the Group had not pledged any assets as a security for the bank and other borrowing granted to the Group.

## **CONTINGENT LIABILITIES**

As at 30 June 2022, the Group had a contingent liability and detail is set out in Note 19 to the condensed consolidated financial statements (31 December 2021: detail is set out in Note 45 to the consolidated financial statements).

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

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

# Management Discussion and Analysis



## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2022, the Group had approximately 9 and 196 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\$11,343,000 for the Interim Period (six months ended 30 June 2021: approximately HK\$11,067,000).

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.

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.

# Management Discussion and Analysis



## **PROSPECTS**

Global economic continues to be challenging due to pandemic, geopolitical crisis and interest rate hikes. In view of the pandemic being sporadic from time to time, it was under control through a number of pandemic control measures in the PRC. The Group followed the enhanced measures for disease prevention and control and other policies in the PRC for the first half of 2022, which led to suspension of production for varying periods, the production volume and sales volume therefore decreased. With the gradual ease of the pandemic and relaxation of other policies, the Group strives to resume to its normal production and expand the exploration and mining activities, we expect that the overall performance of the business will be improved in the second half of 2022.

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. Stepping into 2022, in face of high inflation, global central banks have begun to manage and control the inflation by increasing the interest rate, especially the Federal Reserve. Investors are wary of whether successive interest rate hikes will create a global recession or not. While higher interest rate will be detrimental to the gold price, high and persistent inflation and international geopolitical conflicts offsets the impact. As such, gold still serves its solid role as a safe-haven asset, particularly while uncertainties stays elevated. The management will closely monitor the market trends of 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. Pandemic prevention and control, environmental sustainability and safety production would continue to be the priority tasks of the Group. In response to the pandemic, the Group actively implemented various hygiene measures, and followed the disease prevention and control measures and other polices in the PRC. 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.

Moving forward, under the market uncertainties, the Group would remain vigilant and responsive in a timely manner. In the second half of 2022, the Group has extended its gold related business in the PRC, which is to sale of physical gold bullion by purchasing gold related materials from other supply chain players, and refining by subcontractors. Despite the margin of such business is expected to be substantially lower than our existing business, the new business could broaden our income stream, explore our market share and enhance our reputation in the gold industry in the PRC. On the other hand, the management would proactively explore other investment opportunities to enhance the portfolio, thereby maximizing the value for 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 13 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2022 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 2021 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

## **CCTH CPA LIMITED**

*Certified Public Accountants*

Hong Kong

29 August 2022

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	179,593	280,143
Cost of sales		<u>(116,008)</u>	<u>(180,137)</u>
Gross profit		63,585	100,006
Other income		1,274	672
Other net (losses) gains		(65)	9,137
Administrative and other expenses		(23,950)	(27,696)
Finance costs	5	<u>(5,513)</u>	<u>(4,226)</u>
<b>Profit before tax</b>	6	35,331	77,893
Income tax expense	7	<u>(5,074)</u>	<u>(2,863)</u>
<b>Profit for the period</b>		30,257	75,030
<b>Other comprehensive (expense) income, net of income tax</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		(4,256)	5,038
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>(98,130)</u>	<u>19,604</u>
<b>Other comprehensive (expense) income for the period, net of income tax</b>		<u>(102,386)</u>	<u>24,642</u>
<b>Total comprehensive (expense) income for the period</b>		<u>(72,129)</u>	<u>99,672</u>

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period attributable to:			
— Owners of the Company		26,832	67,141
— Non-controlling interests		3,425	7,889
		<u>30,257</u>	<u>75,030</u>
Total comprehensive (expense) income for the period attributable to:			
— Owners of the Company		(62,909)	88,098
— Non-controlling interests		(9,220)	11,574
		<u>(72,129)</u>	<u>99,672</u>
Earnings per share – Basic and diluted	9	<u>HK\$0.79 cents</u>	<u>HK\$1.98 cents</u>

# Condensed Consolidated Statement of Financial Position

As at 30 June 2022

		30 June 2022	31 December 2021
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	1,355,811	1,396,068
Right-of-use assets	10	31,883	34,813
Exploration and evaluation assets	10	1,409,422	1,467,151
Goodwill	10	626,013	654,817
Other intangible assets	10	108,364	119,355
Other financial asset	11	9,322	13,636
Interest in an associate	12	3,461	3,620
		<u>3,544,276</u>	<u>3,689,460</u>
<b>Current assets</b>			
Inventories		11,816	7,287
Other receivables	13	72,793	40,748
Amount due from an associate	12	1,751	1,832
Bank balances and cash		130,285	157,700
		<u>216,645</u>	<u>207,567</u>
<b>Current liabilities</b>			
Other payables	14	368,766	412,233
Bank and other borrowings	15	144,093	61,155
Contract liabilities		29,512	3,302
Lease liabilities		1,599	2,110
Tax payables		163,641	183,526
		<u>707,611</u>	<u>662,326</u>
<b>Net current liabilities</b>		<u>(490,966)</u>	<u>(454,759)</u>
<b>Total assets less current liabilities</b>		<u>3,053,310</u>	<u>3,234,701</u>

# Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	<i>Notes</i>	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Bank and other borrowings	15	55,542	115,864
Other payables	14	557,045	589,703
Provision for restoration and environmental costs		13,214	13,358
Lease liabilities		99	639
Deferred tax liabilities		327,164	342,762
		<u>953,064</u>	<u>1,062,326</u>
<b>Net assets</b>		<u>2,100,246</u>	<u>2,172,375</u>
<b>Capital and reserves</b>			
Share capital	16	339,227	339,227
Share premium and reserves		1,613,269	1,676,178
Equity attributable to owners of the Company		1,952,496	2,015,405
Non-controlling interests		147,750	156,970
<b>Total equity</b>		<u>2,100,246</u>	<u>2,172,375</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 2022

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

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000			Sub-total HK\$'000
At 1 January 2022 (audited)	339,227	1,090,897	29,280	287,496	10,235	(42,565)	93,797	207,038	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 Cash Flows

For the six months ended 30 June 2022

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Net cash (used in) generated from operating activities</b>	<b>(12,431)</b>	<b>51,296</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of property, plant and equipment	(30,782)	(36,744)
Payments for purchase of other intangible assets	–	(2,275)
Expenditure paid on exploration and evaluation assets	(7,001)	(1,286)
Interest received	576	660
<b>Net cash used in investing activities</b>	<b>(37,207)</b>	<b>(39,645)</b>
<b>Cash flows from financing activities</b>		
Repayments of bank and other borrowings	(51,987)	(102,544)
Payments of principal portion of lease liabilities	(1,047)	(1,696)
New bank and other borrowings raised	83,421	40,776
Interest paid on lease liabilities	(38)	(54)
Interest paid on bank and other borrowings	(2,805)	(12,676)
<b>Net cash generated from (used in) financing activities</b>	<b>27,544</b>	<b>(76,194)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(22,094)</b>	<b>(64,543)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>157,700</b>	<b>130,293</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(5,321)</b>	<b>2,673</b>
<b>Cash and cash equivalents at 30 June, represented by bank balances and cash</b>	<b>130,285</b>	<b>68,423</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022



## 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s audited annual financial statements for the year ended 31 December 2021 (the “Annual Report 2021”).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 1. BASIS OF PREPARATION *(Continued)*

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

The Group had net current liabilities of approximately HK\$490,966,000 at 30 June 2022.

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 2022



## 2. PRINCIPAL ACCOUNTING POLICIES

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The application of the 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 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 2021. In addition, management makes assumptions about the future in deriving critical accounting estimates used in preparing the condensed consolidated interim financial information.

## 4. REVENUE AND SEGMENT REPORTING

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

The principal activity of the Group is the production and sale of gold concentrates and related products for the six months ended 30 June 2022 and 2021.

The Group has only one reportable segment, gold mining operation, for the six months ended 30 June 2022 and 2021. Since this is the only reportable and operating segment of the Group, no further analysis thereof is presented. All the revenue of the Group is generated from gold mining operation for the six months ended 30 June 2022 and 2021.

All the revenue of the Group are generated from the exploration, mining, processing and sale of gold concentrates and related products segment for the six months ended 30 June 2022 and 2021.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 4. REVENUE AND SEGMENT REPORTING (Continued)

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from gold mining operation — Exploration, mining, processing and sale of gold concentrates and related products	<b>179,593</b>	280,143

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Timing of revenue recognition under HKFRS 15</b>		
At a point in time	<b>179,593</b>	280,143

### Geographical information

No geographical analysis is presented as the Group's revenue and profit from operations were primarily derived from operating activities in the People's Republic of China (the "PRC").

### Information about major customer

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	<b>146,785</b>	280,143
Customer B (Note)	<b>32,808</b>	—

Note:

The corresponding revenue for the six months ended 30 June 2021 for Customer B was nil.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022



## 5. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on unsecured bank and other borrowings	12,007	10,918
Interest on secured bank borrowings	–	1,758
Less: amount capitalised ( <i>Note</i> )	(9,202)	(8,504)
Interest expenses on lease liabilities	38	54
Interest on promissory note payable at amortised cost	2,670	–
	<u>5,513</u>	<u>4,226</u>

### *Note:*

Borrowing costs capitalised during the period arose on the general borrowings pool are calculated by applying the capitalisation rate of 11.9% (six months ended 30 June 2021: 5.8%) to expenditure on qualifying assets.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Directors' emoluments	513	270
Other staff's salaries, bonus and allowances	10,070	10,648
Other staff's contribution to retirement benefits schemes	760	149
Total staff costs	11,343	11,067
Impairment loss on other receivables	–	243
Reversal of impairment loss previously recognised on other receivables	–	(1)
Amortisation of other intangible assets	5,684	3,665
Costs of inventories recognised as an expense (Note)	110,689	141,787
Depreciation charges		
– property, plant and equipment	17,670	12,431
– right-of-use assets	1,533	2,198

Note:

Costs of inventories recognised as an expense mainly include mining extraction costs, documentation transferring fee, transportation cost and amortisations and depreciation charges of approximately HK\$78,456,000 (six months ended 30 June 2021: approximately HK\$103,531,000), approximately HK\$5,506,000 (six months ended 30 June 2021: approximately HK\$9,573,000), approximately HK\$960,000 (six months ended 30 June 2021: approximately HK\$1,310,000) and approximately HK\$20,810,000 (six months ended 30 June 2021: approximately HK\$13,647,000) respectively.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 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 2022 and 2021.

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%.

During the six months ended 30 June 2022 and 2021, 潼關縣祥順礦業發展有限公司(transliterated as Tongguan County Xiangshun Mining Development Co., Ltd.\* (“Xiangshun Mining”)), the operating subsidiary of One Champion International Limited, and 潼關縣德興礦業有限責任公司(transliterated as Tongguan County De Xing Mining LLC\*), the operating subsidiary of Pride Success Investment Limited, obtained the in-charge tax bureau’s approval previously and were granted a reduced EIT rate of 15%.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 7. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax — PRC EIT:		
— Provision for the period	5,321	3,233
— Underprovision in prior year	248	—
	<u>5,569</u>	<u>3,233</u>
Deferred tax	(495)	(370)
	<u>5,074</u>	<u>2,863</u>

## 8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2022, nor has any dividend been proposed for the six months ended 30 June 2022 (six months ended 30 June 2021: 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\$26,832,000 (six months ended 30 June 2021: approximately HK\$67,141,000) and the weighted average number of ordinary shares of approximately 3,392,272,000 (six months ended 30 June 2021: approximately 3,392,272,000) in issue during the six months ended 30 June 2022.

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 2022 and 2021.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 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
<b>Cost</b>					
At 1 January 2022 (audited)	49,242	1,545,169	1,467,151	708,187	233,645
Exchange adjustments	(1,702)	(69,752)	(64,730)	(31,151)	(10,277)
Additions	—	39,984	7,001	—	—
	<u>47,540</u>	<u>1,515,401</u>	<u>1,409,422</u>	<u>677,036</u>	<u>223,368</u>
At 30 June 2022 (unaudited)	<u>47,540</u>	<u>1,515,401</u>	<u>1,409,422</u>	<u>677,036</u>	<u>223,368</u>
<b>Accumulated depreciation, amortisation and impairment</b>					
At 1 January 2022 (audited)	14,429	149,101	—	53,370	114,290
Exchange adjustments	(305)	(7,181)	—	(2,347)	(4,970)
Charge for the period	1,533	17,670	—	—	5,684
	<u>15,657</u>	<u>159,590</u>	<u>—</u>	<u>51,023</u>	<u>115,004</u>
At 30 June 2022 (unaudited)	<u>15,657</u>	<u>159,590</u>	<u>—</u>	<u>51,023</u>	<u>115,004</u>
<b>Carrying amounts</b>					
At 30 June 2022 (unaudited)	<u>31,883</u>	<u>1,355,811</u>	<u>1,409,422</u>	<u>626,013</u>	<u>108,364</u>
At 31 December 2021 (audited)	<u>34,813</u>	<u>1,396,068</u>	<u>1,467,151</u>	<u>654,817</u>	<u>119,355</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 11. OTHER FINANCIAL ASSET

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Equity investment listed in overseas stock exchange		
— as financial asset measured at fair value through other comprehensive income (“FVOCI”)	<b>9,322</b>	13,636

The equity investment was irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature.

## 12. INTEREST IN AN ASSOCIATE

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Share of net assets	<b>3,461</b>	3,620
Amount due from an associate*	<b>1,754</b>	1,835
Less: allowance	<b>(3)</b>	(3)
	<b>1,751</b>	1,832

\* 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 2022

## 12. INTEREST IN AN ASSOCIATE (Continued)

Movement in impairment loss on amount due from an associate:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 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 2022

## 12. INTEREST IN AN ASSOCIATE *(Continued)*

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss for the period	—	—
Other comprehensive expense	(530)	—
	<hr/>	<hr/>
Total comprehensive expense	(530)	—
	<hr/>	<hr/>

## 13. OTHER RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
	Other receivables	2,200
Less: allowances <i>(Note)</i>	(490)	(490)
	<hr/>	<hr/>
	1,710	2,505
	-----	-----
Deposits and prepayments	70,820	36,614
Value added tax recoverable	263	1,629
	<hr/>	<hr/>
	72,793	40,748
	<hr/>	<hr/>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022



## 13. OTHER RECEIVABLES (Continued)

Note:

### Other receivables

Movement in impairment loss on other receivables:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
At 1 January	490	268
Impairment loss recognised	—	222
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 2022

## 14. OTHER PAYABLES

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Other payables and accruals ( <i>Note (a)</i> )	400,383	446,924
Amounts due to related parties ( <i>Note (b)</i> )	465,042	497,296
Promissory note payable ( <i>Note (c)</i> )	60,386	57,716
	<u>925,811</u>	<u>1,001,936</u>
Analysed for reporting purposes as:		
– current portion	368,766	412,233
– non-current portion	557,045	589,703
	<u>925,811</u>	<u>1,001,936</u>

### Notes:

- (a) Included in other payables were (i) amounts payable to subcontractors of approximately HK\$171,466,000 at 30 June 2022 (31 December 2021: approximately HK\$264,000,000) for mining extraction and construction; (ii) retention payable and guarantee deposits received from subcontractors for mining extraction and construction of approximately HK\$67,144,000 (31 December 2021: approximately HK\$51,000,000); and (iii) loan from an independent third party of approximately HK\$17,540,000 (31 December 2021: Nil) which were unsecured, carried 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 2021: repayable on 9 October 2025).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 15. BANK AND OTHER BORROWINGS

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>Current</b>		
Unsecured other borrowings (Note (a))	94,398	–
Unsecured bank borrowings (Notes (b)&(c))	1,754	11,008
Bill payables (Note (c))	54,957	62,378
Less: cash deposit (Note (d))	<u>(7,016)</u>	<u>(12,231)</u>
	<b>144,093</b>	<b>61,155</b>
<b>Non-current</b>		
Unsecured other borrowings (Note (a))	23,386	98,741
Unsecured bank borrowing (Notes (b)&(c))	<u>32,156</u>	<u>17,123</u>
	<b>55,542</b>	<b>115,864</b>
Bank and other borrowings repayable:		
Within one year	144,093	61,155
More than one year but not more than two years*	23,386	115,864
More than two years but not more than five years*	<u>32,156</u>	<u>–</u>
	<b>199,635</b>	<b>177,019</b>

\* 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 2022



## 15. BANK AND OTHER BORROWINGS (Continued)

Notes:

- (a) The effective interest rates (which are also equal to contracted interest rates) on the Group's other borrowings included the fixed rates of 6% and 12% per annum (31 December 2021: fixed rate at 12% per annum).
- (b) The effective interest rates on the Group's bank borrowings included the variable market rates which are loan prime rate ("LPR")+2.025%, LPR+2.60% and LPR+2.95% per annum (31 December 2021: LPR+2.025%, LPR+2.088% and LPR+2.95% per annum).
- (c) Personal and corporate guarantees were given to banks for the bank borrowings and bill payables by subsidiaries and/or the independent third parties.
- (d) Xiangshun Mining is required to maintain cash on deposit of approximately HK\$7,016,000 for the six months ended 30 June 2022 (31 December 2021: approximately HK\$12,231,000) 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 2022



## 16. SHARE CAPITAL

	Number of ordinary shares at HK\$0.1 each '000	HK\$'000
<b>Authorised:</b>		
At 1 January 2021 (audited), 30 June 2021 (unaudited), 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>46,223,810</u>	<u>4,622,381</u>
<b>Issued and fully paid:</b>		
At 1 January 2021 (audited), 30 June 2021 (unaudited), 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>3,392,272</u>	<u>339,227</u>

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 2022

## 17. CAPITAL COMMITMENTS

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Capital expenditure contracted for but not provided in respect of the acquisition of:		
– Property, plant and equipment	13,184	5,972
– Mining right	–	28,621
– Exploration right	–	8,197
	<hr/>	<hr/>
	13,184	42,790

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Group's other financial asset is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation technique(s) and inputs used).

	Fair value hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>At 30 June 2022 (unaudited)</b>				
Financial asset measured at FVOCI				
— listed equity investment	9,322	—	—	9,322
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 December 2021 (audited)</b>				
Financial asset measured at FVOCI				
— listed equity investment	13,636	—	—	13,636
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 19. CONTINGENT LIABILITIES

During the year ended 31 December 2020, a subsidiary of the Group has provided a corporate guarantee in respect of a banking facility of RMB200,000,000 (equivalent to 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 is 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 30 June 2022, the banking facility guaranteed by the Group to the Borrower was utilised to the extent of RMB20,000,000 (equivalent to approximately HK\$23,386,000) (31 December 2021: RMB40,000,000 (equivalent to approximately HK\$48,924,000)) by pledging the Borrower’s properties and machineries of approximately RMB25,000,000 and RMB55,600,000 respectively to the bank. The Directors considered the fair value of the financial guarantee contract at initial recognition was to be insignificant based on the fair value of the pledged properties of the Borrower.

# Corporate Governance



The Company is committed to comply with its established best practice in corporate governance and 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 2022, 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 10 June 2022 in accordance with the Bye-laws 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 2022.

# 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 2022, 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**

<b>Name of Directors</b>	<b>Number of share options</b>	<b>% of total issued ordinary shares of the Company</b>
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 2022, none of the directors and chief executives of the Company or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Disclosure of Interests and Other Information

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in “Share Option Scheme” below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 2022, 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%
Lin Yuhua	Interest in controlled corporation	Ordinary	185,250,000 (Note 5)	5.46%
Ho Ping Tanya	Beneficial owner	Ordinary	330,000,000	9.73%

# Disclosure of Interests and Other Information

## **INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS**

*(Continued)*

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

*Notes:*

1. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 June 2022, which were 3,392,272,221.
2. These ordinary shares are held by Profit Linkage Enterprises Limited which is 100% beneficially owned by Ms. Huang Aidong.
3. These ordinary shares are held by Golden Blossom Investment Limited which is 100% beneficially owned by Mr. Hu Jianzhong.
4. These ordinary shares are held by Fung Wai Enterprises Ltd. which is 100% beneficially owned by Mr. Lin Eddie Chang.
5. These ordinary shares are held by Supreme Success Group Limited which is 100% beneficially owned by Ms. Lin Yuhua.

Saved as disclosed above, the Company had not been notified of any interests or short positions in the shares and underlying shares of equity derivatives of the Company as required to be recorded in the register under section 336 of the SFO as at 30 June 2022.

## **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.

# Disclosure of Interests and Other Information

## **SHARE OPTION SCHEME** *(Continued)*

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”).

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 29 August 2022, the total number of ordinary shares of HK\$0.1 each in the capital of the Company (“Shares”) available for issue under the New Share Option Scheme was 339,227,222 representing approximately 10% of the issued ordinary share capital of the Company.

# Disclosure of Interests and Other Information

## **SHARE OPTION SCHEME** *(Continued)*

4. Unless otherwise approved by shareholders of the Company in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme to each participant in any 12-month period must not exceed 1% (except for substantial shareholders, as defined in the Listing Rules, or independent non-executive director of the Company, or any of their respective associates, as defined in the Listing Rules, must not exceed 0.1%) of the issued ordinary share capital of the Company from time to time.
5. An option shall be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee, provided that no option shall be exercisable later than 10 years after its date of grant.
6. An option shall be accepted by a participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within 30 days from the date of the offer of grant of the option.
7. The subscription price for Shares under the New Share Option Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Board, but shall be at least the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations on the date of grant which must be a business day, (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant and (iii) the nominal value of a Share.
8. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on 13 June 2022.

No share options was granted for the six months ended 30 June 2022 under the New Share Option Scheme.

# Disclosure of Interests and Other Information

## SHARE OPTION SCHEME (Continued)

Details of movements in the share options held by directors, chief executives, employees and other parties of the Company under the Old Share Option Scheme for the six months ended 30 June 2022 are as follows:

Name	Date granted	Period during which options are exercisable	No. of options outstanding at 1 January 2022	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 2022	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										
<b>Directors</b>										
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	–
			<u>37,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>37,000,000</u>			
<b>Former directors</b>										
(Note 2)	7 December 2018	(Note 1)	<u>4,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,000,000</u>	HK\$0.52	HK\$0.51	–
<b>Employees in aggregate</b>										
	7 December 2018	(Note 1)	<u>9,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,000,000</u>	HK\$0.52	HK\$0.51	–
			<u>50,000,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>50,000,000</u>			

# Disclosure of Interests and Other Information

## **SHARE OPTION SCHEME** *(Continued)*

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

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

*Notes:*

1. Exercisable from 7 December 2018 to 6 December 2023.
2. (a) 3,000,000 share options was granted to Mr. Fang Yi Quan on 7 December 2018 and Mr. Fang Yi Quan was resigned as a director of the Company on 22 November 2019.  
  
(b) 1,000,000 share options was granted to Mr. Ngai Sai Chuen on 7 December 2018 and Mr. Ngai Sai Chuen was retired and resigned as a director of the Company on 29 May 2020 (Annual general meeting of the Company).
3. The share options granted are vested upon granted.

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

The Company has not redeemed any of its listed securities during the six months ended 30 June 2022. 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 2022.

## **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 2022.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

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

*Executive Director and Chief Financial Officer*

Hong Kong, 29 August 2022