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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

CL Partners CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditor

Room 3203A to 05

Lippo Center Tower 2

Admiralty

Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
(Asia) Limited

Agricultural Bank of China Limited

Industrial Bank Company Limited

Shanghai Pudong Development Bank
Co., Ltd.

Industrial and Commercial Bank of China
Limited

STOCK CODE

00340

COMPANY WEBSITE

www.tongguangold.com

Management Discussion and Analysis



RESULTS REVIEW

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

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

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

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

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

Management Discussion and Analysis

REVIEW OF OPERATIONS

A. Gold Mining Operation

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

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

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

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’s exploration right was successfully converted into mining right and is currently undergo the design of safety facility related construction projects.

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, Tongjin Mining did not carry out any exploration activities.

Subei County Holezadegai Northeast Mining Co., Ltd. (“Northeast Mining”)

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

Management Discussion and Analysis

II Development

Xiangshun Mining, Tongxin Mining, De Xing Mining and Northeast Mining

During the Interim Period, Xiangshun Mining, Tongxin Mining, De Xing Mining and Northeast Mining have appointed several engineering and technical companies and have completed (i) the pit exploration project of approximately 7,628 meters and (ii) the pit drilling project of approximately 20,667 meters.

Jinhui Mining and Tongjin Mining

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

III Mining Production Activities

Xiangshun Mining, De Xing Mining and Northeast Mining

(1) Mining operation

**Six months
ended
30 June 2024**

Underground mining	
Mine production (thousand tonnes)	275.96
	<hr/>
Total mine production (thousand tonnes)	275.96
	<hr/>
Average gold grade (gram/tonne)	5.48

(2) Ore processing operation — Concentrating

**Six months
ended
30 June 2024**

Processing mine production (thousand tonnes)	249.86
Average gold grade (gram/tonne)	5.82
Gold production (Kilogram)	1,300.86

Management Discussion and Analysis

Jinhui Mining, Tongxin Mining and Tongjin Mining

During the Interim Period, there was no mining production.

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:

	Mine produced Gold (HK\$'000)
Exploration and Mining activities	
Exploration and development construction	80,674
Mining ore	281,106
	<hr/>
Total	361,780
	<hr/>
<i>(Concentrating not included)</i>	

B. Gold Recycling Business

The activity of the Group's gold recycling business is involving sale of physical gold bullion by purchasing gold related materials from other supply chain players, and refining by subcontractors. For the Interim Period, the volume of sale of gold bullion was approximately 0.40 tonnes (six months ended 30 June 2023: approximately 1.11 tonnes). Approximately HK\$205,104,000 of revenue (six months ended 30 June 2023: approximately HK\$484,125,000) and approximately HK\$204,951,000 of cost of sales (six months ended 30 June 2023: approximately HK\$483,541,000) were contributed from this operation for the six months ended 30 June 2024. Gross profit from this operation was thin and amounted to approximately HK\$153,000 (six months ended 30 June 2023: approximately HK\$584,000).

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

As at 30 June 2024, the Group had promissory note of approximately HK\$72,362,000 (31 December 2023: approximately HK\$69,162,000). The promissory note with principal amount of HK\$80,000,000 carries zero interest and to be due on 9 October 2025.

FOREIGN EXCHANGE RISK MANAGEMENT

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

Management Discussion and Analysis



SHARE CAPITAL

As at 30 June 2024, the Company had 4,070,272,221 ordinary shares in issue with a total shareholders' fund of the Group amounting to approximately HK\$407,027,000.

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had approximately 9 and 419 employees in Hong Kong and the People's Republic of China (the "PRC") respectively.

The staff cost of the Group (including directors' remuneration in form of salary and other benefits, share-based payments, performance related incentive payments and retirement benefit contributions) was approximately HK\$21,369,000 for the Interim Period (six months ended 30 June 2023: approximately HK\$9,171,000).

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

Management Discussion and Analysis

Employees of the Group are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees, performance bonus and share option scheme. The Group is also dedicated to providing training programs for new employees and regular trainings to employees to enhance their skills and know-how.

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

PROSPECTS

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

Management Discussion and Analysis



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

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

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

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 14 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2024 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 notes to the condensed consolidated financial statements. 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.

CL Partners CPA Limited

Certified Public Accountants

Hong Kong

26 August 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Notes	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	4	849,951	676,548
Cost of sales		(631,193)	(626,983)
Gross profit		218,758	49,565
Other income		2,298	787
Other net (losses)/gains		(106)	111
Administrative and other expenses		(72,610)	(22,669)
Finance costs	5	(15,529)	(5,074)
Profit before tax	6	132,811	22,720
Income tax expense	7	(42,111)	(6,640)
Profit for the period		90,700	16,080
Other comprehensive expense			
<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		3,919	(1,773)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		(15,486)	(64,680)
Other comprehensive expense for the period		(11,567)	(66,453)
Total comprehensive income (expense) for the period		79,133	(50,373)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Notes	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Profit for the period attributable to:			
– Owners of the Company		91,956	13,930
– Non-controlling interests		<u>(1,256)</u>	<u>2,150</u>
		<u>90,700</u>	<u>16,080</u>
Total comprehensive income (expense) for the period attributable to:			
– Owners of the Company		82,269	(44,221)
– Non-controlling interests		<u>(3,136)</u>	<u>(6,152)</u>
		<u>79,133</u>	<u>(50,373)</u>
Earnings per share – Basic and diluted	9	<u>HK\$2.26 cents</u>	<u>HK\$0.41 cents</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	Notes	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	1,735,381	1,756,902
Right-of-use assets	10	49,351	50,981
Exploration and evaluation assets	10	1,322,022	1,323,399
Goodwill	10	763,020	768,452
Other intangible assets	10	271,340	284,177
Other financial asset	11	7,431	3,613
Interest in an associate	12	3,243	3,266
Other receivable	13	14,244	–
		4,166,032	4,190,790
Current assets			
Inventories		153,367	87,749
Trade and other receivables, deposits and prepayments	13	93,180	116,782
Amount due from an associate	12	1,641	1,652
Cash and cash equivalents		194,947	157,887
		443,135	364,070
Current liabilities			
Other payables	14	497,305	416,131
Bank and other borrowings	15	519,732	444,159
Contract liabilities		57,133	11,989
Lease liabilities		976	1,263
Tax payables		172,269	157,384
		1,247,415	1,030,926
Net current liabilities		(804,280)	(666,856)
Total assets less current liabilities		3,361,752	3,523,934

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

		30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Bank and other borrowings	15	14,244	119,551
Other payables	14	456,673	601,051
Provision for restoration and environmental costs		16,330	16,298
Lease liabilities		85	386
Deferred tax liabilities		333,868	325,229
		<u>821,200</u>	<u>1,062,515</u>
Net assets		<u>2,540,552</u>	<u>2,461,419</u>
Capital and reserves			
Share capital	16	407,027	407,027
Share premium and reserves		1,991,733	1,909,464
Equity attributable to owners of the Company		<u>2,398,760</u>	<u>2,316,491</u>
Non-controlling interests		141,792	144,928
Total equity		<u>2,540,552</u>	<u>2,461,419</u>

On behalf of the board of directors on 26 August 2024

Yeung Kwok Kuen

Director

Shi Xing Zhi

Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	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 2023 (audited)	339,227	1,090,897	29,280	287,496	10,235	(49,950)	(70,126)	257,378	1,894,437	138,919	2,033,356
Profit for the period	-	-	-	-	-	-	-	13,930	13,930	2,150	16,080
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	(56,378)	-	(56,378)	(8,302)	(64,680)
Fair value changes in equity investment at fair value through other comprehensive income	-	-	-	-	-	(1,773)	-	-	(1,773)	-	(1,773)
Other comprehensive expense for the period	-	-	-	-	-	(1,773)	(56,378)	-	(58,151)	(8,302)	(66,453)
Total comprehensive (expense) income for the period	-	-	-	-	-	(1,773)	(56,378)	13,930	(44,221)	(6,152)	(50,373)
At 30 June 2023 (unaudited)	339,227	1,090,897	29,280	287,496	10,235	(51,723)	(126,504)	271,308	1,850,216	132,767	1,982,983

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	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	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000		
At 1 January 2024 (audited)	407,027	1,416,337	29,280	287,496	(52,120)	(90,596)	319,067	2,316,491	144,928	2,461,419
Profit for the period	-	-	-	-	-	-	91,956	91,956	(1,256)	90,700
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	(13,606)	-	(13,606)	(1,880)	(15,486)
Fair value changes in equity investment at fair value through other comprehensive income	-	-	-	-	3,919	-	-	3,919	-	3,919
Other comprehensive income (expense) for the period	-	-	-	-	3,919	(13,606)	-	(9,687)	(1,880)	(11,567)
Total comprehensive income (expense) for the period	-	-	-	-	3,919	(13,606)	91,956	82,269	(3,136)	79,133
At 30 June 2024 (unaudited)	407,027	1,416,337	29,280	287,496	(48,201)	(104,202)	411,023	2,398,760	141,792	2,540,552

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net cash generated from (used in) used in operating activities	238,703	(46,241)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(31,542)	(15,153)
Proceeds from disposals of property, plant and equipment	–	12
Net increase in other payables for property, plant and equipment	343	–
Settlement from other receivables	29,628	–
Expenditure paid on exploration and evaluation assets	(7,900)	(3,199)
Advance to an independent third party	(14,105)	–
Interest received	1,788	607
Net cash used in investing activities	(21,788)	(17,733)
Cash flows from financing activities		
Repayments of bank and other borrowings	(424,778)	(39,078)
Payments of principal portion of lease liabilities	(588)	(2,110)
New bank and other borrowings raised	399,280	38,512
Interest paid on lease liabilities	(378)	(399)
Interest paid on bank and other borrowings	(10,336)	(1,752)
Repayment to related parties	(134,544)	–
Repayment of other borrowing included in other payables	(8,313)	–
Net cash used in financing activities	(179,657)	(4,827)
Net increase (decrease) in cash and cash equivalents	37,258	(68,801)
Cash and cash equivalents at 1 January	157,887	143,105
Effect of exchange rate changes on cash and cash equivalents	(198)	(512)
Cash and cash equivalents at 30 June, represented by cash and cash equivalents	194,947	73,792

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

Other than change in accounting policies resulting from application of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) which relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s audited annual consolidated financial statements for the year ended 31 December 2023 (the “Annual Report 2023”).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

1. BASIS OF PREPARATION *(Continued)*

Basis of measurement and going concern assumption

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

Notwithstanding the above, the condensed consolidated financial statements have been prepared on a going concern basis as the directors of the Company (“Directors”) have given careful consideration to the current and anticipated future liquidity needs of the Group and is satisfied that the loan facilities from the Group’s financial institutions for its working capital requirement for the next twelve months will be available as and when required, having regard to the following: (i) renewal of financing facilities and (ii) enhancing the Group’s operational efficiency and implementing cost control measures. The Group will actively negotiate with the financial institution for the renewal of the Group’s borrowings when they fall due in order to secure necessary funds to meet the Group’s working capital and financial requirements in the foreseeable future. In the opinion of the Directors, the Group will be able to roll over or refinance the borrowings upon their maturity.

Having taken into account the above, the Directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

2. PRINCIPAL ACCOUNTING POLICIES

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

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

The application of the amendments in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that applied to the Group's Annual Report 2023. In addition, management makes assumptions about the future in deriving critical accounting estimates used in preparing the condensed consolidated interim financial information.

4. REVENUE AND SEGMENT REPORTING

Information is reported internally to the board of directors of the Company (the "Board"), being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered or services provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. REVENUE AND SEGMENT REPORTING *(Continued)*

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. REVENUE AND SEGMENT REPORTING (Continued)

The information of segment results is as follows:

For the six months ended 30 June 2024

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

For the six months ended 30 June 2023

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. REVENUE AND SEGMENT REPORTING (Continued)

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Reportable segment results</i>	218,758	49,565
Unallocated income and expenses:		
Other income	2,298	787
Other net (losses)/gains	(106)	111
Administrative and other expenses	(72,610)	(22,669)
Finance costs	(15,529)	(5,074)
Profit before tax	132,811	22,720
Income tax expense	(42,111)	(6,640)
Profit for the period	90,700	16,080

The Group recognises revenue on sale of gold products at a point in time when control of the goods has transferred, being when the goods are delivered to the customers in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transportation and other related activities that occur before customers obtain control of the related goods are considered as fulfilment activities. There is no unsatisfied performance obligation at the end of each of the reporting periods.

As no discrete information in respect of segment assets, segment liabilities and other information is used for the assessment of performance and allocation of resources, thus no analysis of segment assets and segment liabilities is presented.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. REVENUE AND SEGMENT REPORTING (Continued)

Geographical information

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

Information about major customers

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

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Customer A (note a)	N/A	72,112
Customer B (note b)	N/A	90,065
Customer C	252,941	206,692
Customer D	370,007	277,433

Included in revenue, consist of approximately HK\$86,377,000 for the six months period ended 30 June 2024 (six months ended 30 June 2023: Nil) is derived from selling gold bullion in a trading platform of Shanghai Gold Exchange through a member registered in Shangha Gold Exchange.

Notes:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

5. FINANCE COSTS

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

Note:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

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

Note:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2024 and 2023.

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

Pursuant to the Notice of the Ministry of Finance, 財政部國家稅務總局海關總署關於深入實施西部大開發戰略有關稅收政策問題的通知(財稅[2011]58號)(transliterated as General Administration of Customs and the State Administration of Taxation on the Issues of Preferential Taxation Policies for Further Implementing the Western Development Strategy (Cai Shui [2011] No. 58)*), from 1 January 2011, the enterprises in the western region, which engaged in encouraged industries as indicated in the 西部地區鼓勵類產業目錄(transliterated as Catalogue of Encouraged Industries of Western Region*) and 產業結構調整指導目錄(2011年本)(修正)(transliterated as Catalogue of Industrial Structure Adjustment Guidance (2011 Revised)*) (國家發改委令2013年第21號)(transliterated as National Development and Reform Commission Order 2013 No. 21*) and which derive 70% of their operating income from the encouraged industries could apply for a tax incentive. After getting in-charge tax bureau’s approval, those enterprises could enjoy a reduced EIT rate of 15% from statutory EIT rate of 25% up to 2030.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

7. INCOME TAX EXPENSE (Continued)

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

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

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

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2024, nor has any dividend been proposed for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately HK\$91,956,000 (six months ended 30 June 2023: approximately HK\$13,930,000) and the weighted average number of ordinary shares of approximately 4,070,272,000 in issue during the six months ended 30 June 2024 (six months ended 30 June 2023: approximately 3,392,272,000).

Diluted earnings per share equals to basic earnings per share, as there were no potential dilutive ordinary shares issued during the six months ended 30 June 2024 and 30 June 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

10. CAPITAL EXPENDITURE

	Right-of use assets <i>HK\$'000</i>	Property, plant and equipment <i>HK\$'000</i>	Exploration and evaluation assets <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Other intangible assets <i>HK\$'000</i>
Cost					
At 1 January 2024 (audited)	66,276	1,978,561	1,323,399	816,604	401,166
Exchange adjustments	(380)	(13,670)	(9,277)	(5,772)	(2,835)
Additions	-	31,542	7,900	-	-
At 30 June 2024 (unaudited)	<u>65,896</u>	<u>1,996,433</u>	<u>1,322,022</u>	<u>810,832</u>	<u>398,331</u>
Accumulated depreciation, amortisation and impairment					
At 1 January 2024 (audited)	15,295	221,659	-	48,152	116,989
Exchange adjustments	(21)	(1,502)	-	(340)	(721)
Charge for the period	1,271	40,895	-	-	10,723
At 30 June 2024 (unaudited)	<u>16,545</u>	<u>261,052</u>	<u>-</u>	<u>47,812</u>	<u>126,991</u>
Carrying amounts					
At 30 June 2024 (unaudited)	<u>49,351</u>	<u>1,735,381</u>	<u>1,322,022</u>	<u>763,020</u>	<u>271,340</u>
At 31 December 2023 (audited)	50,981	1,756,902	1,323,399	768,452	284,177

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

11. OTHER FINANCIAL ASSET

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Equity investment listed in overseas stock exchange		
— as financial asset measured at fair value through other comprehensive income (“FVOCI”)	7,431	3,613

The equity investment was irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature. The fair value of listed equity securities is determined by quoted market price multiplied by the quantity of shares held by the Group at which is Level 1 fair value hierarchy (31 December 2023: Level 1).

12. INTEREST IN AN ASSOCIATE

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Share of net assets	3,243	3,266
Amount due from an associate*	1,644	1,655
Less: allowance	(3)	(3)
	1,641	1,652

* The amount is non-trade in nature, and is unsecured, interest free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

12. INTEREST IN AN ASSOCIATE (Continued)

Movement in impairment loss on amount due from an associate:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 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 2024

12. INTEREST IN AN ASSOCIATE (Continued)

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

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	—	—
Other comprehensive expense	(77)	(103)
Total comprehensive expense	(77)	(103)

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

13. OTHER RECEIVABLES (Continued)

Notes:

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

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 30 days	–	10,897

- (b) As at 30 June 2024, included in the Group's other receivables consist of approximately HK\$31,488,000 (31 December 2023: approximately HK\$31,712,000) is secured by properties held by the guarantors; and approximately HK\$934,000 (31 December 2023: approximately HK\$31,074,000) representing the cooperation receivables from independent third parties under their respective cooperation agreements for the future exploration of the Group's resources under three exploration sites.
- (c) During the current period, the Group has granted the loan to an independent third party for approximately HK\$14,244,000, which carried at fixed interest rate of 5.4% per annum, secured by a part of rights of return generated from the mining asset constructed by the debtor and repayable on 30 May 2027.
- (d) Movement in impairment loss on other receivables:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

14. OTHER PAYABLES

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

Notes:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

15. BANK AND OTHER BORROWINGS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Current		
Unsecured other borrowing (Note (a))	105,557	–
Unsecured bank borrowings (Notes (b) and (c))	76,699	70,624
Secured bank borrowings (Notes (b), (c) and (d))	304,605	287,462
Bill payables (Note (d))	65,742	172,146
Less: cash deposits (Note (e))	(32,871)	(86,073)
	<u>519,732</u>	<u>444,159</u>
Non-current		
Unsecured other borrowing (Note (a))	–	106,309
Unsecured bank borrowings (Notes (b) and (c))	–	13,242
Secured bank borrowings (Notes (b), (c) and (d))	14,244	–
	<u>14,244</u>	<u>119,551</u>
Bank and other borrowings repayable*:		
Within one year	519,732	444,159
More than one year but not more than two years	–	119,551
More than two years but not more than five years	14,244	–
	<u>533,976</u>	<u>563,710</u>

* 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 2024

15. BANK AND OTHER BORROWINGS (Continued)

Notes:

- (a) There were several supplementary agreements entered into with the independent third party (the “**Lender**”) since 7 March 2018 and up to 2021 for extension of the repayment date to 6 March 2023. During the year ended 31 December 2023, an indirect 90% owned subsidiary of the Company negotiated with the Lender for further amendments to the contractual terms of the other borrowing with principal amount of RMB80,730,000, modifying the interest rate from 12% per annum to 4% per annum on the principal amount of the other borrowing of RMB80,730,000 from 1 January 2023, waiving accrued interest payable of RMB31,081,000 (equivalent to approximately HK\$34,435,000) and further extended the maturity date of the other borrowing to 6 March 2025.

The modified contractual terms, after taking into account all relevant facts and circumstances including qualitative factors, resulted in a substantial modification of the original terms of the financial liabilities being accounted for as an extinguishment of the original other borrowing with a carrying amount of approximately RMB127,419,000 (equivalent to approximately HK\$142,646,000) (including principal and interest payable) as at 1 January 2023 and recognition of new other borrowing of approximately RMB96,338,000 (equivalent to approximately HK\$107,850,000) at the date of the modification. The effective interest rate of the other borrowing after the modification was 3.28% per annum.

- (b) The effective interest rates on the Group’s bank borrowings ranged from 4.06% to 6.45% (31 December 2023: 4.02% to 6.60%) per annum.
- (c) Guarantees from the Group’s subsidiaries, related parties and independent third parties were given to banks for the bank borrowings.
- (d) The secured bank borrowings are secured by certain other intangible assets, right-of-use assets, property, plant and equipment, certain unlisted equity investments of the Group’s subsidiaries and properties of the related parties and independent third parties, and bill payables are secured by certain right-of-use assets property, plant and equipment, certain unlisted equity investments of the Group’s subsidiaries and properties of independent third parties.
- (e) Subsidiaries of the Group are required to maintain cash on deposit of approximately HK\$32,871,000 (31 December 2023: approximately HK\$86,073,000) in respect of bill payables. The cash cannot be withdrawn or used by the company whilst the bill payables are outstanding. Upon maturity of the bill payables, the subsidiaries of the Group and the lenders have contractual right to offset and intend to settle in net. As a result, partial of bill payables have been presented net of the cash on deposit.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

16. SHARE CAPITAL

	Number of ordinary shares at HK\$0.1 each '000	HK\$'000
Authorised:		
At 1 January 2023 (audited), 30 June 2023 (unaudited), 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	46,223,810	4,622,381
Issued and fully paid:		
At 1 January 2023 (audited) and 30 June 2023 (unaudited)	3,392,272	339,227
Issuance of shares in consideration for the acquisition of subsidiaries	678,000	67,800
At 31 December 2023 (audited), 1 January 2024 (audited) and 30 June 2024 (unaudited)	4,070,272	407,027

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 2024

17. CAPITAL COMMITMENTS

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Capital expenditure contracted for but not provided in respect of the acquisition of:		
– Property, plant and equipment	8,127	12,884

Corporate Governance



The Company is committed to comply with its established best practice in corporate governance and are based on the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The Board believes that good corporate governance is crucial to enhance the performance of the Group and to safeguard the interests of the shareholders of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company has complied with the code provisions (“Code Provision(s)”) of the CG Code as set out in Appendix C1 of the Listing Rules during the six months ended 30 June 2024, except for certain deviations as specified and explained below with considered reasons and explanation for such deviations.

1. Under Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Since the resignation of Dr. You Xian Sheng as the chairman and the executive director of the Company (“Director”) on 31 January 2014, the Company has not appointed a new chairman of the Board (the “Chairman”). Until the appointment of the new Chairman, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board. The Board considers that the principle of balance of power and authority is achieved by the check and balance between the executive Directors and the independent non-executive Directors. Since the resignation of Mr. Wang Hui as the chief executive officer of the Company (the “CEO”) on 1 June 2016, the Company has not appointed a new CEO. Until the appointment of the new CEO, the executive Directors, possessing extensive relevant industry knowledge, collectively oversee the day-to-day management of the business and operations of the Group.



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 31 May 2024 in accordance with the Bye-laws of the Company. Mr. Yeung Kwok Kuen has sufficient calibre and knowledge for communication with the shareholders of the Company at the annual general meeting of the Company.
3. Under Code Provision C.6.3 of the CG Code, the company secretary should report to the board chairman and/or the chief executive officer. Since the Company currently does not have any officer with the title of the Chairman or CEO, the company secretary of the Company reported to the executive Directors since 1 June 2016.

The Board will continue to regularly review and monitor the Company's corporate governance practices to ensure compliance with the relevant provisions under the Listing Rules and to maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules. Upon specific enquiries, all Directors confirmed they had complied with the required standards set out in the Model Code during the six months ended 30 June 2024.

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 2024, 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 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in "Share Scheme – 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.

Disclosure of Interests and Other Information

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 2024, 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)
Jiang Wei	Interest in controlled corporation	Ordinary	1,186,334,000 (Note 2)	29.15%
Lin Eddie Chang	Interest in controlled corporation	Ordinary	600,000,000 (Note 3)	14.74%
Lam Yuk Ying	Beneficial owner	Ordinary	330,000,000	8.11%
Chen Dengguang	Beneficial owner	Ordinary	205,250,000	5.04%

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 2024, which were 4,070,272,221.
2. These ordinary shares are held by Qinlong Jinxin Mining Investment Limited which is 63.34% beneficially owned by Ms. Jiang Wei and 36.66% beneficially owned by Ms. Lo Ting.
3. These ordinary shares are held by Fung Wai Enterprises Ltd. which is 100% beneficially owned by Mr. Lin Eddie Chang.

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 2024.

SHARE SCHEME – SHARE OPTION SCHEME

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 which may fall to be issued upon the exercise of subscription rights attaching to the options to be granted under the Old Share Option Scheme (as defined below) on 13 June 2022, the Company adopted a share option scheme on 13 June 2022 (the “Old Share Option Scheme”). The Old Share Option Scheme was terminated upon the adoption of the New Share Option Scheme (as defined below) and was approved by the shareholders of the Company on 31 May 2024 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 SCHEME – SHARE OPTION SCHEME *(Continued)*

Pursuant to ordinary resolutions of the shareholders of the Company passed on 31 May 2024 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 6 June 2024, the Company adopted a new share option scheme on 6 June 2024 (the “New Share Option Scheme”).

No options had ever been granted by the Company under the Old Share Option Scheme. From the date of adoption of the New Share Option Scheme and up to 30 June 2024, there is no option granted by the Company under the New Share Option Scheme. For the six months ended 30 June 2024, there was no option outstanding, granted, exercised, cancelled or lapsed.

The key terms of the New Share Option Scheme are summarized in the circular of the Company dated 22 April 2024.

As at 1 January 2024, the total number of options available for grant under the scheme mandate limit of the Old Share Option Scheme was 339,227,222 Shares, representing approximately 8% of the total issued ordinary share capital of the Company. As at 6 June 2024 and 30 June 2024, the total number of options available for grant under the New Share Option Scheme was 407,027,222 Shares, representing 10% of the total issued ordinary shares of the Company. As at 6 June 2024 and 30 June 2024, the total number of options available for grant under the New Share Option Scheme regarding the Service Provider Sublimit (as defined in the New Share Option Scheme) was 40,702,722 Shares, representing 1% of the total issued ordinary shares of the Company.

The number of Shares that may be issued in respect of options granted under all schemes of the Company during the six months ended 30 June 2024 divided by weighted average number of Shares in issue (excluding treasury shares, if any) for the six months ended 30 June 2024 is 0%.

Disclosure of Interests and Other Information

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

The Company has not redeemed any of its listed securities during the six months ended 30 June 2024. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 June 2024.

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 2024.

INTERIM DIVIDEND

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

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information since the date of the 2023 annual report and up to the date of this interim report is as follows:

Mr. Leung Ka Wo, the independent non-executive Director, was no longer the certified public accountant in the State of California in the United States of America.

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

Hong Kong, 26 August 2024