

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 2022

PROACTIVELY EXPLORE OTHER INVESTMENT OPPORTUNITIES TO ENHANCE THE PORTFOLIO, THEREBY MAXIMIZING THE VALUE FOR THE SHAREHOLDERS OF THE COMPANY

Financial Highlights	For the Six Months Ended 30 June 2022		
	(HK\$'000)		
	2022 (Unaudited)	2021 (Unaudited)	Change (%)
Revenue	179,593	280,143	-36%
Gross Profit	63,585	100,006	-36%
Gross Profit Margin	35%	36%	-1 ppt
Profit for the period attributable to:			
Owners of the Company	26,832	67,141	
Non-controlling interests	<u>3,425</u>	<u>7,889</u>	
	<u>30,257</u>	<u>75,030</u>	
Earnings per share			
Basic	HK\$0.79 cents	HK\$1.98 cents	
Diluted	HK\$0.79 cents	HK\$1.98 cents	

(Hong Kong, 29 August, 2022) – **Tongguan Gold Group Limited** (“Tongguan Gold” or the “Group”) (Stock Code: 00340) today hereby announced its interim results for the six months ended 30 June 2022 (the “Interim Period”).

For the Interim Period, the Group recorded an unaudited profit attributable to owners of the Company amounted to approximately HK\$26,832,000 (six months ended 30 June 2021: approximately HK\$67,141,000). Profit from operations decreased by approximately HK\$40,309,000 to approximately HK\$26,832,000 for the Interim Period from approximately HK\$67,141,000 for the corresponding period in 2021. Such a decrease in profit is primarily due to decrease in sale volume.

Administrative and other expenses amounted to approximately HK\$23,950,000, representing a decrease of approximately 13.5% from approximately HK\$27,696,000 for the corresponding period in 2021 and is primarily due to decrease in one off expenses, such as invalid exploration costs.

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\$179,593,000, representing a decrease of approximately 35.9% from approximately HK\$280,143,000 for the corresponding period in 2021 and is primarily arisen from the decrease in production volume and sale volume following an enhanced measures for disease control and other policies in the Mainland China (the "PRC"), which led to suspension of production for varying periods. The cost of sales amounted to approximately HK\$116,008,000, representing a decrease of approximately 35.6% from approximately HK\$180,137,000 for the corresponding period in 2021 and is in line with the decrease in revenue. Gross profit from operations amounted to approximately HK\$63,585,000 (gross profit margin 35.4%), representing a decrease in approximately 36.4% as compared with gross profit of approximately HK\$100,006,000 (gross profit margin 35.7%) for the corresponding period in 2021. The decrease in gross profit was in line with the decrease in revenue as a result of lower production volume and sale volume during the reporting period.

PROSPECTS

Global economic continues to be challenging due to pandemic, geopolitical crisis and interest rate hikes. In view of the pandemic being sporadic from time to time, it was under control through a number of pandemic control measures in the PRC. The Group followed the enhanced measures for disease prevention and control and other policies in the PRC for the first half of 2022, which led to suspension of production for varying periods, the production volume and sales volume therefore decreased. With the gradual ease of the pandemic and relaxation of other policies, the Group strives to resume to its normal production and expand the exploration and mining activities, we expect that the overall performance of the business will be improved in the second half of 2022.

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. Stepping into 2022, in face of high inflation, global central banks have begun to manage and control the inflation by increasing the interest rate, especially the Federal Reserve. Investors are wary of whether successive interest rate hikes will create a global recession or not. While higher interest rate will be detrimental to the gold price, high and persistent inflation and international geopolitical conflicts offsets the impact. As such, gold still serves its solid role as a safe-haven asset, particularly while uncertainties stays elevated. The management will closely monitor the market trends of 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. Pandemic prevention and control, environmental sustainability and safety production would continue to be the priority tasks of the Group. In response to the pandemic, the Group actively implemented various hygiene measures, and followed the disease prevention and control measures and other policies in the PRC. 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.

Moving forward, under the market uncertainties, the Group would remain vigilant and responsive in a timely manner. In the second half of 2022, the Group has extended its gold related business in the PRC, which is to sale of physical gold bullion by purchasing gold related materials from other supply chain players, and refining by subcontractors. Despite the margin of such business is expected to be substantially lower than our existing business, the new business could broaden our income stream, explore our market share and enhance our reputation in the gold industry in the PRC. On the other hand, the management would proactively explore other investment opportunities to enhance the portfolio, thereby maximizing the value for the shareholders of the Company.

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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