

To: Business Editor (For immediate release)



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00340)

ANNOUNCES ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

**STRIVE TO IMPROVE ITS OPERATIONAL EFFICIENCY AND EXPLORE THE
INVESTMENT OPPORTUNITIES TO ENHANCE THE PORTFOLIO AND MAXIMUM
RETURNS TO THE SHAREHOLDERS OF THE COMPANY**

<u>Financial Highlights</u>	For the Year Ended 31 December 2020		
	(HK\$'000)		
	2020	2019	Change (%)
Turnover	327,710	191,436	71%
Gross Profit	72,512	22,419	223%
Gross Profit Margin	22%	12%	+10 ppt
Loss for the year attributable to:			
Owners of the Company	(6,330)	(21,071)	
Non-controlling interests	<u>4,817</u>	<u>(681)</u>	
	(1,513)	(21,752)	
Loss per share			
Basic	HK(0.19) cents	HK(0.62) cents	
Diluted	HK(0.19) cents	HK(0.62) cents	

(Hong Kong, 24 March, 2021) – **Tongguan Gold Group Limited** (“Tongguan Gold” or the “Group”) (Stock Code:00340) today hereby announced its annual results for the year ended 31 December 2020 (the “Year”).

During the year, the Group recorded a loss attributable to owners of the Company amounted to HK\$6,330,000 (2019: HK\$21,071,000). Loss from operations decreased by HK\$20,239,000 to approximately HK\$1,513,000 in 2020 from approximately HK\$21,752,000 for the corresponding period in 2019, which is primarily due to the improvement in gross profit margins from a favourable trend of gold price and increase in overall sales volumes.

REVIEW OF OPERATIONS

Gold Mining Operation

The principal activity of the Group's gold mining operation is the production and sale of gold concentrates and related products. For the financial year ended 31 December 2020, the Group's revenue from gold mining operation amounted to approximately HK\$327,710,000, representing an increase of approximately 71% from approximately HK\$191,436,000 for the year 2019 and is primarily contributed by increase in gold price and sale volumes.

The cost of sales amounted to HK\$255,198,000, representing an increase of approximately 51% from approximately HK\$169,017,000 for the year 2019 and is in line with the increase in revenue. Gross profit from operations amounted to approximately HK\$72,512,000, representing an increase in 223% as compared with approximately HK\$22,419,000 for the year 2019. Increase in gross profit margin was mainly attributable to the increase in average selling price by upward trend of gold.

PROSPECTS

The outbreak of coronavirus pandemic (the "COVID-19 pandemic") since 2020 has brought tremendous impacts and posed severed challenges to the global economy in varying degrees. Nonetheless, the Group is able to deliver a resilient performance for FY2020. The operation has been resumed in early April 2020 amid the economic recovery of China and the production has also been significantly improved with the operation of the new processing plant.

The production of the Group has achieved considerable breakthrough in scale. In July 2020, the trial run for phase one of new processing plant commenced and the maximum production capacity is 1,500 tonnes per day. In 2020, the profitability is affected by applying low grade ores during the trial production. The management believed that more high grade ores would be applied after the trial production and the profitability would improve gradually in the coming year. Leveraging the advantage of mining resources and capacity in enhancing the production, the Group would continue to take proactive steps to expand the gold mining portfolio. The Board is confident that the economies of scale brought by the new processing plant can lead to a turnaround performance in the foreseeable future.

The profitability of the Group is highly dependent on the gold price in domestic and international markets. The market prices of gold (and other precious metals) are correlated to the global economic environment and stability. Looking forward to the year of 2021, with a variety of favorable factors including the prolonged low interest rate environment, concern on the global economic recovery due to the uncertain effectiveness of vaccination programmes and the intensifying China-U.S. relations, it is expected that the gold price will continue to grow despite having fluctuations and the gold will continue to serve as a safe haven. The Group will closely monitor the market trends in commodity prices, pay attention to the timing of sales and take necessary actions to control any potential risks.

Against the backdrop of maintaining competitiveness and sustainable development, the Group strives to fulfill its corporate social responsibility to achieve a win-win situation. The new processing plant is designed in an eco-friendly basis with the aim of reducing the wastes and pollutants the production may generate. With regard to workplace safety, various workshops and trainings are provided to equip workers with better knowledge and standards. The Group will continue to fulfill its corporate social responsibility to encourage and incentivize employees and promote the overall efficiency of the Group.

Looking forward, the Group will strive to improve its operational efficiency and explore the investment opportunities to enhance the portfolio and maximum returns to the shareholders of the Company.

— End —

About Tongguan Gold Group Limited (Stock Code: 00340)

Tongguan Gold is principally engaged in the gold mining operation, which includes exploration, mining, processing and sale of gold and related products. The Group's gold mining operation are mainly carried out in the People's Republic of China (the "PRC").

Released by Tongguan Gold Group Limited