



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 2023

**CONTINUE TO SEEK OPPORTUNITIES AND EXPLORE OTHER INVESTMENT OPPORTUNITIES TO
ENHANCE THE PORTFOLIO, SO AS TO RETURN THE SHAREHOLDERS OF THE COMPANY**

<u>Financial Highlights</u>	For the Six Months Ended 30 June 2023		
	(HK\$'000)		
	2023 (Unaudited)	2022 (Unaudited)	Change (%)
Revenue	676,548	179,593	277%
Gross Profit	49,565	63,585	-22%
Gross Profit Margin	7%	35%	-28 ppt
Profit for the period attributable to:			
Owners of the Company	13,930	26,832	
Non-controlling interests	<u>2,150</u>	<u>3,425</u>	
	<u>16,080</u>	<u>30,257</u>	
Earnings per share			
Basic	HK0.41 cents	HK0.79 cents	
Diluted	HK0.41 cents	HK0.79 cents	

(Hong Kong, 28 August, 2023) – 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 2023 (the “Interim Period”).

REVIEW OF OPERATIONS

Gold Mining Operation

The 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 amount to approximately HK\$192,423,000, representing an increase of approximately 7.1% from approximately HK\$179,593,000 for the corresponding period in 2022 and was primarily contributed by an increase in average selling price by upward trend of gold from RMB374 per gram for the corresponding period in 2022 to RMB435 per gram in the Interim Period.

The cost of sales amounted to approximately HK\$143,442,000, representing an increase of approximately 23.6% from approximately HK\$116,008,000 for the corresponding period in 2022. Gross profit from this operation amounted to approximately HK\$48,981,000 (gross profit margin 25.5%), representing a decrease in approximately 23.0% as compared with gross profit of approximately HK\$63,585,000 (gross profit margin 35.4%) for the corresponding period in 2022. The increase in cost of sales and the decrease in gross profit were mainly contributed by (i) decrease in average gold grade of ore mined from 5.05 gram per tonne for the corresponding period in 2022 to 3.89 gram per tonne in the Interim Period; and (ii) more excavation cost incurred when compared with corresponding period in 2022.

Gold Recycling Business

The activity of the Group's gold recycling business is involving sale of physical gold bullion by purchasing gold related materials from other supply chain players, and refining by subcontractors. For the Interim Period, the volume of sale of gold bullion was approximately 1.11 tonnes. Approximately HK\$484,125,000 of revenue and approximately HK\$483,541,000 of cost of sales were contributed from this operation for the six months ended 30 June 2023. Gross profit from this operation was thin and amounted to approximately HK\$584,000.

PROSPECTS

Although the COVID-19 pandemic (the "Pandemic") has come to an end, and in particular the easing of restrictions and policies related to Pandemic in Mainland China, international geopolitical crises, persistent inflationary pressure and banking crisis in the United States ("U.S.") still haunt the global economic environment and caused the economic growth to remain weak. Under such circumstances, the Group can still achieve a revenue growth of approximately 277% compared with last period. It is mainly attributable from the expansion of gold related business to gold recycling business since the second half of 2022. According to World Gold Council, the demand for gold recycling was continue to grow in the first half of 2023. The Group intends to seize this opportunity to expand market share and enhance our reputation in the gold industry in the Mainland China.

Despite the substantial increase in revenue, the overall net profit fell by approximately 47% compared with last period. It is primarily due to the decrease in the net profit of gold mining operation mainly resulting from lower average gold grade of ore per tonne mined in 2023. We expect average gold grade will gradually improve during the second half of 2023 and improve our overall performance. On the other hand, the Group successfully acquired Grand Gallant Investments Limited and its subsidiaries (the "Grand Gallant Group") on 21 July 2023. As published in the announcement dated 7 July 2023, Grand Gallant Group is principally engaged in the exploration and mining of gold and related minerals by undergrounds mining method and operates its own processing plants. Under the existing licenses on hand, Grand Gallant Group contains more than 16 tonnes gold reserve. We expect that results of Grand Gallant Group will contribute and enhance our performance during the rest of 2023.

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. After experiencing systemic risk concerns triggered by U.S. banking crisis in March 2023 and one of U.S. rating agencies downgraded the U.S. credit rating since the beginning of August 2023, the gold price has remained stable so far. These proved that gold still serves its solid role as a safe-haven asset. According to the survey organised by World Gold Council, gold continues to be viewed favorably by central banks, it revealed that some central banks intend to increase their holding reserves in the next 12 months. Furthermore, interest rate cut expectations, financial systemic risk and geopolitical risk will continue to be the support points for gold price. The Group will closely monitor the market trends in 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. Environmental sustainability, safety production and supporting local communities would continue to be the priority tasks of the Group. In response to safety production, 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. To support the local community, the Group continues to participate in various community activities.

Although there are uncertainties in the pace of economic recovery in 2023, we expect we will have a new chapter in the post-pandemic era. As always, the Group will continue to seek opportunities and explore other investment opportunities to enhance the portfolio, so as to return the shareholders of the Company.

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About Tongguan Gold Group Limited (Stock Code: 00340)

Tongguan Gold are principally engaged in (i) gold mining operation, which includes exploration, mining, processing and sale of gold concentrates and related products, and (ii) gold recycling, which is purchasing gold related materials, refining and sale of gold bullion.

Released by Tongguan Gold Group Limited