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

(Incorporated in Bermuda with limited liability)
(Stock Code: 00340)

**DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF
GOLD MINES IN TONGGUAN COUNTY OF SHAANXI PROVINCE**

THE ACQUISITION

On 4 December 2018 (after trading hours), the Purchaser, the Vendors and the Guarantors entered into the Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendors agreed to sell the Sale Shares at the Consideration of HK\$300,000,000, which shall be settled by way of a combination of Consideration Shares and Promissory Note. Details of the Consideration are set out in the paragraph headed “Consideration and Payment Terms”.

As at the date of this announcement, the Target Group, through the Project Company, holds the Exploration Licences and the Mining Licence in respect of the Gold Mines.

Upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but all of the applicable percentage ratio are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

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The details of the Agreement are as follows:

The Agreement

- Date 4 December 2018 (after trading hours)
- Parties
- The Purchaser: Combined Success, a direct wholly-owned subsidiary of the Company.
- The Vendors:
- (1) Harvest Master, an investment holding company wholly-owned by Mr. Choi, which as at the date of this announcement holds 100% of the total issued share capital of Max Paramount, one of the Target Companies; and
 - (2) Profit Linkage, an investment holding company wholly-owned by Ms. Huang, which as at the date of this announcement holds 100% of the total issued share capital of Best Income, one of the Target Companies.
- The Guarantors:
- (1) Mr. Choi, being the ultimate beneficial owner of Harvest Master; and
 - (2) Ms. Huang, being the ultimate beneficial owner of Profit Linkage.

Pursuant to the Agreement, the Guarantors unconditionally and irrevocably guarantee to the Purchaser the due and punctual performance by the Vendors of all their obligations under the Agreement (whether directly or indirectly), including but not limited to, the Vendors' warranties under the Agreement. The Guarantors also undertake to indemnify the Purchaser and keep the Purchaser fully indemnified against all liabilities, losses, costs, expenses and damage by reason of or in connection with any failure of the Vendors to perform any of their obligations contained in the Agreement. Until the Vendors' obligations under the Agreement have been fully discharged and waived, the Guarantors' obligations under the Agreement will remain in effect.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendors together with the Guarantors are Independent Third Parties.

Subject matter

Pursuant to the Agreement, the Purchaser agreed to purchase, and the Vendors agreed to sell the Sale Shares, representing 100% of the total issued share capital of the respective Target Companies as at the date of this announcement.

Upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company.

The Target Group is principally engaged in the exploration and mining of gold and related minerals. As at the date of this announcement, the Target Group, through the Project Company, holds the Exploration Licences and the Mining Licence in respect of the Gold Mines. Detailed information on the Target Group is set out in the paragraph headed "Information on the Target Group" of this announcement.

Consideration and Payment Terms

The Consideration shall be HK\$300,000,000, which will be settled by the Company in the following manner:

- (i) HK\$16,666,400 by the allotment and issue of 41,666,000 Consideration Shares by the Company at the Issue Price of HK\$0.4 per Consideration Share on the Completion Date to Harvest Master;
- (ii) HK\$203,333,600 by the allotment and issue of 508,334,000 Consideration Shares by the Company at the Issue Price of HK\$0.4 per Consideration Share on the Completion Date to Profit Linkage; and
- (iii) HK\$80,000,000 shall be satisfied by the Purchaser procuring the Company to issue the Promissory Note in favour of Profit Linkage (or its nominee) on the Completion Date.

Consideration Shares

The Consideration Shares represent (i) approximately 19.35% of the existing issued share capital of the Company, and (ii) approximately 16.22% of the Company's issued share capital as enlarged by the issue of the Consideration Shares. The Consideration Shares will be allotted and issued under the General Mandate. The Consideration Shares when allotted and issued shall be credited as fully paid and rank *pari passu* with all other Shares in issue in the share capital of the Company.

Application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares. The issue price of HK\$0.4 per Consideration Share represents:

- (i) a discount of 13.04% to the closing price of HK\$0.460 per Share as quoted on the Stock Exchange on 4 December 2018, being the date of the Agreement;
- (ii) a discount of 15.61% to the average closing price per Share as quoted on the Stock Exchange for the last 5 consecutive full trading days prior to the date of the Agreement on 4 December 2018, being approximately HK\$0.474 per Share; and
- (iii) a discount of 17.86% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive full trading days prior to the date of the Agreement on 4 December 2018, being approximately HK\$0.487 per Share.

The Company considers the Issue Price, which was determined after arm's length negotiation between the Company and the Vendors, fair and reasonable having considered, among other things, (i) that the issue of Consideration Shares as part of the Consideration would enable the Company to acquire the controlling interest in the Gold Mines without causing an undue burden on the Company's cash flow; and (ii) the reasons for and benefits of the Acquisition as described in the paragraph headed "Reasons for and benefits of the Acquisition".

Promissory Note

The Company shall issue the Promissory Note to Profit Linkage (or its nominee) in the principal amount of HK\$80,000,000 on the Completion Date. The principal terms of the Promissory Note are as follows:

Issuer	:	the Company
Noteholder	:	Profit Linkage (or its nominee)
Principal amount to be issued	:	HK\$80,000,000 to Profit Linkage (or its nominee)
Issue date	:	the Completion Date
Condition	:	the Promissory Note will become effective upon the date of Registration Approval (the " Effective Date ") and payable by the Company upon the last day of the 36 th month from the Effective Date

Effective date	:	the date of Registration Approval, which must fall (i) within 12 months after the date of issuance of the Promissory Note; or (ii) on such other date as the parties may agree in writing (the “ Expiry Date ”). If such approval is not obtained on or before the Expiry Date, the Promissory Note will be invalidated and will no longer be enforceable against the Company
Interest	:	Nil
Transferability	:	Freely transferrable subject to applicable laws
Security	:	the obligations of the Company under the Promissory Note are unsecured

Basis of the Consideration

The consideration in respect of the Acquisition is HK\$300,000,000, which is slightly lower than the Valuation provided by JP Assets. The Consideration was determined by the Vendors and the Purchaser after arm’s length negotiations taking into account, among other things, (i) the financial performance, business growth and prospects of the Project Company; (ii) the recent trend of international gold price and the contributing factors of its rally; (iii) the factors as set out in the section headed “Reasons for and Benefits of the Acquisition”; and with reference to (iv) the independent technical assessment prepared by SRK of the exploration and resources/reserves estimation on the Gold Mines, an Independent Technical Report of the Gold Mines prepared by SRK in accordance with the JORC Code and (v) the Valuation Report of the mineral interests held by the Target Group using market approach prepared by JP Assets.

Taking into account the above, in particular, that the Consideration represents a discount to the Valuation, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the satisfaction (or waiver, if applicable) of all of the following conditions:

- (i) the Purchaser shall have completed, to its sole and absolute satisfaction, a due diligence review on the Target Group (in particular the Project Company) in respect of their business operation, financial status, asset/liabilities and other related issues to be determined by the Purchaser;
- (ii) the Purchaser having obtained from a qualified PRC legal adviser a legal opinion with respect to the Target Group (in particular the legality of the reorganization of the Target Group as far as PRC laws are concerned, the validity of the Mining Licence and the Exploration Licences, and the Registration Approval), and that the Purchaser being satisfied with such legal opinion;

- (iii) from the date of signing of the Agreement till Completion, there not being any abnormal operations or any material adverse changes in the business, prospects, operations, performance or finance in respect of the Target Group;
- (iv) the warranties given by the Vendors in the Agreement remaining true, accurate and not misleading at the date of the Agreement and up to and including the Completion Date in all material aspects;
- (v) the obtaining of all necessary consents and approvals in respect of the Acquisition from the relevant governmental or regulatory bodies, and no governmental or regulatory bodies has issued any orders, laws, regulations to disallow or restrain Completion from taking place; and
- (vi) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Consideration Shares.

The Purchaser shall have the right to waive the conditions precedent above (save for the condition (vi) which cannot be waived). Save as aforesaid, if the conditions precedent as set out in the Agreement have not been fulfilled (or, where applicable, waived by the Purchaser) on or before 31 January 2019, neither the Purchaser nor the Vendors shall be obliged to proceed with Completion.

Completion

Completion shall take place on the Completion Date.

Upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company. The results and assets and liabilities of the Target Group will be consolidated with, and accounted for as subsidiaries, in the Company's consolidated financial statements.

GENERAL MANDATE TO ISSUE THE CONSIDERATION SHARES

The maximum number of Shares which may be allotted and issued under the General Mandate is 568,454,444 Shares. Up to the date of this announcement, the General Mandate has not been utilized since its grant. The issue of the Consideration Shares is not subject to Shareholders' approval.

INFORMATION ON THE TARGET GROUP

Max Paramount, a Target Company, is an investment holding company incorporated in the BVI with limited liability on 2 January 2018. As at the date of this announcement, it is wholly-owned by Harvest Master. The principal asset of Max Paramount is its 5% indirect equity interests in the Project Company.

Best Income, a Target Company, is an investment holding company incorporated in the BVI with limited liability on 27 April 2011. As at the date of this announcement, it is wholly-owned by Profit Linkage. The principal asset of Best Income is its 85% indirect equity interests in the Project Company.

The Target Group is principally engaged in the exploration and mining of gold and related minerals. As at the date of this announcement, the Project Company holds the Exploration Licences and the Mining Licence in respect of the Gold Mines.

Save that the Target Group has acquired 90% equity interests of the Project Company in 2011, none of the members of the Target Group (other than the Project Company) has conducted any business activities since its incorporation nor have any other material assets as at the date of this announcement.

Set out below is a summary of the unaudited financial information on the Project Company prepared in accordance with the Hong Kong Generally Accepted Accounting Principles for the two years ended 31 December 2017:

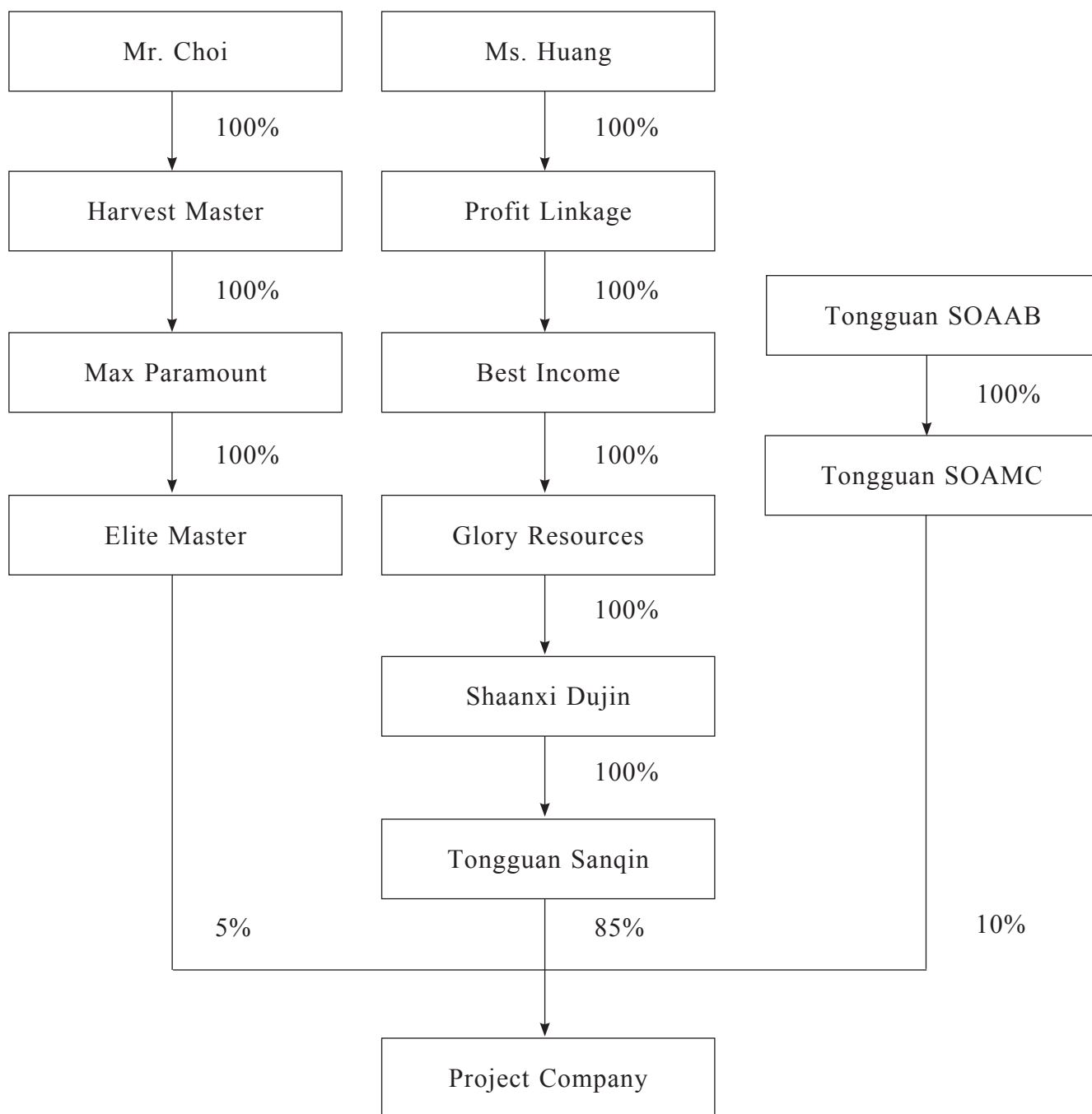
	For the year ended	
	31 December	
	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	—
Net loss (before and after taxation)	13,868	99,969

The unaudited net asset value of the Project Company as at 31 December 2016 and 31 December 2017 was approximately RMB388,433,544 and RMB288,464,273, respectively.

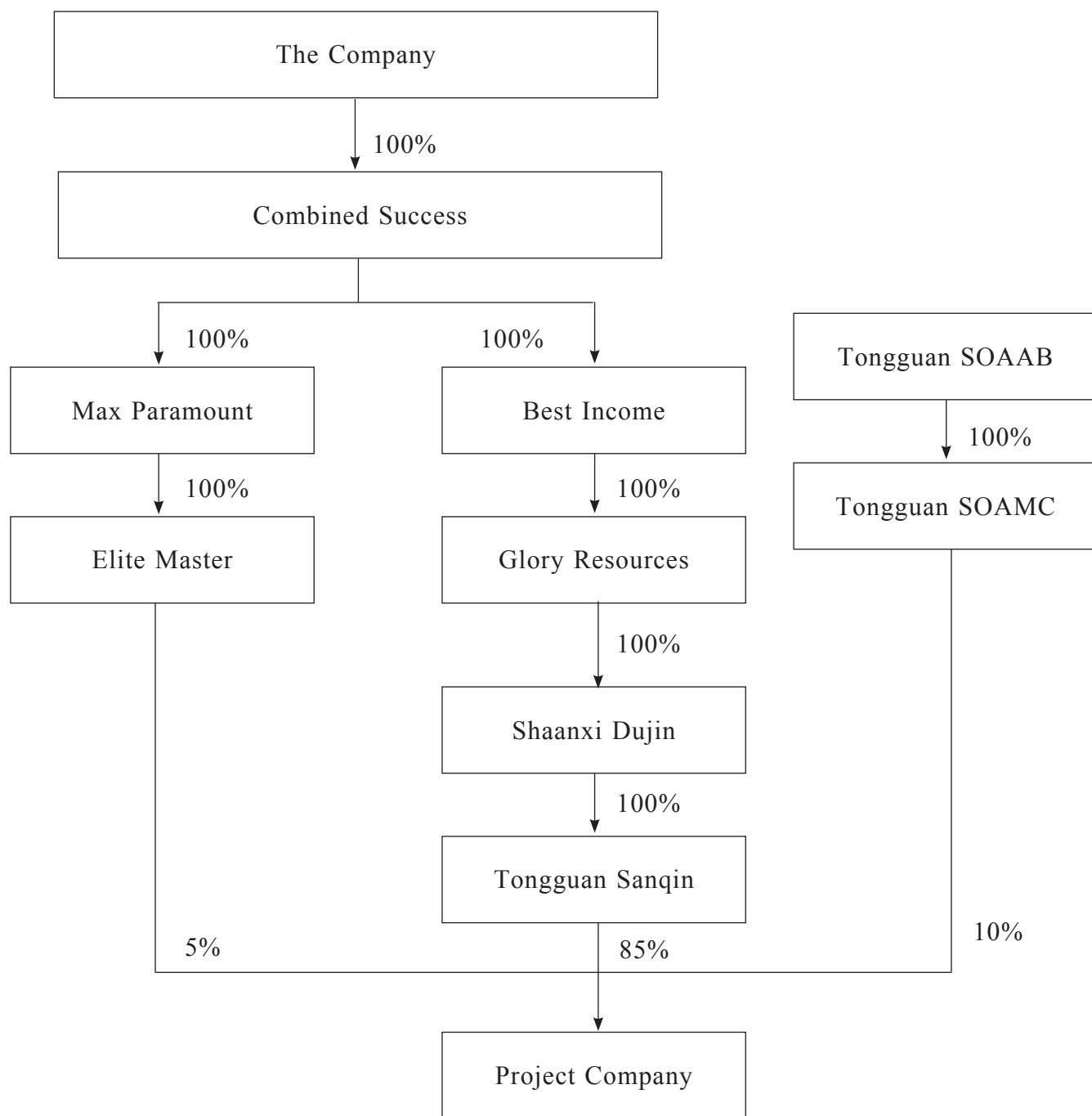
No mining activities were undertaken at the Gold Mines as at the date of this announcement.

The following charts illustrate the shareholding structure of the Target Company (i) as at the date of this announcement and (ii) immediately upon Completion, respectively.

(i) As at the date of this announcement:



(ii) Immediately upon Completion:



THE GOLD MINES

The Gold Mines are located in Tongguan County in the Shaanxi Province of the PRC.

As at the date of this announcement, the Project Company has a portfolio of mineral tenements comprising three Exploration Licences (T61120081202019509, T61120091202037656 and T61120091202037655) and one Mining Licence (C6100002011034120109490) covering a total area of 0.79km², 0.05km², 0.22km² and 0.2273km² respectively.

Set out below is the Mineral Resource statement for the Gold Mines as of 1 June 2018 as extracted from the Independent Technical Report:

Mineral Resources statement in three Exploration Licence areas

Domain	Classification	Inventory (t)	Au Grade (g/t)	Au Metal (t)	Licence
Q261	Indicated	1,600	6.03	0.01	T61120091202037655
	Inferred	5,000	6.00	0.03	
Q1605	Indicated	555,000	6.34	3.52	T61120081202019509
	Inferred	28,000	6.28	0.18	
Q456	Indicated	73,000	5.76	0.42	T61120091202037656
	Inferred	36,000	5.76	0.21	
Q4108	Indicated	76,000	7.00	0.53	T61120091202037655
	Inferred	3,000	5.12	0.02	
Q1408-1	Indicated	211,000	13.33	2.81	
	Inferred	63,000	11.24	0.71	
Total	Indicated	916,600	7.96	7.29	
	Inferred	135,000	8.42	1.14	

Mineral Resources statement in the Mining Licence area

Domain	Classification	Inventory (t)	Au Grade (g/t)	Au Metal (t)	Licence
Q261	Indicated	47,000	5.95	0.29	C6100002011034120109490

Notes:

1. Numbers may not add up due to rounding.
2. 1.00 g/t Au cut-off grade applied for the resource block model.

The Exploration Licences

Details of the Exploration Licences held by the Target Group as of 1 June 2018, as extracted from the Independent Technical Report, are summarised below:

Licence holder	Exploration Licence number	Exploration area (km ²)	Valid period
Tongguan Xiaokou Gold Mine (Note 3)	T61120081202019509	0.79	December 2016 to December 2018
Project Company	T61120091202037656	0.05	October 2017 to October 2019
	T61120091202037655	0.22	October 2017 to October 2019

The Mining Licence

Details of the Mining Licence held by the Target Group as of 1 June 2018, as extracted from the Independent Technical Report, are summarised below:

Licence holder	Mining Licence number	Mining area (km ²)	Valid period
Project Company	C6100002011034120109490	0.2273	August 2018 to January 2020

Note:

3. Tongguan Xiaokou Gold Mine was acquired by the Project Company in 2011. The Exploration Licence No. T61120081202019509 is in the process of being registered in the name of the Project Company and being reserved for the exploration right under the Exploration License. If Exploration Licence number T61120081202019509 has not been registered in the name of the Project Company within 12 months after the Completion Date or such other date as the parties may agree in writing, the Promissory Note will be invalidated and will no longer be enforceable against the Company.

Other licences and permits

Mining licence

According to the Mineral Resources Law of the PRC (中華人民共和國礦產資源法) issued by the Standing Committee of the National People's Congress, which became effective from 1 October 1986 and as amended on 29 August 1996 and 27 August 2009, the Implementation Rules of the Mineral Resource Law of the PRC (中華人民共和國礦產資源法實施細則) issued by the State Council on 26 March 1994, the Administrative Measures on Registration of Mineral Resources Exploration and

Survey using the Block System (礦產資源勘查區塊登記管理辦法) issued by the State Council, which became effective from 12 February 1998 and as amended on 29 July 2014 and the Administrative Measures on Registration of Mineral Resources Exploitation (礦產資源開採登記管理辦法) issued by the State Council, which became effective from 12 February 1998 and as amended on 29 July 2014, enterprises engaged in the mining of mineral resources shall obtain a mining licence and enterprises engaged in exploration of mineral resources shall obtain an exploration licence. A mining licence holder has the right to conduct mining activities and to construct structures that are related to its mining activities within the licenced mining area, whereas an exploration licence holder has the right to explore mineral resources within the area covered under the licence. After the exploitable mineral is measured, an exploration license holder may, within the term of a valid exploration license, discontinue the expenditure for exploration and be relieved of the obligation to meet a minimum expenditure requirement upon approval by the licensing authorities and may apply to reserve the exploration right. Furthermore, according to Tian Yuan, under the current PRC laws, holders of an exploration licence are entitled to explore mineral resources within the area covered by the relevant exploration licence, and have the rights to apply for the mining licence to carry out mining activities within the said area upon demonstrating the existence of minable resources and undertaking the necessary application procedures.

As advised by Tian Yuan, according to the information from the Project Company, the “Description Letter” issued by the Bureau of Land and Resources of Tongguan County (潼關縣國土資源局) and the appropriate review conducted by Tian Yuan, (i) subject to the performance of relevant assessments and approval procedures in accordance with the relevant PRC laws, including but without limitation to Mineral Resources Law of the PRC (中華人民共和國礦產資源法), the Administrative Measures on Registration of Mineral Resources Exploitation (礦產資源開採登記管理辦法) and the Regulation of Shaanxi Province on the Administration of Mineral Resources (陝西礦產資源管理條例), the satisfaction of various application conditions for the establishment of mining rights and the submission of information required by relevant regulations and the Bureau of Land and Resources of Shaanxi Province (陝西省國土資源廳), the Project Company will have no practical legal impediment in respect of obtaining the mining licences after transition of the three Exploration Licences for the Gold Mines; (ii) in respect of the Exploration License (No.T61120081202019509) which has expired up to the date of this announcement, subject to the performance of the application procedures in accordance with the PRC laws, including but without limitation to the Administrative Measures on Registration of Mineral Resources Exploration and Survey Using Block System (礦產資源勘查區塊登記管理辦法), the satisfaction of various application conditions for the reserving of exploration right (including but without limitation to, the geological work level has been certified above preliminary exploration (詳查) by the mineral reserves review and the geological report has been filed with the resource reserves review), and the submission of materials required by relevant regulations and the Bureau of Land and Resources of Shaanxi Province (陝西省國土資源廳), the Project Company (in the name of Tongguan Xiaokou Gold Mine) will have no practical legal impediment in respect of the reserving of the exploration right. As confirmed by the Bureau of Land and Resources of Tongguan, during the application of reserving the exploration right, the Project Company’s interests under the Exploration License will not be adversely affected.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Having disposed of the business of production and sale of tea products in April 2018, the Group now focuses on and is principally engaged in the exploration, mining, processing and sale of gold and related products which, in the Board's view, is more profitable.

As disclosed in the Company's announcement dated 26 November 2018, the phase one of the new processing plant of the Group is expected to complete in or around the first half of year 2019. The Group will need to maintain and expand its self-sufficient mineral portfolio and also to prepare the portfolio on hand ready for mining productions. In this regard and further to the two acquisitions of gold mines in 2017, the Group had identified the Gold Mines which would meet the Group's needs on strengthening its mineral portfolio for the purpose of self-sufficient ore feeds.

According to the Independent Technical Report, the Gold Mines are estimated to contain total Mineral Resources of 1,099 kt (including Indicated Mineral Resources of 964 kt and Inferred Mineral Resources of 135 kt). The Group will be able to further and significantly expand its own mineral portfolio to support the sustainable development of the Group in respect of growth and profit potential through the Acquisition.

Accordingly, the Directors are of the view that the Acquisition is fair and reasonable and in the ordinary and usual course of business of the Group, and are in the interest of the Company and its shareholders as a whole.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consideration Shares:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Ms. Ho Ping Tanya	330,000,000	11.61	330,000,000	9.73
Fung Wai Enterprises Ltd.	330,000,000	11.61	330,000,000	9.73
Golden Blossom Investment Limited	470,000,000	16.54	470,000,000	13.86
Supreme Success Group Limited	185,250,000	6.52	185,250,000	5.46
Harvest Master	—	—	41,666,000	1.23
Profit Linkage (<i>Note 4</i>)	—	—	508,334,000	14.99
Other public Shareholders	1,527,022,221	53.72	1,527,022,221	45.00
Total	2,842,272,221	100.00	3,392,272,221	100.00

Note:

4. Upon the allotment and issuance of the Consideration Shares at Completion, Profit Linkage will become a substantial shareholder and, therefore, a connected person of the Company under the Listing Rules. Once the Promissory Note becomes effective, it will constitute a financial assistance received by the Company from Profit Linkage, a connected person, which is fully exempt under Rule 14A.90 of the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but all of the applicable percentage ratio are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions have the following meanings ascribed to them respectively:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Agreement
“Agreement”	the sale and purchase agreement entered into between the Purchaser, the Vendors and the Guarantors on 4 December 2018 in relation to the Acquisition
“Au”	gold
“Best Income”	Best Income Limited (佳盈有限公司), an investment holding company incorporated in the BVI with limited liability and wholly-owned by Profit Linkage as at the date of this announcement
“Board”	the board of Directors of the Company
“Business Day(s)”	any day (except a Saturday, Sunday and public holiday) on which banks in Hong Kong are open to the general public for business
“BVI”	the British Virgin Islands
“Company”	Tongguan Gold Group Limited (潼關黃金集團有限公司), a limited company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange

“Completion”	the completion of the Acquisition contemplated under the Agreement
“Completion Date”	the fifth Business Day following the date on which the last conditions precedent set out in the Agreement has been fulfilled (or otherwise waived) or such other date as the parties may agree in writing
“Connected Persons”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the consideration in respect of the Acquisition, comprising the Consideration Shares and the Promissory Note
“Consideration Shares”	an aggregate of 550,000,000 new Shares to be allotted and issued on the Completion Date to the Vendors at the Issue Price of HK\$0.4 per Share as partial consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Elite Master”	Elite Master Corporation Limited (銳精有限公司), an investment holding company incorporated in Hong Kong with limited liability and wholly-owned by Max Paramount
“Exploration Licences”	the licences authorizing the Project Company to conduct exploration activities at the Gold Mines
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 27 April 2018, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting
“Glory Resources”	Glory Resources Hong Kong Limited (寶鑫香港有限公司), an investment holding company incorporated in Hong Kong with limited liability and wholly-owned by Best Income
“Gold Mines”	four gold mines operated by the Project Company and located in the Tongguan County in Shaanxi Province of the PRC
“Group”	the Company and its subsidiaries
“g/t”	gram(s) per tonne

“Guarantors” or each a “Guarantor”	collectively, Mr. Choi and Ms. Huang
“Harvest Master” or a “Vendor”	Harvest Master Limited (華邁有限公司), an investment holding company incorporated in the Republic of Seychelles with limited liability and wholly-owned by Mr. Choi, which holds 100% of the total issued share capital of Max Paramount as at the date of this announcement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Technical Report”	the due diligence report carried out by SRK on the Mineral Resources and ore reserves of the Gold Mine in accordance with the JORC Code
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its Connected Persons
“Indicated Mineral Resource(s)”	part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit (as defined under the JORC Code)
“Inferred Mineral Resource(s)”	part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes (as defined under the JORC Code)
“Issue Price”	the issue price of HK\$0.4 per Consideration Share
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition), as published by the Joint Ore Reserves Committee

“JP Assets”	JP Assets Consultancy Limited, an Independent Third Party appointed by the Company as the independent valuer to prepare the Valuation Report
“km”	kilometer(s)
“km ² ”	square kilometer(s)
“kt”	kilotonne(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Max Paramount”	Max Paramount Holdings Limited (峰揚控股有限公司), an investment holding company incorporated in the BVI with limited liability and wholly-owned by Harvest Master as at the date of this announcement
“Mineral Resource(s)”	a concentration or occurrence of solid material of economic interest in or on the earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction (as defined under the JORC Code). The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories
“Mining Licence”	the licence authorising the Project Company to conduct mining activities at the Gold Mine
“Mr. Choi”	Mr. Choi Kwok Fung Arthur (蔡國峰先生), the ultimate beneficial owner of Harvest Master
“Ms. Huang”	Ms. Huang Aidong (黃愛東女士), the ultimate beneficial owner of Profit Linkage
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Promissory Note”	the promissory note in the principal amount of HK\$80,000,000 to be issued by the Company in favour of Profit Linkage (or its nominee) pursuant to the Agreement

“Project Company”	Tongguan Tongjin Mining Company Limited* (潼關縣潼金礦業有限責任公司), a company established in the PRC with limited liability which is owned as to 5% by Elite Master, 85% by Tongguan Sanqin and 10% by Tongguan SOAMC
“Profit Linkage” or a “Vendor”	Profit Linkage Enterprises Limited (富聯企業有限公司), an investment holding company incorporated in the BVI with limited liability, being wholly-owned by Ms. Huang, which holds 100% of the total issued share capital of Best Income as at the date of this announcement
“Purchaser” or “Combined Success”	Combined Success Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Registration Approval”	the approval from Shaanxi Provincial Department of Land Resources (陝西省國土資源廳) in relation to the registration of Exploration Licence No. T61120081202019509 in the name of the Project Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	100% of the total issued share capital in each of the Target Companies as at the date of this announcement and at Completion
“Shaanxi Dujin”	Shaanxi Dujin Mining Company Limited* (陝西都金礦業有限公司), a company established in the PRC as a wholly foreign-owned enterprise and is wholly-owned by Glory Resources
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SRK”	SRK Consulting (Hong Kong) Limited (斯羅柯礦業諮詢(香港)有限公司)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“t”	tonne(s)
“Target Companies” or each a “Target Company”	collectively, Max Paramount and Best Income

“Target Group”	the Target Companies and their subsidiaries from time to time, including without limitation, Max Paramount, Elite Master, Best Income, Glory Resources, Shaanxi Dujin, Tongguan Sanqin and the Project Company
“Tian Yuan”	Tian Yuan Law Firm, the legal adviser to the Company as to PRC law
“Tongguan Sanqin”	Tongguan Sanqin Mining Company Limited* (潼關縣三秦礦業有限責任公司), a company established in the PRC with limited liability and is wholly-owned by Shaanxi Dujin
“Tongguan SOAAB”	Tongguan State-Owned Assets Administration Bureau* (潼關縣國有資產管理局)
“Tongguan SOAMC”	Tongguan State-Owned Assets Management Company Limited* (潼關縣國有資產經營管理有限公司)
“Valuation”	a valuation on the 100% equity interest in the Target Group as at 30 September 2018 prepared by JP Assets, which was HK\$300,104,000
“Valuation Report”	the valuation report prepared by JP Assets regarding the valuation of the Target Group
“Vendors”	collectively, Harvest Master and Profit Linkage
“%”	per cent

By Order of the Board
Tongguan Gold Group Limited
Yeung Kwok Kuen
Executive Director and Chief Financial Officer

Hong Kong, 4 December 2018

As at the date of this announcement, the board of directors of the Company comprises Mr. Fang Yi Quan, Mr. Yeung Kwok Kuen, Mr. Shi Xing Zhi and Mr. Shi Sheng Li as executive directors, Mr. Chu Kang Nam, Mr. Ngai Sai Chuen, Mr. Liang Xu Shu and Mr. Leung Ka Wo as independent non-executive directors.

* *For identification purpose only*