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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 2021**

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 2021, with the comparative figures for the corresponding period in 2020, as follows:

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

*For the six months ended 30 June 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Revenue	4	<b>280,143</b>	86,728
Cost of sales		<b>(180,137)</b>	(64,340)
Gross profit		<b>100,006</b>	22,388
Other income		<b>672</b>	633
Other net gains and losses		<b>9,137</b>	(4,583)
Administrative and other expenses		<b>(27,696)</b>	(22,058)
Finance costs	5	<b>(4,226)</b>	(1,917)
<b>Profit/(loss) before tax</b>	6	<b>77,893</b>	(5,537)
Income tax (expense)/credit	7	<b>(2,863)</b>	695
<b>Profit/(loss) for the period</b>		<b>75,030</b>	(4,842)

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Other comprehensive income, net of income tax</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes in equity investments at fair value through other comprehensive income		5,038	438
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>19,604</u>	<u>(25,984)</u>
<b>Other comprehensive income for the period, net of income tax</b>		<u>24,642</u>	<u>(25,546)</u>
<b>Total comprehensive income for the period</b>		<u>99,672</u>	<u>(30,388)</u>
Profit/(loss) for the period attributable to:			
— Owners of the Company		67,141	(5,804)
— Non-controlling interests		<u>7,889</u>	<u>962</u>
		<u>75,030</u>	<u>(4,842)</u>
Total comprehensive income for the period attributable to:			
— Owners of the Company		88,098	(26,681)
— Non-controlling interests		<u>11,574</u>	<u>(3,707)</u>
		<u>99,672</u>	<u>(30,388)</u>
Earning/(loss) per share – Basic and diluted	9	<u>HK\$1.98 cents</u>	<u>HK\$(0.17) cents</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

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

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<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		97,021	117,905
Other payables	11	589,244	571,662
Provision for restoration and environmental costs		12,367	12,973
Lease liabilities		1,525	102
Deferred tax liabilities		338,887	335,403
		<u>1,039,044</u>	<u>1,038,045</u>
<b>Net assets</b>		<u><b>2,048,810</b></u>	<u><b>1,949,138</b></u>
<b>Capital and reserves</b>			
Share capital		339,227	339,227
Share premium and reserves		1,566,648	1,478,550
		<u>1,905,875</u>	<u>1,817,777</u>
Equity attributable to owners of the Company		1,905,875	1,817,777
Non-controlling interests		142,935	131,361
		<u>2,048,810</u>	<u>1,949,138</u>
<b>Total equity</b>		<u><b>2,048,810</b></u>	<u><b>1,949,138</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. BASIS OF PREPARATION

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

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

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

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

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

## 2. ADOPTION OF HKFRSs

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

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

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

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### 4. REVENUE AND SEGMENT REPORTING

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

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

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

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Gold mining operation — Exploration, mining, processing and sale of gold concentrates and related products	<b>280,143</b>	<b>86,728</b>
	<b>280,143</b>	<b>86,728</b>
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Timing of revenue recognition under HKFRS 15</b>		
At a point in time	<b>280,143</b>	<b>86,728</b>
	<b>280,143</b>	<b>86,728</b>

**(a) Geographical information**

No geographical analysis is presented as the Group's revenue and profit from operations were primarily derived from operating activities in the PRC.

***Information about major customer***

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

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

**5. FINANCE COSTS**

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

*Note:*

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

## 6. PROFIT/(LOSS) BEFORE TAX

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

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

Note:

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

## 7. INCOME TAX EXPENSE/(CREDIT)

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate of the PRC subsidiaries is 25%.

Pursuant to the Notice of the Ministry of Finance, 財政部國家稅務總局海關總署關於深入實施西部大開發戰略有關稅收政策問題的通知(財稅〔2011〕58號) (transliterated as General Administration of Customs and the State Administration of Taxation on the Issues of Preferential Taxation Policies for Further Implementing the Western Development Strategy (Cai Shui [2011] No. 58)\*), from 1 January 2011 to 31 December 2021, the enterprises in the western region, which engaged in encouraged industries as indicated in the 西部地區鼓勵類產業目錄 (transliterated as Catalogue of Encouraged Industries of Western Region\*)

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



and 產業結構調整指導目錄(2011年本)(修正)(transliterated as Catalogue of Industrial Structure Adjustment Guidance ([2011] Revised\*)) (國家發改委令2013年第21號)(transliterated as National Development and Reform Commission Order [2013] No. 21\*) and which derive 70% of their operating income from the encouraged industries could apply for a tax incentive. After getting in-charge tax bureau's approval, those enterprises could enjoy a reduced EIT rate of 15% from statutory EIT rate of 25%.

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

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

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

## 8. DIVIDEND

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

## 9. EARNING/(LOSS) PER SHARE

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

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

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

## 10. OTHER RECEIVABLES

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

*Note:*

### (a) Other receivables

Movement in impairment loss on other receivables:

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

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

## 11. OTHER PAYABLES

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

### Notes:

- (a) Included in other payables were mainly payable to subcontractors of HK\$265,000,000 for the six months ended 30 June 2021 (year ended 31 December 2020: HK\$306,000,000) for mining extraction and construction and promissory note payable of HK\$55,164,000 (year ended 31 December 2020: HK\$64,288,000).
- (b) The amounts are due to certain beneficial owners of the shareholders of the Company and are non-trade in nature, unsecured, interest-free and repayable after one year at the end of reporting period.

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

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS REVIEW**

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

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

### **REVIEW OF OPERATIONS**

#### **Gold Mining Operation**

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

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

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

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

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

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

## **FOREIGN EXCHANGE RISK MANAGEMENT**

As part of the Group’s assets and liabilities are denominated in Hong Kong dollar and Canadian dollar, in order to minimise the foreign currency risk, the Group aims to utilise the fund for transactions that are denominated in the same currency.

## **SHARE CAPITAL**

As at 30 June 2021, the Company had 3,392,272,221 ordinary shares in issue with a total shareholders’ fund of the Group amounting to approximately HK\$339,227,000.

## **PLEDGE OF ASSETS**

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

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group had a contingent liability and detail is set out in Note 12 to the consolidated financial statements (31 December 2020: detail is set out in Note 12 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 2021, the Group had approximately 10 and 195 employees in Hong Kong and Mainland China respectively.

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

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

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

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

## **PROSPECTS**

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

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

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

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

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

## **CORPORATE GOVERNANCE**

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES**

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

1. Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Since the resignation of Dr. You Xian Sheng as the chairman and the executive director of the Company (“Director”) on 31 January 2014, the Company has not appointed a new chairman of the Board (the “Chairman”). Until the appointment of the new Chairman, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board.

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

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

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

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

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## **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 2021. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the six months ended 30 June 2021.

## **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 2021.

## **INTERIM DIVIDEND**

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



## **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, 25 August 2021

*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.*