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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION
OF THE TARGET COMPANY INVOLVING THE ISSUE OF
CONVERTIBLE BOND UNDER GENERAL MANDATE**

THE ACQUISITION

The Board is pleased to announce that on 27 September 2024 (after trading hours), the Purchaser, the Vendor and the Vendor Guarantor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares at the total consideration of RMB30,000,000 (i.e., HK\$33,000,000, subject to adjustment), which will be satisfied by the issue of the Convertible Bond upon Completion.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group Companies, including Xi'an Hongshang, will be consolidated into the accounts of the Company.

Upon full conversion of the Convertible Bonds, 30,000,000 Conversion Shares will be issued, which represent approximately 0.74% of the issued share capital of the Company as at the date of this announcement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under of the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to the notification and announcement requirements but exempt from the shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 27 September 2024 (after trading hours), the Purchaser, the Vendor and the Vendor Guarantor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares at the total consideration of RMB30,000,000 (subject to adjustment), which will be satisfied by the issue of the Convertible Bond upon Completion.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

27 September 2024 (after trading hours)

Parties

Vendor: Tongfei Investment Limited (潼飛投資有限公司)

Purchaser: The Company

Vendor Guarantor: Mr. Wang Congfei (王從飛), being the ultimate beneficial owner of the Vendor.

The Vendor Guarantor guarantees that: (i) in the event that the foreign debt registration for outbound guarantees (內保外貸) is not completed within the stipulated timeframe, the Vendor Guarantor shall, at the request of the Purchaser, promptly take all necessary measures to complete the relevant registration or take other alternative measures to procure the Vendor to have the corresponding performance capacity; (ii) in the event that the Agreement must be terminated at the request of the relevant regulatory authorities, the Vendor Guarantor shall procure the Target Group Companies to cooperate with the Purchaser, to the extent reasonably practicable, to restore all matters arising from the execution of the Agreement to the condition that existed prior to the signing of the Agreement; (iii) the Vendor Guarantor shall fulfill its payment obligations under specific circumstances as set forth in the Agreement; and (iv) the Vendor Guarantor shall ensure the continued and normal operation of the Target Group Companies' business before Completion. The Vendor Guarantor also makes representations, warranties, and undertakings regarding various relevant matters pertaining to, among others, the Vendor, the Target Group Companies, the Sale Shares, and other financial and business operation-related matters.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and the Vendor Guarantor are Independent Third Parties as at the date of this announcement.

Assets to be acquired

Pursuant to the Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, representing 100% of total issued share capital of the Target Company, which indirectly holds 60% of the equity interests in Xi'an Hongshang as at the date of this announcement.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company, and accordingly, the financial results of the Target Group Companies, including Xi'an Hongshang, will be consolidated into the accounts of the Company.

Consideration

The Consideration payable by the Purchaser to the Vendor for the sale and purchase of the Sale Shares shall be RMB30,000,000.

The Consideration (subject to adjustment) shall be paid and settled in full by the Purchaser by issuing the Convertible Bond with the Conversion Price to the Vendor upon Completion subject to the terms and conditions set out in the Agreement.

The Consideration was determined and arrived at after arm's length negotiations between the Vendor and the Purchaser having regard to the following factors:

(a) PE Ratios of Comparable Companies

Xi'an Hongshang, a supplier of the Company primarily engaged in mine engineering and construction, has shown an upward trend in its unaudited net profits (both before and after taxation) from the year ended 31 December 2022 to the year ended 31 December 2023, despite falling short of the Annual Target Profit (as defined below). Given that the Company will provide Xi'an Hongshang with the Agreed Total Excavation Amount (as defined below) for the Profit Guarantee Period under the Agreement (details of which are set out in the section headed "Consideration Adjustment Mechanism" in this announcement), and based on the Company's understanding of the profit margins in the excavation, mining, and other mine engineering and construction related businesses, the Company believes that Xi'an Hongshang can achieve the Annual Target Profit. On this basis, the Company calculated the price-to-earnings ratio (the "**PE ratio(s)**") based on the Annual Target Profit of RMB10,000,000 and applied the PE ratio approach in determining the Consideration. The Company considers such approach is a usual and common approach for pricing revenue-generating companies.

Specifically, the Consideration is set at RMB30,000,000 for a 60% equity interest in Xi'an Hongshang, implying a valuation of RMB50,000,000 for 100% of its equity interest. With an Annual Target Profit of RMB10,000,000, the PE ratio of Xi'an Hongshang would be 5. Such PE ratio has been benchmarked against listed companies with similar business activities in the PRC and Hong Kong, where the PE ratios of these comparable companies range from approximately 9 to 22, with an average of approximately 17. These companies are primarily engaged in civil blasting, mining, and other mine construction related businesses. Notably, Xi'an Hongshang's PE ratio is below the lower end of this range. Given the similar business nature of the businesses, the Company believes that these listed companies are comparable to Xi'an Hongshang. Based on the PE ratio of Xi'an Hongshang, the Company considers that the Consideration is fair and reasonable.

(b) *Financial Performance*

As at 31 December 2023, the unaudited net assets value of Xi'an Hongshang is approximately HK\$14.6 million, which is below the value of the Consideration. However, considering the growth trend in Xi'an Hongshang's revenue and net profits (both before and after taxation), with its revenue increasing by HK\$32.1 million and net profit (both before and after taxation) increasing by HK\$8.3 million and HK\$7.1 million, respectively, from the year ended 31 December 2022 to the year ended 31 December 2023, along with the excavation and mining works to be provided by the Company for the Profit Guarantee Period under the Agreement, the Company believes it is reasonable to assess the business performance and potential growth of Xi'an Hongshang as the basis for the Consideration rather than its net asset value. Additionally, under the Consideration adjustment mechanism (details of which are set out in the section headed "Consideration Adjustment Mechanism" in this announcement), if the Total Target Profit is not achieved, the Consideration will be correspondingly reduced, providing a safeguard for the Company's interests.

(c) *Business Synergy Development*

By acquiring Xi'an Hongshang, the Company will enhance its own excavation and construction business segment, thereby expanding its operational scope and enhancing profitability. In contrast, if the Company were to establish a similar excavation and construction operation independently, it anticipates that the expenditures would exceed the Consideration.

In view of the reasons and basis as disclosed above and the factors as set out in the section headed "Reasons for and benefits of the Acquisition" in this announcement, the Company considers that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Consideration Adjustment Mechanism

(a) Profit guarantee and consideration adjustment

If Xi'an Hongshang's net profit (after taxation), as reflected in the financial statements prepared in accordance with applicable Hong Kong Generally Accepted Accounting Principles, is not less than RMB10,000,000 (the "**Annual Target Profit**") for each 12-month Profit Guarantee Period, or is not less than RMB50,000,000 (the "**Total Target Profit**") for the Profit Guarantee Period, the Bondholder shall be entitled to exercise the Conversion Rights without any adjustment to the Consideration. Otherwise, subject to the adjustment of target profit as disclosed in (b) of this section below, the Consideration, or the Principal Amount of the Convertible Bond, shall be adjusted as follows:

- i. For each 12-month Period, if the actual net profit of Xi'an Hongshang (after taxation) (as reflected in the financial statements prepared in accordance with applicable Hong Kong Generally Accepted Accounting Principles) for the corresponding 12-month Profit Guarantee Period, i.e., the most recent calendar year immediately preceding such 12-month Period (the "**Actual Annual Profit**"), is less than the Annual Target Profit, the amount of the Convertible Bond that is exercisable for such 12-month Period (i.e., HK\$6.6 million) shall be adjusted in accordance with the following:

$$\text{Adjusted amount for the 12-month Period} = \text{HK\$6.6 million} \times \frac{\text{Actual Annual Profit}}{\text{Annual Target Profit}}$$

- ii. After the expiration of the Holding Period, the actual net profit of Xi'an Hongshang (after taxation) (as reflected in the financial statements prepared in accordance with applicable Hong Kong Generally Accepted Accounting Principles) of the entire Profit Guarantee Period (the "**Actual Total Profit**") shall be compared with the Total Target Profit. If the Actual Total Profit is more than the Total Target Profit, the Conversion Rights exercisable after the expiration of the last 12-month Period shall equal the difference between the Consideration and the converted Principal Amount (as defined below).

If the Actual Total Profit is less than the Total Target Profit, the Consideration shall be adjusted in accordance with the following:

$$\text{Adjusted Consideration} = \text{HK\$33,000,000} \times \frac{\text{Actual Total Profit}}{\text{Total Target Profit}}$$

and the Conversion Rights exercisable after the expiration of the last 12-month Period shall be adjusted to equal the difference between the adjusted Consideration and the converted principal amount. If the difference is negative, the Vendor shall compensate the Purchaser for the shortfall in cash.

(b) Target profit adjustment

Xi'an Hongshang is a supplier of the Company which provides excavation and mining services. If, according to the Agreement, the accepted amount of excavation and mining contracts provided by the Purchaser or its designated company to Xi'an Hongshang (the "**Excavation Amount**") is less than RMB150,000,000 (the "**Agreed Annual Excavation Amount**") for each 12-month Profit Guarantee Period, or the cumulative Excavation Amount is less than RMB750,000,000 (the "**Agreed Total Excavation Amount**") for the Profit Guarantee Period, the Annual Target Profit and the Total Target Profit shall be adjusted as follows:

- i. If the actual Excavation Amount for each 12-month Profit Guarantee Period (the "**Actual Annual Excavation Amount**") is less than the Agreed Annual Excavation Amount, the Annual Target Profit for such 12-month Profit Guarantee Period shall be adjusted in accordance with the following:

$$\text{Adjusted Annual Target Profit} = \text{Annual Target Profit} \times \frac{\text{Actual Annual Excavation Amount}}{\text{Agreed Annual Excavation Amount}}$$

and the Consideration shall be adjusted as necessary in accordance with the aforementioned consideration adjustment mechanism;

- ii. If the actual cumulative Excavation Amount for the Profit Guarantee Period (the "**Actual Total Excavation Amount**") is less than the Agreed Total Excavation Amount, the Total Target Profit shall be adjusted in accordance with the following:

$$\text{Adjusted Total Target Profit} = \text{Total Target Profit} \times \frac{\text{Actual Total Excavation Amount}}{\text{Agreed Total Excavation Amount}}$$

and the Consideration shall be adjusted as necessary in accordance with the aforementioned consideration adjustment mechanism; and

- iii. If the Actual Total Excavation Amount is not less than the Agreed Total Excavation Amount, the Total Target Profit requires no adjustment.

For the avoidance of doubt, if Xi'an Hongshang is required to suspend production due to a case filed by the competent authorities for investigation or suspension of business for rectification as a result of violation of laws and regulations, or if Xi'an Hongshang is imposed penalties by the competent authorities or for other reasons attributable to Xi'an Hongshang itself, leading to the failure to realise the agreed Excavation Amount, the target profit for the relevant period shall not be adjusted in accordance with the aforementioned Agreement.

THE CONVERTIBLE BOND

Set out below are the principal terms of the Convertible Bond:

- Issuer: The Company
- Principal Amount: The HKD amount equivalent to RMB30,000,000 (i.e., HK\$33,000,000), being the amount of the Consideration, subject to the consideration adjustment mechanism as described in the paragraph headed “Consideration Adjustment Mechanism” of this announcement.
- The exchange rate for conversion between RMB and Hong Kong dollars, with regard to the Consideration and Conversion Price, shall be calculated based on the exchange rate on the date of the Agreement, i.e., RMB1.0 equals to HK\$1.1.
- Interest: The Convertible Bond shall not bear any interest
- Maturity Date: The date falling 60 months from the Completion Date, if that is not a Business Day, the first Business Day thereafter
- Conversion Rights and Conversion Period: Subject to adjustment of the Consideration, the Bondholder shall exercise its Conversion Rights in the following manner:
- (i) The portion of the Principal Amount of the Conversion Rights to be exercisable by the Vendor after the expiration of each 12-month Period shall be the HKD amount equivalent to RMB6 million (i.e., HK\$6.6 million).
 - (ii) At any time after the expiration of each 12-month Period and until the 30th day after the expiration of the Holding Period, the Vendor may exercise its Conversion Rights within the range that have already become exercisable. Only after the expiration of the Holding Period, for the portion of the Conversion Rights that have not been exercised, may the Vendor, within 30 days after the expiration of the Holding Period, request the Purchaser to make a one-time cash payment of the Consideration in Hong Kong dollars (after deducting the converted Principal Amount).

The Conversion Rights shall only be exercisable so long as (i) the Bondholder and its respective parties acting in concert (as defined in the Takeovers Code) will not trigger a mandatory offer under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bond and its parties acting in concert; and (ii) the holder of the Convertible Bond and its associates (as defined in the Listing Rules) will not render Shares held in public hands being less than the minimum public float of the Shares required under the Listing Rules.

Conversion Price:

The Conversion Price per Conversion Share shall be the HKD amount equivalent to RMB1.0 (i.e., HK\$1.1).

The Conversion Price represents:

- (i) a premium of approximately 115.7% to the closing price of HK\$0.510 per Share as quoted on the Stock Exchange on 27 September 2024, being the date of the Agreement; and
- (ii) a premium of approximately 106.0% to the average closing price of approximately HK\$0.534 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and the Vendor, taking into account the recent closing price of the Shares, the current market condition and the business development and financial position of the Group. The Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conversion Shares:

Assuming full conversion of the Convertible Bond at the Conversion Price, a total of 30,000,000 Conversion Shares will be allotted and issued, which represent approximately 0.74% of the total number of Shares in issue as at the date of this announcement; and approximately 0.73% of the total number of Shares in issue and as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bond, assuming that there will be no changes in the issued share capital of the Company between the date of this announcement and the date of issue of the Conversion Shares upon full conversion of the Convertible Bond.

The Conversion Shares will be issued under the General Mandate. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No fractional Conversion Shares will be allotted and issued on the conversion of the Convertible Bond.

The Conversion Shares shall rank *pari passu* in all respects with all other issued Shares as at the date of allotment of such Conversion Shares and be entitled to all dividends and other distributions, the record of which falls on a date on or after the date of allotment of such Conversion Shares.

The aggregate nominal value of 30,000,000 Conversion Shares is HK\$3,000,000.

Redemption: After the expiration of the Holding Period, the unconverted portion of the Convertible Bond can be redeemed at the Bondholder's option. For more details, please refer to the disclosure above in relation to the Conversion Rights and Conversion Period of this section.

Transferability: The Convertible Bonds are not transferable.

Voting: The holder of the Convertible Bond shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holder of the Convertible Bond.

Listing No application shall be made for a listing of the Convertible Bond on the Stock Exchange

An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bond.

Conditions Precedent

Completion of the sale and purchase of the Sale Shares is conditional upon:

- (a) the Purchaser is satisfied with the PRC Legal Opinion on Xi'an Hongshang;
- (b) the Purchaser is satisfied with the Due Diligence Review, including the Due Diligence Review on legal and financial aspects, on the Target Group Companies;
- (c) the representations, warranties and undertakings given by the Vendor and the Vendor Guarantor under the Agreement remain true, accurate and not misleading;

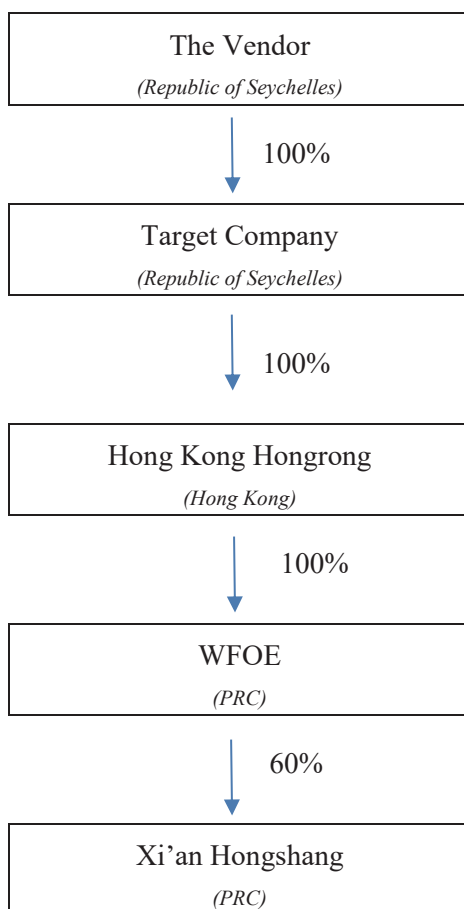
- (d) there having been no material breach of the terms and conditions set out in the Agreement by the Vendor and the Target Group Companies prior to the Completion;
- (e) the Reorganisation having been completed and the Vendor Guarantor having completed the foreign exchange registration of round-tripping investment under the Notice of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (No.37 [2014] of the State Administration of Foreign Exchange) (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(匯發[2014]37號)) in respect of the Reorganisation;
- (f) all necessary approvals and consents in relation to the sale and purchase of the Sale Shares and the issue of the Convertible Bond having been obtained (including completing the examination and registration of medium and long-term foreign debts of enterprises under the National Development and Reform Commission of PRC and obtaining the Certificate of Examination and Registration of Foreign Debts Borrowed by Enterprises (《企業借用外債審核登記證明》) and applicable approvals, consent or permits from other regulatory authorities); and
- (g) the Purchaser having obtained approval for the listing of the shares issued upon full exercise of the Conversion Rights attaching to the Convertible Bond granted by the Stock Exchange and approval from the special general meeting (if necessary).

The Purchaser may at its absolute discretion waive the above conditions precedent (a), (b), (c) and (d) above.

If any of the conditions precedent in conditions precedent (a) to (g) shall not have been fulfilled (or waived, where applicable) in all respects prior to the Long Stop Date, the Agreement and the rights and obligations of the parties hereto shall be deemed to be void without prejudice to any liabilities of either party to the other party for any breach of terms of the Agreement. Neither party shall claim against the other in respect of such liabilities or the sale and purchase of the Sale Shares contemplated by the Agreement to the extent that the failure to fulfil any condition is not due to (i) default or mistake by the Purchaser or the Vendor; or (ii) any antecedent breach of the terms of the Agreement by the Purchaser or the Vendor.

Shareholding Structure of The Vendor and The Target Group Companies

Set out below is a chart showing the corporate and shareholding structure of the Vendor and the Target Group Companies immediately after the completion of the Reorganisation and before the Completion:



Completion

The Completion shall take place on the date as the parties to the Agreement may agree after the fulfilment of the conditions precedent as stated in the paragraph headed “Conditions Precedent” above but no later than 31 December 2024 (or such later date as the parties may agree in writing) at such time and place as the parties may agree.

INFORMATION OF THE PARTIES

Information of the Purchaser

The Purchaser is an investment holding company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00340).

Information of the Vendor

The Vendor is a company incorporated in the Republic of Seychelles with limited liability and is an investment holding company. The Vendor is the sole beneficial owner of the entire issued share capital of the Target Company. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor is ultimately beneficially owned by the Vendor Guarantor.

Information of the Target Company

The Target Company is a company established in the Republic of Seychelles with limited liability and is an investment holding company. The total issued share capital of the Target Company is owned as to 100% by the Vendor.

Information of Hong Kong Hongrong

Hong Kong Hongrong is a company established in Hong Kong with limited liability and is an investment holding company. The total issued share capital of Hong Kong Hongrong is owned as to 100% by the Target Company.

Information of the WFOE

The WFOE is a company established in the PRC with limited liability and the equity interest in which is 100% owned by Hong Kong Hongrong. The WFOE currently holds 60% equity interest in Xi'an Hongshang and is not engaged in other actual businesses.

Information of Xi'an Hongshang

Xi'an Hongshang, a supplier to the Company, is a company established in the PRC with limited liability and the equity interest in which is owned as to 60% by the WFOE, 39% by Mr. Ren Bingshan and the remaining 1% is owned by Mr. Ng Kwok Pong. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, both Mr. Ren Bingshan and Mr. Ng Kwok Pong are Independent Third Parties and experienced businessmen, with Mr. Ren Bingshan also possessing experience in mining industry in the PRC. Xi'an Hongshang is principally engaged in mine engineering and construction.

Financial Information of Xi'an Hongshang

As all the Target Group Companies, except for Xi'an Hongshang, were established recently and did not have other businesses other than holding the equity interests of Xi'an Hongshang directly/indirectly, no financial statements have been prepared for these companies for the years ended 31 December 2023 and 2022.

The unaudited financial information of Xi'an Hongshang prepared in accordance with the Hong Kong Generally Accepted Accounting Principles is set out below:

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	176,090	144,002
Net profit/(loss) (before taxation)	7,122	(1,176)
Net profit/(loss) (after taxation)	5,277	(1,838)
	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	153,922	187,673
Net assets	14,593	9,473

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is engaged in exploration, mining, processing, smelting and sale of gold and related products in China (the “Existing Businesses”), while the principal activities of Xi'an Hongshang include mine engineering and construction.

The Directors believe that the Acquisition, if materialised, will yield significant benefits for the Company and its Shareholders. Specifically, the Directors anticipate that (i) the Acquisition will bring synergy to the Existing Businesses, foster collaboration, and support the sustainable and diverse development of the Group's operations across various markets; and (ii) the Acquisition will increase the feasibility of the Group's management and control over all aspects of mine safety production. This improvement will ensure that safety production risks are effectively controllable, thereby enhancing operational efficiency. The Acquisition is expected to bolster the Group's reputation within the gold mining industry and will contribute to enhanced profitability for the Group, creating value for the Shareholders and stakeholders alike. In addition, the Consideration will be satisfied by way of issue of the Convertible Bond, which will not result in immediate cash outflow from the Group.

Accordingly, the Directors are of the view that the Acquisition is being conducted on normal commercial terms, fair and reasonable, and is in the interest of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the total number of issued Shares is 4,070,272,221. The following table is only for illustrative purposes which sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the full exercise of the conversion rights attaching to the Convertible Bond, assuming there will be no change in the total number of Shares in issue (other than the issue of the Conversion Shares) between the date of this announcement and the date of issue of the Conversion Shares.

	As at the date of this announcement		Immediately upon the full exercise of the conversion rights attaching to the Convertible Bond	
	<i>Number of Shares</i>	<i>Approx. % of shareholding</i>	<i>Number of Shares</i>	<i>Approx. % of shareholding</i>
Qinlong Jinxin Mining Investment Limited	1,186,334,000	29.15%	1,186,334,000	28.93%
Lam Yuk Ying	330,000,000	8.11%	330,000,000	8.05%
Fung Wai Enterprises Ltd.	600,000,000	14.74%	600,000,000	14.63%
Chen Dengguang	205,250,000	5.04%	205,250,000	5.01%
The Vendor	–	–	30,000,000	0.73%
Other public Shareholders	1,748,688,221	42.96%	1,748,688,221	42.65%
Total	<u>4,070,272,221</u>	<u>100.00%</u>	<u>4,100,272,221</u>	<u>100.00%</u>

GENERAL MANDATE

The Conversion Shares will be issued under the General Mandate approved on 31 May 2024 and is not subject to additional Shareholders' approval. As at the date of the Agreement, the General Mandate has not been utilised since it was granted and the maximum number of Shares that can be issued under the General Mandate is 814,054,444 Shares, being 20% of the total number of Shares in issue as at the date of the passing of the relevant resolution granting such mandate, being 31 May 2024.

Assuming full conversion of the Convertible Bond, the Conversion Shares will utilize a maximum of, based on the Conversion Price, 30,000,000 Shares under the General Mandate. As such, the General Mandate is sufficient for the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bond.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following words and expressions shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares;
“Agreement”	The sale and purchase agreement dated 27 September 2024 entered into between the Purchaser, the Vendor and the Vendor Guarantor in relation to the Acquisition;
“Board”	the board of Directors of the Company;
“Business Day(s)”	any day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours;
“Bondholder(s)”	the registered holder(s) of the Convertible Bond;
“Completion”	the completion of the Agreement;
“Completion Date”	the date on which Completion take place in accordance with the Agreement, but in any event not later than the Long Stop Date;
“Company”	Tongguan Gold Group Limited, a company incorporated under the laws of the Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 00340);
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Consideration”	RMB30,000,000, being the total consideration for the Acquisition;

“Conversion Price”	the equivalent amount of RMB1.0 in Hong Kong dollars (i.e., HK\$1.1) per Conversion Share subject to no adjustments. The exchange rate between RMB and HK\$ shall be calculated based on the exchange rate on the date of the Agreement, i.e., RMB1.0 equals to HK\$1.1;
“Conversion Rights”	the rights attached to the Convertible Bond to convert the whole or any part(s) of the Principal Amount of the Convertible Bond into the Conversion Shares;
“Conversion Shares”	the 30,000,000 new Shares which may fall to be allotted and issued to the Vendor at the Conversion Price, credited as fully paid, upon full exercise of the Conversion Rights by the Vendor, for the purpose of settling of the Consideration;
“Convertible Bond”	convertible bonds to be issued by the Purchaser to the Vendor upon Completion pursuant to the Agreement, for the purpose of settling the Consideration;
“Director(s)”	the director(s) of the Company;
“Due Diligence Review”	the due diligence review and investigation being conducted by the Purchaser or its representatives as part of the conditions precedent of the Agreement;
“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 31 May 2024 to issue, allot and deal with Shares of up to 20% of the total number Shares in issue then;
“Group”	the Company and its subsidiaries from time to time;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Holding Period”	The period of 60 months commencing from the Completion Date;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Hongrong”	Hong Kong Hongrong Holding Limited (香港宏榮控股有限公司), a company established under the laws of Hong Kong with limited liability and is owned as to 100% by the Target Company;

“Independent Third Party(ies)”	persons(s) or company(ies) together with its/their beneficial owner(s) who or which is/are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, not connected person(s) to the Company and its associates in accordance with the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long Stop Date”	31 December 2024, or any other date as the parties may agree in writing, whichever is later;
“Maturity Date”	The date falling 60 months from the Completion Date, if that is not a Business Day, the first Business Day thereafter;
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau and Taiwan;
“PRC Legal Opinion”	the legal opinion to be obtained by the Purchaser as part of the conditions precedent of the Agreement, in the form and substance satisfactory to the Purchaser by a practising lawyer in the PRC appointed by the Purchaser;
“Profit Guarantee Period”	the five years ending 31 December 2028;
“Purchaser”	the Company;
“Reorganisation”	a structural reorganisation undergone by Xi’an Hongshang and has been completed as of the date of the Agreement;
“RMB”	renminbi, the lawful currency of the PRC;
“Sale Shares”	100% of the total issued share capital in the Target Company held by the Vendor as at the date of this announcement and at Completion;
“Shares”	ordinary share(s) of the Company of HK\$0.1 each in the issued capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Target Company”	Huasheng Construction Investment Limited (華升建設投資有限公司), a company established under the laws of the Republic of Seychelles with limited liability and is owned as to 100% by the Vendor;
“Target Group Companies”	including the Target Company, Hong Kong Hongrong, the WFOE and Xi’an Hongshang, each, a Target Group Company;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers as amended from time to time;
“Vendor”	Tongfei Investment Limited (潼飛投資有限公司), a company established under the laws of the Republic of Seychelles with limited liability and is interested in 100% of the total issued share capital in the Target Company;
“Vendor Guarantor”	Mr. Wang Congfei (王從飛), being the ultimate beneficial owner of the Vendor;
“WFOE”	Shaanxi Rongsheng Mining Co., Ltd. (陝西榮升礦業有限公司), a company established under the laws of the PRC with limited liability and is owned as to 100% by Hong Kong Hongrong;
“Xi’an Hongshang”	Xi’an Hongshang Mining Engineering Co., Ltd. (西安宏尚礦山工程有限公司), a company established under the laws of the PRC with limited liability and is owned as to 60% by the WFOE;
“12-month Period”	each 12-month period since the Completion Date and until the Maturity Date;
“12-month Profit Guarantee Period”	each calendar year during the Profit Guarantee Period; and
“%”	per cent.

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

Hong Kong, 27 September 2024

As at the date of this announcement, the board of directors of the Company comprises are 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.