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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: 340)

DISCLOSEABLE TRANSACTION
PROVISION OF GUARANTEES

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The Board would like to announce that on 9 April 2020, after obtaining approval from the Board, the Corporate Guarantee was entered into among the Guarantor, a subsidiary of the Company (as the Guarantor) and the Bank for a maximum period of three years pursuant to which the Guarantor is to provide a corporate guarantee of a security of the Facility made available to the Borrower.

LISTING RULES IMPLICATIONS

In respect of the Guarantee Cap under the Corporate Guarantee, certain applicable percentage ratio under Rule 14.07 of the Listing Rules was more than 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

The Company should have complied with the relevant notification and announcement requirements under Chapter 14 of the Listing Rules in respect of the Corporate Guarantee, as and when such obligations arose. Regrettably, the Board had overlooked the obligation to comply with the requirements under Chapter 14 of the Listing Rules.

The Board will implement certain remedial actions and procedures for the avoidance of future occurrence of non-compliance of the Listing Rules.

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Summarised below are the principal terms of the Corporate Guarantee:

THE CORPORATE GUARANTEE

Date	9 April 2020
Guarantor	Tongguan Tongjin Mining Company Limited
Lender	Industrial Bank Company Limited, Lanzhou Branch
Guarantee Cap	RMB200 million
Term	Same term as the Facility with a maximum of 3 years

The Corporate Guarantee is to secure the Facility, major terms of which are set out below:

THE FACILITY AGREEMENT

Date	27 March 2020
Lender	Industrial Bank Company Limited, Lanzhou Branch
Borrower	Subei County Huolezadegai Beidong Mining Co. Ltd.
Maximum facility	RMB200 million
Interest rate	Loan Prime Rate + 0.765% to 0.86% per annum
Term	1 year subject to renewal option for 2 more years

SECURITY AND GUARANTEES

The Facility is secured by the pledge of assets from the Borrower which is valued by an independent valuer at fair value of approximately RMB80.6 million in favour of the Guarantor.

INFORMATION ON THE BORROWER

The Borrower is a limited liability company established in the PRC and is principally engaged in gold mining and production in the PRC. The Borrower is ultimately beneficially held as to approximately 63% by Mr. Jiang and approximately 37% by Mr. Lo Man Piu.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Borrower and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

INFORMATION ON THE BANK

The Bank is a local branch of a PRC commercial bank principally engaged in the provision of a range of banking services and related financial services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Bank and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

INFORMATION ON THE GROUP AND THE COMPANY

The Group is principally engaged in gold mining and production and sale of gold concentrates and related products.

The Company is a limited liability company incorporated in Bermuda. The principal activity of the Company is investment holding.

REASONS FOR ENTERING INTO THE CORPORATE GUARANTEE

In or around 2018, the Group had the experience that mining companies generally were facing difficulties in obtaining financing from banks in the PRC. When facing such challenges in the market, the mining sector came together and provided assistance to each other to obtain financing from banks.

In June 2019, the Group finally obtained financing from the Bank by obtaining a guarantee from Mr. Jiang who is the major shareholder of the Borrower, being another gold mining company. On the understanding that the Group will also provide similar financial assistance to Mr. Jiang's gold mining company should such gold mining company obtains financing of similar amount in the near future, Mr. Jiang executed a personal guarantee in favour of the Bank as security of a facility in an amount of RMB80 million made available to a subsidiary of the Group. Save as disclosed herein, the Borrower has no other relationship with the Group.

In 2020, it was still difficult for mining companies to obtain financing from financial institutions in the PRC. When the Borrower was obtaining financing from the Bank in 2020, the Group, in view of (i) Mr. Jiang having provided the personal guarantee in favour of the Group's loan before; (ii) the Borrower has confirmed to the Guarantor that the utilized amount under the Facility would not exceed RMB88 million; and (iii) the Borrower has pledged its assets, including plants and machinery and real estate properties of the Borrower, with a total valuation of approximately RMB80.6 million, of which the valuation of plant and machinery based on cost approach was approximately RMB55.6 million and the valuation of real estate properties based on income approach and market approach was approximately RMB25 million in favour of the Bank as security for the Facility (which in turn reduced the possibility that the Bank may need to resort to enforcing the Corporate Guarantee in case of default by the Borrower), also provided assistance to the Borrower by executing the Corporate Guarantee.

Moreover, the Borrower is one of the significant market players in the gold mining industry in the PRC and it was believed that by providing assistance to the Borrower the Group will be able to leverage on the good relationship it maintains with the Borrower and can therefore be in able to gain more market insight and intelligence on various matters, including pricing of service providers and products.

The Bank provided the Facility in the maximum amount of RMB200 million to the Borrower and requested the Guarantor to provide corporate guarantee as security of the maximum amount, even though the utilised amount under the Facility was only RMB88 million.

The terms of the Corporate Guarantee were negotiated on an arm's length basis between the Group and the Bank based on, among other things, the financing needs requested by the Bank, the quality and value of the security provided by the Borrower to secure the Facility, and the Group's assessment on the source of funds for repayment and the business conditions and creditworthiness of the Borrower (after conducting site visit at the Borrower's production site and reviewing its mineral resources information and its management accounts). The Directors are of the view that the Corporate Guarantee was entered into on normal commercial terms in accordance with the Group's approval procedures. In view of the above, the Directors consider that the terms of the Corporate Guarantee are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

In respect of the Guarantee Cap under the Corporate Guarantee, certain applicable percentage ratio under Rule 14.07 of the Listing Rules was more than 5% but less than 25%, the transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

The Company should have complied with the relevant notification and announcement requirements under Chapter 14 of the Listing Rules in respect of the Corporate Guarantee, as and when such obligations arose. Regrettably, the Board had overlooked the obligation to comply with the requirements under Chapter 14 of the Listing Rules.

The Board will implement certain remedial actions and procedures for the avoidance of future occurrence of non-compliance of the Listing Rules.

REMEDIAL MEASURES

The Board recognises, for the avoidance of future occurrence of non-compliance of the Listing Rules, the need to enhance its internal control and compliance measures. The Board will implement the following actions and procedures:

1. The Company has arranged to provide more training on regulatory compliance matters, including notifiable transaction and financial assistance transaction, to the Board and senior management of the Group on a regular basis to increase their awareness and knowledge of the Listing Rules implications; and
2. The Company will work more closely with its legal advisers on compliance issues.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Bank”	a local branch of a PRC commercial bank
“Board”	the board of Directors
“Company”	Tongguan Gold Group Limited, a limited liability company incorporated in Bermuda and listed on the Stock Exchange
“Corporate Guarantee”	the corporate guarantee dated 9 April 2020 entered into among the Guarantor (as the Guarantor) and the Borrower (as the borrower) for a maximum period of 3 years
“Directors”	The directors of the Company
“Facility”	A facility in the maximum amount of RMB200 million (equivalent to approximately HK\$219,801,958) made available by the Bank to the Borrower
“Group”	the Company and its subsidiaries

“Guarantee Cap”	the guarantee amount cap of RMB200 million (equivalent to approximately HK\$219,801,958) pursuant to the Corporate Guarantee
“Guarantor”	Tongguan Tongjin Mining Company Limited 潼關縣潼金礦業有限責任公司, a limited liability company established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Jiang”	Mr. Jiang Zhiyong
“PRC”	the People’s Republic of China, which for the purpose of this announcement and unless the context suggests otherwise, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules

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

Hong Kong, 14 May 2021

As at the date hereof, the board of directors of the Company comprises Mr. Yeung Kwok Kuen, Mr. Shi Xing Zhi and Mr. Shi Sheng Li as executive directors and Mr. Chu Kang Nam, Mr. Liang Xu Shu and Mr. Leung Ka Wo as independent non-executive directors.