

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 2020

CONTINUE TO RAMP UP THE PRODUCTION CAPACITY AND EXPAND THE EXPLORATION AND MINING ACTIVITIES

| <u>Financial Highlights</u> | For the Six Months Ended 30 June 2020 | | |
|---|---------------------------------------|----------------|------------|
| | (HK\$'000) | | |
| | 2020 | 2019 | Change (%) |
| Revenue | 86,728 | 100,083 | -13% |
| Gross Profit | 22,388 | 21,396 | 5% |
| Gross Profit Margin | 26% | 21% | 5 ppt |
| (Loss)/profit for the period attributable to: | | | |
| Owners of the Company | (5,804) | (6,477) | |
| Non-controlling interests | <u>962</u> | <u>459</u> | |
| | <u>(4,842)</u> | <u>(6,018)</u> | |
| Loss per share | | | |
| Basic | HK(0.17) cents | HK(0.19) cents | |
| Diluted | HK(0.17) cents | HK(0.05) cents | |

(Hong Kong, 26 August, 2020) – **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 2020 (the “Interim Period”).

During the Interim Period, the Group recorded an unaudited loss attributable to owners of the Company amounted to HK\$5,804,000 (six months ended 30 June 2019: HK\$6,477,000). Loss from continuing operations decreased by HK\$673,000 to approximately HK\$5,804,000 in 2020 from approximately HK\$6,477,000 for the corresponding period in 2019, which is primarily due to improvement on gross profit margin.

Administrative and other expenses amounted to approximately HK\$22,058,000, representing a decrease of approximately 29% from approximately HK\$31,187,000 for the corresponding period in 2019 and is primarily due to decrease in depreciation and one off expenses.

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\$86,728,000, representing a decrease of approximately 13% from approximately HK\$100,083,000 for the corresponding period in 2019 and is primarily contributed by decrease in sale quantity. The cost of sales amounted to HK\$64,340,000, representing a decrease of approximately 18% from approximately HK\$78,687,000 for the corresponding period in 2019 and is primarily contributed by decrease in mining cost. Gross profit from continuing operations amounted to approximately HK\$22,388,000, representing an increase in 5% as compared with approximately HK\$21,396,000 for the corresponding period in 2019. The average gross profit margin for the current period was 26%, representing an increase of 5 percentage points as compared with 21% of average gross profit margin in the corresponding period in 2019. Increase in gross profit margin was mainly attributable to the increase in average selling price by upward trend of gold.

PROSPECTS

The outbreak of the coronavirus (COVID-19) and the deterioration of Sino-US relations have led to a challenging period for the first half of 2020. The operation has been partially suspended since the Chinese New Year and production volumes have been slightly affected. Nevertheless, the Group followed and responded the government's call by promptly resuming production and work advance. Most of the employees returned to the workplace with sufficient precautionary measures and the operation has been resumed in early April. In light of the speedy recovery from pandemic and commencement of new processing plant, the management remained optimistic on the Group's financial performance turnaround in the foreseeable future.

The phase 1 of new processing plant started the trial operation in July 2020. The maximum production capacity is 1,500 tonnes per day and processing volume is expected to increase gradually in the second half of 2020. With the new processing plant, the operation will become more and more autonomous and machine will alert when there are any problems. The management believed that the advance technology and massive production would give rise to economies of scale. To make the best use of the plant, the Group would continue to ramp up the production capacity and expand the exploration and mining activities.

The profitability of the Group is closely 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 worsening China-US relations and coronavirus pandemic would continue to reinforce the role of gold as a strategic asset. It is under these circumstances that the demand for gold is expected to remain strong and the Group would be beneficial from the gold rally.

Prevention of the pandemic, environmental sustainability and safety production would continue to be the priority tasks of the Group. To ensure our staff working in a safe environment, the Company continue to promote a safety-first culture, educate the employees with latest standard and review the operation regularly. To address the pandemic, the Group has implemented a number of hygiene measures, including but not limited to ventilation, cleaning workplace and so on.

Looking into the future, the Group would remain vigilant in the face of market uncertainties. The management would make timely response, proactively seek for optimal investment opportunities and maximum returns to the shareholders of the Company.

— End —

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