



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

(Stock Code: 340)

**ANNOUNCES ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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<u>Financial Highlights</u>	For the Year Ended 31 December 2018		
	(HK\$'000)		
	2018	2017 (restated)	Change (%)
<b>CONTINUING OPERATIONS</b>			
<b>Turnover</b>	105,975	295,787	-64.2%
<b>Gross Profit</b>	3,902	67,957	-94.3%
<b>Gross Profit Margin</b>	4%	23%	-19 ppt
<b>(Loss)/profit for the year attributable to owners of the Company</b>			
- Continuing operations	(51,601)	(36,276)	
- Discontinued operation	<u>109,127</u>	<u>(37,792)</u>	
	<u>57,526</u>	<u>(74,068)</u>	
<b>(Loss)/earnings per share - Basic and diluted</b>			
- Continuing operations	HK(1.71) cents	HK(1.56) cents	
- Discontinued operation	HK3.61 cents	HK(1.63) cents	

(Hong Kong, 19 March, 2019) –**Tongguan Gold Group Limited** (“Tongguan Gold” or the “Group”) (Stock Code: 340) today hereby announced its annual results for the year ended 31 December 2018 (the “Year”).

During the year, the Group recorded a profit attributable to owners of the Company amounted to HK\$57,526,000 (2017: loss of HK\$74,068,000). Of which, profit derived from the discontinued operation amounted to approximately HK\$106,994,000 which is primarily contributed by the gain on disposal of HK\$117,661,000. Loss from continuing operations increased by 70% to approximately HK\$54,685,000 in 2018 from approximately HK\$32,235,000 for the year 2017, which is primarily a result of the decrease in gross profit. The decrease in gross profit is mainly due to the temporary suspension of production of gold mining and increasing production cost of gold mining.

## **REVIEW OF OPERATIONS**

### ***Continuing 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 2018, the Group's revenue from gold mining operation amounted to approximately HK\$105,975,000, representing a decrease of approximately 64% from approximately HK\$295,787,000 for the year 2017 and is primarily contributed by the temporary suspension of the gold mining operations within Tongguan county during May 2018 to July 2018 to carry on environmental upgrade and maintenance and during August 2018 to October 2018 for the environmental inspections by the local authorities which result in a decrease in overall production in 2018. The cost of sales amounted to HK\$102,073,000, representing a decrease of approximately 55% from approximately HK\$227,830,000 for the year 2017 and is primarily contributed by the decrease in overall production. Gross profit from continuing operations amounted to approximately HK\$3,902,000, representing a decrease in 94% respectively as compared with approximately HK\$67,957,000 for the year 2017. Decrease in gross profit margin was mainly attributable to the temporary suspension of production and increasing cost of production including extraction cost and labour cost.

On 20 December 2018, the Group completed the acquisition of the entire equity interests in Best Income Limited ("Best Income") and Max Paramount Holdings Limited ("Max Paramount") (collectively, the "Best Tone and Max Paramount Acquisition"). Details of the acquisition of the entire equity interests in Best Income and Max Paramount were disclosed in the announcements of the Company dated 4 December 2018 and 20 December 2018.

Best Income and its subsidiaries (together with Best Income, "Best Income Group") and Max Paramount and its subsidiary (together with Max Paramount, "Max Paramount Group") are principally engaged in the exploration and mining of gold and related minerals. The principal asset of Best Income and Max Paramount are their indirect equity interest in PRC company, namely Tongguan Tongjin Mining Company Limited(潼關縣潼金礦業有限責任公司) ("Tongjin Mining"), which holds the exploration licences and mining licence in respect of four gold mines located in the Tongguan County in Shaanxi Province of the PRC.

### ***Investments in Canada listed mining company***

The Group has invested in Canada listed mining company which was held for the purpose of long-term investments and capital gain and dividend income. The investment portfolio of the Group, included in other financial assets, recorded a depreciation during the year ended 31 December 2018 as the depreciation of both the market price and exchange rate of Canadian dollar. The decrease in fair value of the investment portfolio during the year 2018 was approximately HK\$20,343,000 (2017: net increase of HK\$17,610,000). As at 31 December 2018, the carrying value of the investment portfolio was HK\$6,600,000 (31 December 2017: HK\$28,131,000).

### ***Discontinued Operation — Disposal of Tea Business***

Discontinued operation represented the operating results up to the date of disposal and the gain on disposal of the tea business.

On 16 April 2018, the Group has disposed of 80% issued shares of King Gold Investments Limited (the “Disposal”). King Gold Investments Limited (“King Gold”) and its subsidiaries (together with King Gold, the “King Gold Group”) is principally engaged in cultivation, research, production and sale of Chinese tea products.

Upon completion of the Disposal, King Gold ceased to be a subsidiary of the Group. For the operation results, during the period from 1 January 2018 to 16 April 2018, King Gold Group contributed HK\$25,933,000 (year ended 31 December 2017: HK\$91,688,000) and profit of HK\$106,994,000 (year ended 31 December 2017: loss of HK\$46,939,000) to the Group’s revenue and loss before tax respectively.

A gain of disposal of approximately HK\$117,661,000 was arisen from the Disposal and was derived from (i) the total consideration of HK\$121,072,000; and (ii) the net assets and other reserves of King Gold Group of HK\$3,411,000 upon the Disposal.

### **PROSPECTS**

The Group is determined to focus on the gold exploration and mining business. Subsequent to disposal of tea business in the first half of 2018, the Group has completed an acquisition of gold business at the end of this year. To strengthen the Group’s resource and reserve, the Group will continue to explore the opportunities of high quality gold exploration and mining business. In respect of the mining areas which has completed the exploration stages, the Group has begun the application of mining licenses during the year. The management believes that the production capacity would be gradually improved with more mining activities.

This year, the central inspection teams visited Qinling for the one-off and large-scale environmental inspection. As advised by the local authorities, the Group has suspended the mining operation in Tongguan country temporarily and the production in second half of 2018 has been decreased. Nevertheless, the Group remains optimistic to the financial performance in the coming years. The management believes the central inspection is non-recurring and the Group will continue to put emphasis on workplace safety and environmental protection.

The Group considers work safety and environmental protection as an important topics when it comes to sustainable development. To mitigate the workplace injuries and accidents, the Group provides continuous trainings and workshops. To reduce the environmental damage, the Group has set up the internal control to monitor the waste being produced in the mining operation and promote energy-saving.

The phase one of the new processing plant is expected to complete in or around the first half of 2019. The new processing plant will strengthen our processing capacity and the production is expected to be benefited from the economics of scale. The Group will continue to look for opportunities to improve the production capacity and operate in a cost-effective manner.

The profitability of the Group highly depends on the gold price in the domestic and international markets and the market prices of gold (and other precious metals ) are highly correlated with the global economic growth and stability. In view of the potential impacts from Fed interest rate hikes and the US-China trade war, the Company is of the view that the gold serves as a safe haven is beneficial to the Group.

The management will continually strive to explore the investment opportunities of high quality mining to enhance reserve, resources and production output. The Group will leverage its management expertise in the mining industry so as to increase the shareholders' value of the Group as a whole.

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**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*