

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 2019

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

<u>Financial Highlights</u>	For the Year Ended 31 December 2019 (HK\$'000)		
	2019	2018	Change (%)
CONTINUING OPERATIONS			
Revenue	191,436	105,975	81%
Gross Profit	22,419	3,902	474.6%
Gross Profit Margin (%)	12%	4%	8%
(Loss) / profit for the year attributable to owners of the Company:			
- Continuing operations	(21,071)	(51,601)	
- Discontinued operation	=	<u>109,127</u>	
	<u>(21,071)</u>	<u>57,526</u>	
(Loss) / earning per share - Basic and diluted			
- Continuing operations	HK(0.62) cents	HK(1.71) cents	
- Discontinued operation	HK - cents	HK3.61 cents	

(Hong Kong, 25 March, 2020) – **Tongguan Gold Group Limited** (“Tongguan Gold” or the “Group”) (Stock Code:00 340) today hereby announced its annual results for the year ended 31 December 2019 (the “Year”).

During the year, the Group recorded a loss attributable to owners of the Company amounted to HK\$21,071,000 (2018: profit of HK\$57,526,000) 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 year 2018. Loss from continuing operations decreased by HK\$32,933,000 to approximately HK\$21,752,000 in 2019 from approximately HK\$54,685,000 for the corresponding period in 2018, 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

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 2019, the Group's revenue from gold mining operation amounted to approximately HK\$191,436,000, representing an increase of approximately 81% from approximately HK\$105,975,000 for the year 2018. In 2018, the sale was seriously affected by the temporary suspension of the gold mining operations for environmental upgrade, maintenance and inspections. There was no such impact for the year of 2019 which contributed to the increase in sale volumes. The cost of sales amounted to HK\$169,017,000, representing an increase of approximately 66% from approximately HK\$102,073,000 for the year 2018 which is in line with the increase in sales. Gross profit from continuing operations amounted to approximately HK\$22,419,000, representing an increase in 8% respectively as compared with approximately HK\$3,902,000 for the year 2018. Increase in gross profit margin was mainly attributable to the increase in gold prices.

PROSPECTS

Despite of the outbreak of a coronavirus (COVID-19) disease and the global uncertainties it brings, the Group is well poised to keep the momentum of steadily growth. As disclosed in 2017 and 2018 annual report, the Group has completed various acquisitions in the gold businesses. For the mines which have completed the exploration stages, it is in the process of applying for mining licenses during the year. In the long term, the production capacity will gradually improve as the operation of new processing plant commences together with the comprehensive mining portfolio.

The new processing plant was scheduled to operate in March 2020. However, the plant is located in Shaanxi province where the government has imposed certain restrictions in working and transportation to suppress the transmission of coronavirus. For the sake of public health and safety, the commencement of new plant has been postponed to around June 2020 and the operations have been suspended for around two months, the management would keep an eye on the situation in Shaanxi province.

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. The Directors are of the view that the recent outbreak of the coronavirus has a certain impact on China economy which net off the effect of Sino-US "phase 1" trade deal. As a result, the gold market would be continued to serve as a safe haven for global investors. The gold price in AU99.95 has been increased from RMB286/g to RMB341/g in China during the year of 2019. It is expected that the favorable trend of gold price would continue to create a conducive environment to the Group.

Workplace safety and environmental topics are of high priorities and matters of great importance to the Group. The management are committed to achieving a high standard of occupational safety and health for all our staff. During the year, the Group has provided various workshops, training and guidelines to our staff especially those who are working in the processing plant and mines to ensure they are competent to perform their duties in a safe and healthy manner. In respect of environmental protection, the new processing plant has been designed as environmental friendly as one of its major characteristics which aim to reduce the wastes and promote sustainable developments.

In summary, the Group would remain cautiously optimistic in the face of continued macroeconomic headwinds. The management would proactively manage the existing portfolio, seek for optimal investment opportunities and deliver long-term returns to 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