Wanguo International Mining Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3939)

INTERIM RESULT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

RESULT HIGHLIGHT:

- Revenue decreased by 11.5% to approximately RMB129.9 million
- Gross profit decreased by 15.3% to approximately RMB68.7 million
- Gross profit margin was approximately 52.9%
- Net profit margin was approximately 27.4%
- Profit and total comprehensive income for the period attributable to owners of the Company slightly decreased by 3.8% to approximately RMB35.6 million
- Basic earnings per share was RMB0.06 (Six months ended 30 June 2012: RMB0.08)

Note: Compared to the six months ended 30 June 2012

INTERIM RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the following unaudited interim results of the Company and its subsidiaries (collectively referred to as, the "Group") for the six months ended 30 June 2013 together with comparable figures for the corresponding periods in 2012.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**129,857**	146,776
Cost of sales		**(61,184)**	(65,682)
Gross profit		**68,673**	81,094
Other income and other gains and losses		**(3,002)**	722
Selling and distribution expenses		**(1,510)**	(1,465)
Administrative expenses		**(16,069)**	(15,022)
Listing expenses		**–**	(4,895)
Fair value gain on derivative financial instruments		**10,039**	–
Finance costs	*4*	**(5,814)**	(2,846)
Profit before tax		**52,317**	57,588
Income tax expense	*5*	**(16,743)**	(16,800)
Profit and total comprehensive income for the period	*6*	**35,574**	40,788
Attributable to:			
Owners of the Company		**35,574**	37,019
Non-controlling interests		**–**	3,769
		35,574	40,788
Earnings per share			
Basic (RMB cents)	*8*	**6**	8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

	Notes	**30.06.2013** **RMB'000** **(Unaudited)**	31.12.2012 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**267,040**	198,722
Mining right		**8,844**	9,034
Evaluation and exploration assets		**4,342**	–
Prepaid lease payments		**20,900**	21,142
Deposit for acquisition of land use right		**35,899**	35,899
Deposit for purchase of property, plant and equipment		**5,273**	7,354
Deferred tax assets		**2,218**	2,204
Restricted bank balance		**2,222**	2,222
		346,738	276,577
CURRENT ASSETS			
Prepaid lease payments		**484**	484
Inventories		**12,797**	13,843
Trade and other receivables	*9*	**13,687**	13,373
Structured deposit		**–**	10,000
Derivative financial instruments		**10,011**	1,245
Pledged bank deposits		**3,612**	6,619
Bank balances and cash			
— cash and cash equivalent		**51,755**	68,314
— other bank deposits		**75,600**	123,710
		167,946	237,588
CURRENT LIABILITIES			
Trade and other payables	*10*	**37,899**	27,003
Tax payable		**10,686**	12,148
Consideration payable to a former non-controlling shareholder of a subsidiary		**5,799**	11,605
Derivative financial instrument		**–**	56
Secured bank borrowings		**9,000**	9,000
		63,384	59,812
NET CURRENT ASSETS		**104,562**	177,776
TOTAL ASSETS LESS CURRENT LIABILITIES		**451,300**	454,353

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

	30.06.2013 *RMB'000* (Unaudited)	31.12.2012 *RMB'000* (Audited)
NON-CURRENT LIABILITIES		
Secured bank borrowings	**22,000**	27,000
Consideration payable to a former non-controlling shareholder of a subsidiary	**147,956**	142,915
Deferred income	**16,396**	16,653
Deferred tax liabilities	**1,554**	–
Provision	**1,969**	1,734
	189,875	188,302
CAPITAL AND RESERVES		
Share capital	**48,955**	48,955
Share premium and reserves	**212,470**	217,096
Equity attributable to owners of the Company	**261,425**	266,051
	261,425	266,051
	451,300	454,353

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standard ("HKFRS") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

- HKFRS 10 *Consolidated Financial Statements*;
- HKFRS 11 *Joint Arrangements*;
- HKFRS 12 *Disclosure of Interests in Other Entities;*
- Amendments to HKFRS 10 *Consolidated Financial Statements* and HKFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance*;
- HKFRS 13 *Fair Value Measurement*;
- HKAS 19 (as revised in 2011) *Employee Benefits*;
- HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*;
- Amendments to HKFRS 7 *Disclosure — Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*;
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2009–2011 Cycle*; and
- HK(IFRIC)-Int 20 *Stripping Costs in the Production Phase of a Surface Mine.*

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements. The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

2. PRINCIPAL ACCOUNTING POLICIES — continued

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and the condensed consolidated statement of other comprehensive income has been renamed to reflect charges.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

In addition, the following accounting policies are adopted and applied by the Group in the current interim period as they have become applicable to the Group.

Exploration and evaluation assets

All costs directly associated with exploration and evaluation are initially capitalised. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment loss. Exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not been determined. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine.

Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified to intangible assets or property, plant and equipment. These assets are assessed for impairment annually and before reclassification.

2. PRINCIPAL ACCOUNTING POLICIES — continued

Exploration and evaluation assets — continued

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

3. REVENUE AND SEGMENT INFORMATION

Segment revenue

Revenue represents revenue arising from sales of processed concentrates which comprise copper, iron and zinc concentrates. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of processed concentrates	**129,857**	146,776

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance.

The Group is engaged in the following reportable and operating segment:

— mining and processing of ores, and sales of processed concentrates ("Mining operation")

— sales of other ore commodities ("Trading operation")

3. REVENUE AND SEGMENT INFORMATION — continued

Segment revenue and result

The accounting policies of reportable segments are the same as the Group's accounting policies except for the accounting policy of the mining right which is amortised over the license terms using straight-line method in preparing the internal report of mining operation segment. Segment profits represent the profit earned by each segment without allocation of other income and other gains and losses, fair value gain on derivative financial instruments, listing expenses, certain finance cost and certain administrative expenses. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment. Reconciliations from the segment profit to the profit before tax as stated in the condensed consolidated financial statements are as follows:

	For the six months ended 30 June 2013		
	Mining operation *RMB'000* **(Unaudited)**	**Trading operation** *RMB'000* **(Unaudited)** *(note)*	**Total** *RMB'000* **(Unaudited)**
Revenue			
External sales	**129,857**	**–**	**129,857**
Segment profit	**53,255**	**–**	**53,255**
Other income and other gains and losses			**(3,002)**
Fair value gain on derivative financial instruments			**10,039**
Unallocated administrative expenses			**(2,765)**
Unallocated finance costs			**(5,235)**
Accounting difference on amortisation of mining right			**25**
Profit before tax			**52,317**
Amounts included in the measure of segment profit or loss			
Depreciation and amortisation	**6,714**	**–**	**6,714**
Gain on disposal of property, plant and equipment	**86**	**–**	**86**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — continued

3. REVENUE AND SEGMENT INFORMATION — continued

Segment revenue and result — continued

	For the six months ended 30 June 2012		
	Mining operation *RMB'000* (Unaudited)	Trading operation *RMB'000* (Unaudited) *(note)*	Total *RMB'000* (Unaudited)
Revenue			
External sales	146,776	–	146,776
Segment profit (loss)	64,829	(317)	64,512
Other income and other gains and losses			722
Listing expenses			(4,895)
Unallocated administrative expenses			(965)
Unallocated finance costs			(1,734)
Accounting difference on amortisation of mining right			(52)
Profit before tax			57,588
Amounts included in the measure of segment profit or loss			
Depreciation and amortisation	6,288	–	6,288
Impairment loss recognised in respect of inventories	–	317	317

Note: No transaction arose from trading operation for the reporting period.

Segment assets and liabilities

	At 30 June 2013		
	Mining operation ***RMB'000*** **(Unaudited)**	**Trading operation** ***RMB'000*** **(Unaudited)** *(note)*	**Total** ***RMB'000*** **(Unaudited)**
Segment assets	**434,939**	**–**	**434,939**
Unallocated assets			**79,379**
Accounting difference on amortisation of mining right			**366**
Consolidated assets			**514,684**
Segment liabilities	**97,889**	**–**	**97,889**
Unallocated liabilities			**155,370**
Consolidated liabilities			**253,259**

Note: No assets and liabilities are related to trading operation as at 30 June 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — continued

3. REVENUE AND SEGMENT INFORMATION — continued

Segment assets and liabilities — continued

	At 31 December 2012		
	Mining operation	Trading operation	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Segment assets	359,134	2,629	361,763
Unallocated assets			152,061
Accounting difference on amortization of mining right			341
Consolidated assets			514,165
Segment liabilities	76,798	–	76,798
Unallocated liabilities			171,316
Consolidated liabilities			248,114

For the purposes of assessing segment performance and allocating resources between segments:

— all assets are allocated to reportable segment other than derivative financial instruments, deferred tax assets, certain bank balances and cash and certain other receivables;

— all liabilities are allocated to reportable segment other than consideration payable to a former non-controlling shareholder of a subsidiary, derivative financial instruments, deferred tax liabilities and certain other payables.

4. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	**1,204**	1,601
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**5,235**	1,734
Total borrowing costs	**6,439**	3,335
Less: amount capitalised	**(625)**	(489)
	5,814	2,846

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**15,203**	18,547
Withholding tax on distribution of earnings of PRC subsidiary	**–**	1,922
	15,203	20,469
Deferred tax:		
Current period	**1,540**	(3,669)
	16,743	16,800

No provision for Hong Kong profits tax has been made as the Group had no assessable profit subject to Hong Kong profits tax during the reporting period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiary was 25% during the reporting period.

The tax charge for the reporting period can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**52,317**	57,588
Tax at the EIT rate of 25%	**13,079**	14,397
Tax effect of expenses not deductible for tax purpose	**4,911**	4,007
Tax effect of income not taxable for tax purpose	**(2,801)**	–
Withholding tax on distributable earnings of PRC subsidiary	**1,554**	(1,604)
Tax charge for the period	**16,743**	16,800

6. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Directors' emoluments	**1,680**	1,198
Other staff costs	**12,093**	11,848
Retirement benefit scheme contributions, excluding those of directors	**423**	391
Total staff costs	**14,196**	13,437
Depreciation of property, plant and equipment	**6,257**	5,784
Amortisation of mining right	**190**	313
Release of prepaid lease payment	**242**	243
Total depreciation and amortisation	**6,689**	6,340
Impairment loss recognised in respect of inventories (included in cost of sales)	**–**	317
Cost of inventories recognised as an expense	**61,184**	65,365

7. DIVIDENDS

During the current interim period, a final dividend of RMB3.6 cents per share and a special dividend of RMB3.1 cents per share in respect of the year ended 31 December 2012, amounting to in aggregate approximately RMB40,200,000, was declared and paid to the shareholders of the Company whose names appeared on the register of members of the Company on 10 May 2013.

No interim dividend is recommended by the board of directors for the six months ended 30 June 2013.

For the six months ended 30 June 2012, special dividends of HK$2,000,000 (equivalent to approximately RMB1,618,000) (HK$40 per share) and RMB32,400,000 (RMB648 per share) has been declared and payable to the then shareholders of the Company prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 10 July 2012. In addition, Yifeng Wanguo declared and paid a final dividend of 2011 of RMB5,240,000 to West-Jiangxi of the bureau of Geology and Mineral Exploration of Jiangxi Province ("West-Jiangxi Bridge"), the former non-controlling shareholder of Yifeng Wanguo.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**35,574**	37,019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	450,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2012 has been retrospectively adjusted to reflect 50,000 shares in issue as at 30 June 2012 and 449,950,000 shares issued upon capitalisation on 10 July 2012.

No diluted earnings per share are presented as there were no potential dilutive ordinary shares in issue during both periods.

9. TRADE AND OTHER RECEIVABLES

	30.06.2013	31.12.2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**10,306**	7,483
Notes receivable	**–**	1,817
Prepayments	**409**	1,521
Other receivables	**2,972**	2,552
	3,381	5,890
Total	**13,687**	13,373

9. TRADE AND OTHER RECEIVABLES — continued

The Group grants a credit period of up to 60 days to its trade customers. The aged analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period which approximated the revenue recognition dates is as follows:

	30.06.2013	31.12.2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**7,301**	7,265
31–60 days	**3,004**	–
61–90 days	**–**	–
Over 90 days	**1**	218
	10,306	7,483

10. TRADE AND OTHER PAYABLES

	30.06.2013	31.12.2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**11,868**	6,217
Prepayments from customers	**1,836**	3,180
Valued-added tax, resources tax and other tax payables	**6,626**	11,368
Accrued expenses	**3,267**	3,514
Other payables for construction in progress and property, plant and equipment	**14,302**	2,724
	26,031	20,786
	37,899	27,003

The aged analysis of the Group's trade payables, presented based on the invoice date at the end of the reporting period is as follows:

	30.06.2013	31.12.2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–30 days	**6,765**	5,281
31–60 days	**4,462**	393
61–90 days	**280**	235
91–180 days	**354**	169
Over 180 days	**7**	139
	11,868	6,217

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividends for the six months ended 30 June 2013.

SHARE OPTION SCHEME

During the reporting period, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the share option scheme.

HUMAN RESOURCES

As at 30 June 2013, the Group employed approximately 393 employees. Remuneration is determined and reviewed based on fair principles with reference to market conditions and individual performances.

The Group also provides other benefits to its employees including medical insurances and retirement benefits. The Group's employees in Hong Kong are also enrolled in the mandatory provident fund scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Our Group is principally engaged in the business of mining, ore processing and sale of concentrates products in the People's Republic of China (the "PRC").

Currently, we, through our wholly-owned subsidiaries, own the entire equity interest in Jiangxi Province Yifeng Wanguo Mining Company Limited ("Yifeng Wanguo") which in turn owns the Xinzhuang Copper, Lead, Zinc Mine (新莊銅鉛鋅礦), an operating mine located in Jiangxi Province, the PRC (the "Xinzhuang Mine") in which we conduct underground mining. The Xinzhuang Mine has a substantial volume of non-ferrous polymetallic mineral resources. Products of our Group primarily include copper concentrates, iron concentrates, zinc concentrates, sulfur concentrates as well as by-products of gold and silver.

Expansion Plan

We continued to develop the Xinzhuang Mine through increase in both mining capacity and processing capacity at 500,000 tpa by the end of 2013 from 450,000 tpa in 2012.

We plan to undergo an expansion plan for our mining and ore processing facilities, as disclosed in the prospectus of our Company dated 28 June 2012 (the "Prospectus"), by which, when completed, both of the mining capacity and processing capacity are expected to reach 600,000 tpa by the end of 2014. According to the Independent Technical Expert's Report in the Prospectus, the reserves at the Xinzhuang Mine were estimated to be sufficient for production at the planned long term production rate of 600,000 tpa for approximately 31 years.

Expansion in Surrounding Areas

On 20 November 2012, Yifeng Wanguo entered into an exploration agreement (the "Exploration Agreement") with the Bureau of Geology and Mineral Exploration of Jiangxi Province (江西省地質礦產勘查開發局) (the "Jiangxi Geology Bureau").

The exploration campaign anticipates a drilling depth of 9,650 m with 20 drilling holes. As at 30 June 2013, it has completed 4,149 m with 9 drilling holes. We expect the exploration campaign of drilling will finish in early 2014. Currently, the ores discovered are mainly magnetite ore of copper, as well as a small amount of lead-zinc ore.

Financial Review

Revenue

The overall revenue decreased by 11.5% from approximately RMB146.8 million for the six months ended 30 June 2012 to RMB129.9 million for six months ended 30 June 2013. The decrease was primarily attributable to the decrease in the average prices of copper in copper concentrates. No sales of ore commodities incurred for the six months ended 30 June 2013 as the Group has ceased such business.

For the six months ended 30 June 2013, we sold 1,314 tonnes of copper in copper concentrates, 49,405 tonnes of iron concentrates and 51,166 tonnes of sulfur concentrates, compared to 1,535 tonnes, 45,633 tonnes and 51,816 tonnes, respectively, for the six months ended 30 June 2012, representing a decrease of approximately 14.4% and 1.3% for copper in copper concentrates and sulfur concentrates, respectively, and an increase of approximately 8.3% for iron concentrates. The decrease was principally attributable to the interruption of our production when we upgraded our production facilities.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates for the six months ended 30 June 2013 were approximately RMB40,543, RMB733 and RMB259 per tonne respectively, compared to approximately RMB42,514, RMB751 and RMB374 per tonne, respectively, for the six months ended 30 June 2012, representing a drop of approximately 4.6%, 2.4% and 30.7%, respectively. During the reporting period, the market prices of certain metals such as copper and iron were also on decreasing trends. Our Directors believe that the decrease was mainly due to instability of the global economy.

Cost of sales

Our cost of sales of concentrates decreased by approximately 6.8% from approximately RMB65.7 million for the six months ended 30 June 2012 to approximately RMB61.2 million for the six months ended 30 June 2013. Stricter control over the contracting fees resulted in the decrease in cost of sales.

Gross profit and gross profit margin

The overall gross profit of our Group for the six months ended 30 June 2013 was approximately RMB68.7 million, which represents a decrease of approximately 15.3% compared to approximately RMB81.1 million for the six months ended 30 June 2012. Our overall gross profit margin decreased from approximately 55.3% for the six months ended 30 June 2012 to approximately 52.9% for the six months ended 30 June 2013. Such decrease was mainly attributable to the decline in the selling prices of the concentrates.

Other income and other gains and losses

Our other income and other gains and losses decreased by approximately RMB3.7 million, which comprised mainly bank interest income of approximately RMB2.7 million, government grant to Yifeng Wanguo in relation to the tax refund of approximately RMB3.7 million and unrealised exchange loss of approximately RMB10.3 million as a result of depreciation of Australian dollars deposits against Renminbi as at 30 June 2013. The decrease was primarily attributable to the unrealised exchange loss derived from the depreciation of Australian dollars deposits.

Selling and distribution expenses

Our selling and distribution expenses were comparable in two reporting periods.

Administrative expenses

Our administrative expenses increased by approximately 7.3% from approximately RMB15.0 million for the six months ended 30 June 2012 to approximately RMB16.1 million for the six months ended 30 June 2013. The increase was principally attributable to the increase in staff costs incurred under the expansion of the Xinzhuang Mine and professional fees paid in connection with our continuing listing obligations.

Fair value gain on derivative financial instruments

During 2012, some of the temporarily unutilised net proceeds from the placing and public offer of shares in our Company were placed in interest-bearing deposits with a bank denominated in Australian dollars, a currency with a relatively higher interest rate. The Group has entered into certain forward foreign exchange contracts with a bank to hedge the fluctuation of exchange rate between Australian dollars and Renminbi in respect of such Australian dollars deposits. Due to the depreciation of Australian dollars, a fair value gain was derived from these forward contracts.

Finance costs

Our finance costs increased by approximately 107.1% from approximately RMB2.8 million for the six months ended 30 June 2012 to approximately RMB5.8 million for the six months ended 30 June 2013, primarily due to the imputed interest expenses on the consideration payable to a former non-controlling shareholder of a subsidiary, Yifeng Wanguo of approximately RMB5.2 million from the long-term payable to the Brigade of Geological Survey of West- Jiangxi of the Bureau of Geology and Mineral Exploration of Jiangxi Province ("West-Jiangxi Brigade") arising from the capital reduction of Yifeng Wanguo.

Income tax expense

Our income tax expense was approximately RMB16.7 million for the six months ended 30 June 2013, consisting of PRC corporate income tax payable of approximately RMB15.2 million, withholding tax payable of approximately RMB1.6 million less a deferred tax credit of approximately RMB0.1 million. Our income tax expense was approximately RMB16.8 million for the six months ended 30 June 2012, consisting of PRC corporate income tax payable of approximately RMB18.5 million, less a reversal of withholding tax payable of approximately RMB1.6 million and a deferred tax credit of approximately RMB0.1 million.

The decrease in our income tax expense for the six months ended 30 June 2013 was primarily due to a decrease in the PRC corporate income tax expenses as a result of decrease in operating profit.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation decreased by approximately 12.7%, or approximately RMB5.2 million, from approximately RMB40.8 million for the six months ended 30 June 2012 to approximately RMB35.6 million for the six months ended 30 June 2013. Our net profit margin decreased from approximately 27.8% for the six months ended 30 June 2012 to approximately 27.4% for the six months ended 30 June 2013 because of an increase in the imputed interest expenses on the consideration payable to a former non-controlling shareholder of a subsidiary, Yifeng Wanguo and decrease in revenue.

Profit attributable to owners of our Company

The profit attributable to the owners of our Company decreased by approximately 3.8% or approximately RMB1.4 million, from approximately RMB37.0 million for the six months ended 30 June 2012 to approximately RMB35.6 million for the six months ended 30 June 2013.

Liquidity and financial resources

During the six months ended 30 June 2013, the Group's net cash from operating activities was approximately RMB44.1 million (six months ended 30 June 2012: RMB69.0 million) and the Group's bank balances and cash was approximately RMB127.4 million (as at 31 December 2012: RMB192.0 million) as at 30 June 2013. Included in bank balances and cash, approximately RMB0.3 million and RMB60.6 million (as at 31 December 2012: RMB9.6million and RMB115.9 million) were denominated in Hong Kong dollars and Australian dollars respectively.

The Group had a gearing ratio of approximately 35.9% (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2013. The gearing ratio was approximately 37.1% as at 31 December 2012. The decrease in gearing ratio was mainly attributable to our repayment to West-Jiangxi Brigade and bank borrowings.

As at 30 June 2013, the Group's secured bank borrowings amounted to RMB31 million (31 December 2012: RMB36 million) and were all denominated in Renminbi with floating interest rate. The floating rate is determined based on the RMB Benchmark Loan Rates issued by the People's Bank of China. There were no change in the secured bank borrowings during the reporting period. Amounts of RMB4.0 million, RMB9.0 million and RMB18.0 million will be repayable within one year; after one year and within two years, and after two years respectively.

Capital expenditure

Capital expenditure mainly includes purchase of mining equipment, expansion of ore processing facilities, costs for constructing mining structures as well as office premises. For the six months ended 30 June 2013, capital expenditure of approximately RMB63.7 million has been incurred.

PROSPECT

We intend to continue to grow our business into a leading copper and iron mining company in the PRC through the following major strategies.

Growing production at our mine and outsourcing our mining works

The scale of our production operation in the Xinzhuang Mine will continue to increase in the near future with targeted mining capacity and processing capacity of 600,000 tpa both in 2014. To minimise costs, we will continue to outsource our underground mining works to third-party contractors.

Exploring additional mineral resources in our mine

According to the Independent Technical Expert's Report disclosed in Appendix V of the Prospectus, there is a potential to explore additional mineral resources at the Xinzhuang Mine. We plan to conduct exploration activities in the surrounding areas of the Xinzhuang Mine and to commercialise any mineral resources discovered as a result of our exploration activities.

Horizontal expansion through future acquisitions of new mines

We intend to expand our mineral resources and ore reserves through the acquisitions of new mines. We will consider and balance assessment criteria carefully in respect of our acquisition targets, in order to pursue acquisitions prudently with a view to further growing our business and maximising returns to our Shareholders.

During the first half of 2013, the recovery of global economy stagnated and market demand remained weak. On the other hand, the situation of global monetary policy was in a dilemma. International economic landscape exerted significant influence on the metal market and metal prices lingered at a low level. We anticipate the challenging environment to continue into the second half of the year. We will attach constant attention to the movement of metal prices, and the Company will take proactive measures and operating strategies to weather the operating pressure induced by such economic environment. We also expect that the gradual upturn of the U.S. economy will be advantageous to the real economies worldwide. Besides, the Chinese economy is expected to experience another boom upon the implementation of the new reforms and modern urbanization policies by the new Chinese government. This will essentially provide a turnaround force and new demand for the metal market, thus allowing metal prices to rebound to a reasonable level.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Mineral exploration

During the six months ended 30 June 2013, the Group incurred mineral exploration expenditure of approximately RMB3.5 million in respect of exploration campaign of drilling in Xinzhuang Mine surrounding areas.

Development

During the six months ended 30 June 2013, the Group incurred capital expenditure of approximately RMB63.7 million in respect of our expansion plan for 600,000 tpa as described in the Prospectus, mainly comprising construction of tailing storage, subsurface curtain grouting walls, three shafts projects, and new office premises and staff dormitories, installation of new electrical system and elevators as well as upgrading production machineries, etc.

Mining activities

During the first-half of 2013, we processed a total of 253,912 tonnes of ore at the Xinzhuang Mine. The volume of our concentrates products sold were 1,314 tonnes, 49,405 tonnes, 1,279 tonnes, 51,166 tonnes, 26 kg, 2,735 kg and 1,406 kg for copper in copper concentrates, iron concentrates, zinc in zinc concentrates, sulfur concentrates, gold in copper concentrates, silver in copper concentrates and silver in zinc concentrates, respectively.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company issued 150,000,000 ordinary new shares of HK$0.1 each at a subscription price of HK$1.99 per share pursuant to a public offering. The Company's shares including these new shares were listed on the main board of Hong Kong Stock Exchange Limited on 10 July 2012. Net proceeds received by the Company amounted to approximately RMB205.2 million, which are intended to be or have been applied in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The unutilised balance of the net proceeds has been placed in interest bearing deposits with banks. Some of which were denominated in Australian dollars, a currency with a relatively higher interest rate. We entered into certain forward foreign exchange contracts with a bank for the deposits denominated in Australian dollars to hedge against risk in exchange fluctuation upon maturity.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months under review except for the deviation from A.2.1 of the Code in respect of segregation of the roles of chairman and chief executive officer.

According to Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Gao Mingqing, in addition to his duties as the chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations as the chief executive officer of the Company. This constitutes a deviation from Code Provision A.2.1. Mr. Gao Mingqing as one of the founders of the Group has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group's operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct (the "Code of Conduct") regarding directors' securities transactions under the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, all Directors have confirmed that they had complied with the Model Code and the required standard set out in the Code of Conduct during the six months ended 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

REVIEW OF ACCOUNTS BY THE AUDIT COMMITTEE

The audit committee comprises four independent non-executive directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jian Zhong and Mr. Li Hongchang. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The Audit Committee has reviewed the unaudited financial results of the Group for the reporting period and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

The unaudited financial results of the Group for the six months ended 30 June 2013 have been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu.

PUBLICATION OF THE DETAILED INTERIM RESULTS AND INTERIM REPORT

The result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.wgmine.com. The 2013 interim report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

By the order of the Board
Wanguo International Mining Group Limited
Gao Mingqing
Chairman

Hong Kong, 20 August 2013

As at the date of this announcement, the executive Directors are Mr. Gao Mingqing, Ms. Gao Jinzhu, Mr. Xie Yaolin and Mr. Liu Zhichun; the non-executive Directors are Mr. Li Kwok Ping, Mr. Lee Hung Yuen and Mr. Wen Baolin; and the independent non-executive Directors are Dr. Lu Jian Zhong, Mr. Qi Yang, Mr. Shen Peng and Mr. Li Hongchang.