

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

**CONTINUE TO EXPLORE POSSIBLE INVESTMENT OPPORTUNITIES IN ORDER TO
GENERATE THE BEST RETURN TO OUR SHAREHOLDERS**

| <u>Financial Highlights</u> | For the Six Months Ended 30 June 2019 | | |
|--|---------------------------------------|------------------|------------|
| | (HK\$'000) | | |
| | 2019 | 2018 | Change (%) |
| CONTINUING OPERATIONS | | | |
| Turnover | 100,083 | 100,941 | - 1 % |
| Gross Profit | 21,396 | 31,551 | - 32 % |
| Gross Profit Margin | 21% | 31% | -10 ppt |
| (Loss) / profit for the period attributable to owners of the Company | | | |
| - Continuing operations | (6,477) | (1,666) | |
| - Discontinued operation | = | <u>109,127</u> | |
| | <u>(6,477)</u> | <u>107,461</u> | |
| (Loss) / earnings per share - Basic and diluted | | | |
| - Continuing operations | HK\$(0.19) cents | HK\$(0.06) cents | |
| - Discontinued operation | HK\$ - | HK\$3.84 cents | |

(Hong Kong, 27 August, 2019) – **Tongguan Gold Group Limited** (“Tongguan Gold” or the “Group”) (Stock Code: 340) today hereby announced its interim results for the six months ended 30 June 2019 (the “Interim Period”).

During the Interim Period, the Group recorded an unaudited loss attributable to owners of the Company amounted to HK\$6,477,000 (six months ended 30 June 2018: profit of HK\$107,461,000) as a result of the effect of an one-off gain of approximately HK\$117,661,000 in respect of the disposal of tea business for the six months ended 30 June 2018. Loss from continuing operations increased by HK\$4,811,000 to approximately HK\$6,477,000 in 2019 from approximately HK\$1,666,000 for the corresponding period in 2018, which is primarily due to increase in overall production cost of gold concentrates and related products.

Administrative and other expenses amounted to approximately HK\$31,187,000, representing an increase of approximately 21% from approximately HK\$25,714,000 for the corresponding period in 2018 and is primarily due to increase in administrative expenses from newly acquired companies.

REVIEW OF OPERATIONS

Gold Mining Operation

The principal activity of the Group's gold mining operation is the production and sale of gold concentrates and related products. For the Interim Period, the Group's revenue from gold mining operation amounted to approximately HK\$100,083,000, representing a decrease of approximately 1% from approximately HK\$100,941,000 for the corresponding period in 2018 and is primarily contributed by a decrease in sale volume. The cost of sales amounted to HK\$78,687,000, representing an increase of approximately 13% from approximately HK\$69,390,000 for the corresponding period in 2018 and is primarily contributed by increase in production cost. Gross profit from continuing operations amounted to approximately HK\$21,396,000, representing a decrease in 32% as compared with approximately HK\$31,551,000 for the corresponding period in 2018. The average gross profit margin for the current period was 21%, representing a decrease of 10 percentage points as compared with 31% of average gross profit margin in the corresponding period in 2018. Decrease in gross profit margin was mainly attributable to the rising cost of production including extraction and labour cost.

PROSPECTS

The Group has maintained a good growth momentum in a challenging environment. After a series of acquisitions of gold mining businesses in 2017 and 2018, the Group has built up a comprehensive portfolio for gold resources and reserves as well as the expansion of production capacity in which the new processing plant will be operated at the second half of 2019.

The new processing plant, located at Tongguan County, Shannxi Province of the PRC, is designed to utilize the state-of-the-art ore processing technologies which are highly automatized, safe and environmental friendly. The construction of plant is substantially completed and the Group are in the progress of obtaining various compliance approvals from the relevant authorities. Although longer time is expected to obtain those approvals due to much more stringent environmental control, the Group shall use its best efforts to complete those works by the end of 2019.

The profitability of the Group is highly correlated to the gold price in domestic and international markets. The market prices of gold (and other precious metals) are sensitive to the global economic environment and stability. In view of the Sino-US economic and trade frictions, the gold continues to serve as a safe haven and the price has been increased from RMB 285/g to RMB307/g in China during the period under review. It is expected that the Group will be benefited by the favorable trend of gold price.

As mentioned in the reports of 2018, the central inspection teams revisit Qinling mountains in the second half of 2019 to follow up the environmental issues identified during the last visit. It is expected that certain production will be affected by the inspection and the overall production in 2019 is therefore expected to be

lower than the normal level.

When it comes to severe environmental protection and safety situations, the Group has put more emphasis to cope with the related topics. In a bid to sustain sound development of the Group, high-calibre staff and corporate culture are of great essence. In this regard, the Group will provide sufficient staff trainings and workshops in terms of industrial knowledge, work safety, environmental protection and new technologies. It not only ensure the staff to acknowledge the timely updates but also work in accordance with the standards as well as managing the challenging business environment.

Looking ahead, the Group will continue to pursue various business and investment opportunities to broaden the resources and reserves, with a view to providing growth potential and bringing higher returns to the shareholders of the Company.

— End —

About Tongguan Gold Group Limited (Stock Code: 340)

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

Released by Tongguan Gold Group Limited