Wanguo International Mining Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3939)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

RESULTS HIGHLIGHT:

- Revenue decreased by 27.8% to approximately RMB85.0 million
- Gross profit decreased by 33.4% to approximately RMB24.4 million
- Gross profit margin was approximately 28.7%
- Net profit margin was approximately 1.3%
- Profit and total comprehensive income for the six months ended 30 June 2016 (or referred to as the "reporting period") attributable to owners of the Company decreased by 88.2% to approximately RMB1.1 million
- Basic earnings per share was approximately RMB0.2 cents (Six months ended 30 June 2015: RMB1.6 cents)

Note: Compared to the six months ended 30 June 2015

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Wanguo International Mining Group Limited (the "Company") is pleased to announce the following unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group" or "We") for the six months ended 30 June 2016 together with comparative figures for the corresponding period in 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**85,014**	117,785
Cost of sales		**(60,637)**	(81,158)
Gross profit		**24,377**	36,627
Other income		**750**	428
Other gains and losses		**445**	256
Selling and distribution expenses		**(1,060)**	(1,246)
Administrative expenses		**(13,265)**	(14,084)
Finance costs	*4*	**(7,590)**	(5,862)
Profit before tax		**3,657**	16,119
Income tax expense	*5*	**(2,552)**	(6,749)
Profit and total comprehensive income for the period	*6*	**1,105**	9,370
Earnings per share			
Basic *(RMB cents)*	*7*	**0.2**	1.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30.6.2016 RMB'000 (Unaudited)	31.12.2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**377,334**	368,277
Mining right		**7,506**	7,723
Evaluation and exploration assets		**19,918**	18,900
Prepaid lease payments		**61,799**	62,486
Deposit for purchase of property, plant and equipment		**2,317**	568
Deposits for acquisitions of subsidiaries		**55,828**	39,600
Deferred tax assets		**2,917**	2,805
Restricted bank balance		**7,572**	2,495
		535,191	502,854
CURRENT ASSETS			
Prepaid lease payments		**1,377**	1,377
Inventories		**12,783**	10,643
Trade and other receivables	*9*	**29,399**	23,130
Bank balances and cash			
— cash and cash equivalents		**6,039**	12,296
— restricted bank balance		**14,750**	–
		64,348	47,446
CURRENT LIABILITIES			
Trade and other payables	*10*	**54,285**	39,231
Tax payable		**6,233**	6,565
Consideration payable to a former non-controlling shareholder of a subsidiary		**60,486**	80,801
Secured bank borrowings		**55,325**	30,000
		176,329	156,597
NET CURRENT LIABILITIES		**(111,981)**	(109,151)
TOTAL ASSETS LESS CURRENT LIABILITIES		**423,210**	393,703

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2016

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Consideration payable to a former non-controlling shareholder of a subsidiary	**74,160**	71,677
Secured bank borrowings	**64,458**	30,000
Deferred income	**14,410**	14,711
Deferred tax liabilities	**596**	1,100
Provisions	**3,489**	3,223
	157,113	120,711
CAPITAL AND RESERVES		
Share capital	**48,955**	48,955
Reserves	**217,142**	224,037
EQUITY ATTRIBUTEABLE TO OWNERS OF THE COMPANY	**266,097**	272,992
	423,210	393,703

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with 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").

The condensed consolidated financial statements have been prepared on a going concern basis. As at 30 June 2016, the Group's current liabilities exceed its current assets by RMB111,981,000. In preparing the condensed consolidated financial statements, the Directors have reviewed the Group's financial and liquidity position, and taken into consideration the additional banking facilities of RMB600,000,000 obtained during the year ended 31 December 2015 and working capital expected to be generated from operating activities. The Directors believe that the Group will be able to meet its full financial obligations as they fall due for the foreseeable future and accordingly, have prepared the condensed consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to 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.

3. REVENUE AND SEGMENT INFORMATION

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 determines that it has only one operating segment and revenue represents sales of processed concentrates which comprise copper, iron, zinc, lead, sulfur, gold in copper and lead concentrates and silver in copper, zinc and lead concentrates.

The Group operates in and all revenue is generated from the PRC. The Group's non-current assets are also located in the PRC.

4. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**2,954**	794
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**4,636**	5,068
Total borrowing costs	**7,590**	5,862

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax charge:		
PRC Enterprise Income Tax ("EIT")		
— Current period	**2,415**	6,038
— Under provision in prior years	**153**	35
	2,568	6,073
Deferred tax (credit) charge:		
Current period	**(16)**	676
	2,552	6,749

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.

5. INCOME TAX EXPENSE (continued)

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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**3,657**	16,119
Tax at the EIT rate of 25%	**914**	4,030
Tax effect of expenses not deductible for tax purpose	**1,389**	2,052
Tax effect of income not taxable for tax purpose	**–**	(6)
Under provision in respect of prior years	**153**	35
Withholding tax on distributable earnings of PRC subsidiary	**96**	638
Tax charge for the period	**2,552**	6,749

6. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging (crediting):

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Directors' and the chief executive's emoluments	**1,549**	1,675
Other staff costs	**11,020**	12,493
Retirement benefit scheme contributions, excluding those of directors and the chief executive	**931**	698
Total staff costs	**13,500**	14,866
Depreciation of property, plant and equipment	**11,247**	9,541
Amortisation of mining right	**217**	202
Release of prepaid lease payment	**687**	565
Total depreciation and amortisation	**12,151**	10,308
Cost of inventories recognised as an expense	**60,637**	81,158
Bank interest income	**(78)**	(125)
Exchange (gain) loss	**(496)**	659
Gain on investment in structured deposits	**–**	(915)

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	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	**1,105**	9,370
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	600,000

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

8. DIVIDEND

During the period, the Company recognised the following dividends as distribution:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2015 of RMB1.33 cents (2014: final dividend for the year ended 31 December 2014 of RMB2.67 cents) per share	**8,000**	16,000

No interim dividend is recommended by the Board for the six months ended 30 June 2016.

9. TRADE AND OTHER RECEIVABLES

	30.6.2016 *RMB'000* (Unaudited)	31.12.2015 *RMB'000* (Audited)
Trade and bills receivables	**13,941**	9,468
Prepayments	**14,961**	12,234
Other receivables	**497**	1,428
	15,458	13,662
Total	**29,399**	23,130

The Group grants a credit period of up to 90 days to its trade customers. The following is an aged analysis of trade and bills receivables presented based on the invoice dates at the end of the reporting period, which approximated the revenue recognition dates, as follows:

	30.6.2016 *RMB'000* (Unaudited)	31.12.2015 *RMB'000* (Audited)
0 – 30 days	**12,913**	7,272
31 – 90 days	**411**	2,196
Over 90 days	**617**	–
	13,941	9,468

10. TRADE AND OTHER PAYABLES

	30.6.2016 *RMB'000* (Unaudited)	31.12.2015 *RMB'000* (Audited)
Trade payables	**8,383**	6,901
Advances from customers	**6,919**	2,646
Value-added tax, resource tax and other tax payables	**10,323**	11,634
Other payables for construction in progress and property, plant and equipment	**16,676**	14,077
Other payables for evaluation and exploration assets	**304**	811
Dividend payable	**8,000**	–
Accrued expenses	**3,680**	3,162
	45,902	32,330
	54,285	39,231

10. TRADE AND OTHER PAYABLES (continued)

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

	30.6.2016 ***RMB'000*** **(Unaudited)**	31.12.2015 *RMB'000* (Audited)
0 – 30 days	**3,928**	3,583
31 – 60 days	**745**	1,443
61 – 90 days	**775**	659
91 – 180 days	**220**	596
Over 180 days	**2,715**	620
	8,383	6,901

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").

Through our wholly-owned subsidiaries, we currently own the entire equity interest in Jiangxi Province Yifeng Wanguo Mining Company Limited ("Yifeng Wanguo") which in turn owns 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, lead concentrates, sulfur concentrates as well as by-products of gold and silver.

Expansion in Existing Mine

We had completed major upgrading projects in the Xinzhuang Mine and had reached 600,000 tonnes per annum ("tpa") in both mining capacity and processing capacity in accordance with the expansion plan.

Yifeng Wanguo, an indirect wholly-owned subsidiary of our Company, has entered into an agreement with China Nerin Engineering Co., Ltd (中國瑞林工程技術有限公司) for conducting a feasibility study on an expansion plan of the Xinzhuang Mine to 900,000 tpa. The Group expects to receive the report on the feasibility study by the end of 2016 and thereby commencing such expansion plan in 2017, which will further increase the capacities of the Xinzhuang Mine.

Expansion in Surrounding Areas

According to the Independent Technical Expert's Report in the prospectus of our Company dated 28 June 2012, there are significant additional defined mineral resources outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining licence held by the Group. 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"). By the end of 2013, Jiangxi Geology Bureau has completed the field exploration work. A Mineral Resources Verification Report (資源儲量核實報告) has been finished and approved by Jiangxi Province Land Resources Bureau in April 2014 and registration was obtained in December 2014.

The exploration in the Xinzhuang Mine has increased the geological reserves of the Group and further proved the hydrogeology conditions in the mining area. Yifeng Wanguo also has appointed Changsha Mine Research Institute (長沙礦山研究院) to carry out mining experiments on the possibility to remove the waterproof pillars in the mining area. In the event that the waterproof pillars can be successfully removed, the Group expects the mineral resources of the Xinzhuang Mine can be upgraded by more than 10,000,000 tonnes.

Horizontal Expansion

On 16 May 2014, Yifeng Wanguo and Taylor Investment International Limited ("HK Taylor"), both being the wholly-owned subsidiaries of the Company, entered into two equity transfer agreements ("Acquisition Agreement(s)") with Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin (collectively referred as "Vendors") pursuant to which Yifeng Wanguo and HK Taylor have conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of 51% equity interests in Xizang Changdu County Dadi Mining Company Limited ("Xizang Changdu") at the consideration of RMB239.7 million in aggregate.

However, the Vendors have not yet fulfilled the conditions precedent of the Acquisition Agreements, i.e. obtaining proper consents and approvals of the transfer in various local government bureaus, before 30 September 2014 (being the latest date of payment by the Company as disclosed in the Company's circular dated 29 August 2014). The Company, having considered that the acquisition would further expand the Company's business and maximise returns to the shareholders of the Company (the "Shareholders"), has conditionally agreed with the Vendors' proposal to continue with the acquisition based on the amended terms of the Acquisition Agreements (the "Amended Terms"). Upon negotiations and mediation conducted by the Changsha Arbitration Commission (長沙仲裁委員會) on 8 October 2015, the amendments to the Acquisition Agreements as conditionally agreed among the Company and each of the Vendors include (i) reduction of the consideration to be settled and amending dates of payment, and (ii) enforcement on the proper consents and approval of the transfer in various local government bureaus.

The aggregate consideration for the two Acquisition Agreements under the Amended Terms has been reduced from RMB239.7 million to RMB195.0 million, representing a saving by the Group of RMB44.7 million or 18.6% for the acquisition.

The Vendors are in the progress of requesting their suppliers and other relevant parties to issue supporting for the transactions in construction work done between 2006 and 2013, and detailed survey done and expenses incurred before 2014 and therefore require additional time for finalisation. The Group expects the completion date of the acquisition under the Amended Terms shall be no later than the end of 2016. Please refer to the announcement of the Company dated 30 June 2016 for details.

Exploration Activities in Australia

On 24 October 2014, the Company had entered into a Farm In Agreement and a Minerals Royalty Deeds with Snow Peak Mining Pty Limited ("SPM"), a company incorporated in Australia as a limited liability company in December 2012, pursuant to which the Company will perform exploration activities in the Regional Project and the Near Mine Project respectively. Both Regional Project and Near Mine Project are owned by SPM.

By the end of 2015, the Group has finished preliminarily geological survey and induced polarisation (IP) measurements. In view of current slipping of metal prices, the Group has decided to utilise the resources in other directions and temporally suspended further exploration for the Regional Project and Near Mine Project during the six months ended 30 June 2016.

Proposed Acquisition of 55% Equity Interest of A Gold Mine Company

On 20 July 2016, the Group announced that it had entered into a non-legally binding investment framework agreement with an Australian company, which owns 90% equity interest of a gold mine company and in turn holds the entire equity interests in a gold mine in the Pacific region with substantial mineral resources and a partially damaged processing plant used to process 2.5 million tonnes of ore per annum. The Group intends to acquire 55% equity interests in the gold mine company (the "Proposed Acquisition").

The Group is now in progress of conducting due diligence in technical, legal and commercial aspects during 150 days exclusivity period granted. In view of the current growth of gold prices, the Proposed Acquisition can diversify the risk of continuous slipping of other metal prices in the Group. The Directors consider that the Proposed Acquisition offers the Group an opportunity to increase its revenue and profit and is in the interest of the Company and its Shareholders as a whole. Please refer to the announcement of the Company dated 20 July 2016 for details.

Financial Review

Revenue

The Group's overall revenue decreased by approximately 27.8% from approximately RMB117.8 million for the six months ended 30 June 2015 to approximately RMB85.0 million for the six months ended 30 June 2016. The decrease was primarily attributable to the decrease in volume of concentrates sold and decrease in selling price.

For the six months ended 30 June 2016, we sold 1,382 tonnes of copper in copper concentrates, 51,361 tonnes of iron concentrates and 61,219 tonnes of sulfur concentrates, compared to 1,822 tonnes, 65,322 tonnes and 76,116 tonnes, respectively, for the six months ended 30 June 2015, representing an decrease of approximately 24.1%, 21.4% and 19.6% for copper in copper concentrates, iron concentrates and sulfur concentrates, respectively. The decrease was principally attributable to low grading of ores mined and sales of all the ores remained in warehouse during the upgrading of Concentrator No.1 system in the first half of 2015.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates for the six months ended 30 June 2016 were approximately RMB24,956, RMB282 and RMB153 per tonne respectively, compared to approximately RMB30,340, RMB408 and RMB172 per tonne, respectively, for the six months ended 30 June 2015, representing a drop of approximately 17.7%, 30.9% and 11.0%, respectively. During the six months ended 30 June 2016, most of the metals prices have been slipping downwards continuously. Our Directors believe that such decrease was mainly due to the drop in demand caused by the continued pessimism in China's economy.

Cost of sales

Our cost of sales of concentrates decreased by approximately 25.3% from approximately RMB81.2 million for the six months ended 30 June 2015 to approximately RMB60.6 million for the six months ended 30 June 2016. It was mainly due to the decrease in unit cost of subcontracting fee and strict control on wages and electricity fee.

Gross profit and gross profit margin

The overall gross profit of our Group for the six months ended 30 June 2016 was approximately RMB24.4 million, which represents an decrease of approximately 33.4% compared to approximately RMB36.6 million for the six months ended 30 June 2015. Our overall gross profit margin decreased from approximately 31.1% for the six months ended 30 June 2015 to approximately 28.7% for the six months ended 30 June 2016. Such decrease was mainly attributable to the decline in the selling prices of the concentrates.

Other income

Our other income comprised mainly bank interest income of approximately RMB0.1 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB0.6 million for the six months ended 30 June 2016. Other income increased by approximately RMB0.3 million compared with the corresponding period in 2015, which was attributable to the increase in government grant and subsidy during the six months ended 30 June 2016.

Other gains and losses

Our other gains and losses increased by approximately RMB0.2 million, which comprised mainly unrealised exchange gain of approximately RMB0.5 million as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi under appreciation of Australian dollars and Hong Kong dollars as at 30 June 2016. Unrealised exchange loss of approximately RMB0.7 million was incurred for the six months ended 30 June 2015 from the depreciation of Australian dollars against Renminbi.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 14.9% from approximately RMB1.2 million for the six months ended 30 June 2015 to approximately RMB1.1 million for the six months ended 30 June 2016. The decrease was mainly attributable to the decrease in the transportation fees as result of decrease in sale volume.

Administrative expenses

Our administrative expenses decreased by approximately 5.8% from approximately RMB14.1 million for the six months ended 30 June 2015 to approximately RMB13.3 million for the six months ended 30 June 2016. The decrease was principally attributable to the decrease in depreciation for a certain of fully depreciated assets and tightening of the staff headcounts.

Finance costs

Our finance costs increased by approximately 29.5% from approximately RMB5.9 million for the six months ended 30 June 2015 to approximately RMB7.6 million for the six months ended 30 June 2016, primarily due to the increase in interest expense from bank borrowings.

Income tax expense

Our income tax expense was approximately RMB2.5 million for the six months ended 30 June 2016, consisting of PRC corporate income tax payable of approximately RMB2.6 million and deferred tax credit of approximately RMB0.1 million. Our income tax expense was approximately RMB6.7 million for the six months ended 30 June 2015, consisting of PRC corporate income tax payable of approximately RMB6.1 million and withholding tax payable of approximately RMB0.6 million.

The decrease in our income tax expense for the six months ended 30 June 2016 was primarily due to the 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 88.2%, or approximately RMB8.3 million, from approximately RMB9.4 million for the six months ended 30 June 2015 to approximately RMB1.1 million for the six months ended 30 June 2016. Our net profit margin decreased from approximately 8.0% for the six months ended 30 June 2015 to approximately 1.3% for the six months ended 30 June 2016 mainly as a result of the decrease in profit margin of concentrates sold.

Liquidity and financial resources

During the six months ended 30 June 2016, the Group's net cash from operating activities was approximately RMB16.4 million (net cash from operating activities for the six months ended 30 June 2015: RMB19.8 million) and the Group's bank balances and cash was approximately RMB6.0 million as at 30 June 2016 (as at 31 December 2015: RMB12.3 million). Included in bank balances and cash, approximately RMB0.8 million (as at 31 December 2015: RMB1.3 million) were denominated in Hong Kong dollars and Australian dollars. Such decrease was attributable to the repayment of bank borrowings, deposit paid for acquisition of a subsidiary coupled with the consideration paid to a former non-controlling shareholder of a subsidiary.

The Group had a gearing ratio of approximately 42.4% (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2016. The gearing ratio was approximately 38.6% as at 31 December 2015. The increase in gearing ratio was mainly attributable to the increase in bank borrowings of approximately RMB59.8 million during the six months ended 30 June 2016.

Bank borrowings

As at 30 June 2016, the Group had secured bank borrowings of RMB119.8million in aggregate with maturity from one year to three years and effective interest rate of 6.06%.

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 2016, capital expenditure of approximately RMB37.4 million has been incurred (for the six months ended 30 June 2015: RMB23.5 million).

Contractual obligations and capital commitment

As at 30 June 2016, the Group has entered into a non-cancellable operating lease with lease payables of approximately RMB0.3 million for certain properties of the Group.

As at 30 June 2016, the Group's capital commitments amounted to approximately RMB157.8 million, and decreased by approximately RMB14.6 million as compared to approximately RMB172.4 million as at 31 December 2015, which was primarily due to partial execution of construction projects under our operating mine and consideration paid for acquisition of a subsidiary.

Contingent liabilities

As at 30 June 2016, the Group did not have any material contingent liabilities or guarantees.

Material acquisition and disposal of subsidiaries, associates and joint ventures

During the six months ended 30 June 2016, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures.

Significant investments and future plan for material investments or capital assets

Save as disclosed in this announcement, the Group had no significant investment nor were there any plan for material investments or additions of capital assets authorised by the Board as at the date of this announcement.

Charge on group assets

As at 30 June 2016, the Group's prepaid lease payment, mining rights and building with carrying value of approximately RMB82.0 million (31 December 2015: mining rights and buildings with carrying value of approximately RMB55.9 million) were pledged to secure the Group's bank borrowings and facilities.

Exposure to fluctuations in exchange rates

The Group's businesses are located primarily in the PRC and most of the transactions are conducted in Renminbi. Except for certain Group's bank balance and cash which are denominated in Hong Kong dollars and Australian dollars, the majority of the Group's assets and liabilities are denominated in Renminbi.

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the reporting period, the Group had no material adverse exposure to foreign exchange fluctuations during the six months ended 30 June 2016.

Interest rate risk

Our bank borrowings are denominated in Renminbi borrowed from domestic commercial banks at interest rates that are determined by reference to the benchmark interest rates set by the People's Bank of China ("PBoC"). Interest rates on our bank loans are subject to adjustments by our lenders in accordance with changes in the PBoC benchmark rates. We are exposed to interest rate risk resulting from changes in interest rates on our short-term and long-term bank borrowings. Increases in benchmark interest rates will increase the interest rates on our bank loans. Increases in interest rates will increase our expense on outstanding borrowings and the cost of new borrowings, and therefore could have a material adverse effect on our financial results. We have not used any interest rate swaps or other derivatives to hedge against interest rate risk.

Interim Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Share Option Scheme

During the six months ended 30 June 2016, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the share option scheme.

Human Resources

As at 30 June 2016, the Group employed approximately 291 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 in the PRC including medical insurances and retirement benefits. The Group's employees in Hong Kong are also enrolled in the mandatory provident fund scheme.

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 has increased to our targeted mining capacity and processing capacity of 600,000 tpa by end of 2014. We planned to further upgrade the mining capacity to 900,000 tpa in coming years. To minimise costs, we will continue to outsource our underground mining works to third-party contractors.

Horizontal expansion through future acquisitions of new mines

We intend to further 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 the Shareholders. As at the date of this announcement, the Group has been in progress of acquiring 51% equity interest in Xizang Changdu, conducting due diligence for the Proposed Acquisition as well as the exploration in Australia.

Outlook

Following the previous sharp fall in 2015, the prices of commodity products further went down in the first quarter of 2016. Various metal prices plunged to the bottom level, which presented a significant challenge to the Group's core business. Fortunately, there was a sign of rebounce starting in the second quarter of 2016. Despite facing the aforesaid challenges, our Group adhered to expand the multi-mineral operation strategy, such as expansion of the Xinzhuang Mine, acquisition of 51% equity interest in Xizang Changdu and the Proposed Acquisition. The Group will continue to have a cautious and optimistic attitude towards the trends in metal markets in the second half of 2016.

Exploration, Development and Mining Activities

Mineral exploration

During the first half of 2016, the exploration activities occurred in the Xinzhuang Mine was within 4-23 exploration line. We have completed underground geological drilling of 2,954.54 m, with drill size of 60-90 mm for the six months ended 30 June 2016 and we have also finished tunnel drilling of 597.9 m, resulted in total tunnel drilling of 4,502.9 m.

For outside planned mining area, the Group entered into the Exploration Agreement with Jiangxi Geology Bureau to conduct exploration work outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining licence held by the Group during 2012. By the end of 2014, a Mineral Resources Verification Report has been approved by the Jiangxi Province Land Resources Bureau (江西省國土資源廳). The Group had appointed Changsha Mine Research Institute (長沙礦山研究院) to carry out mining experiments on the possibility to remove the waterproof pillars in the mining area for purpose of further increase our reserves in the Xinzhuang Mine. Furthermore, the Group signed an agreement with China Nerin Engineering Co., Ltd (中國瑞林工程技術有限公司) for conducting a feasibility study on our expansion plan of the Xinzhuang Mine to 900,000 tpa.

For the six months ended 30 June 2016, the total expenditure of mineral exploration was approximately RMB1.8 million.

Development

During the six months ended 30 June 2016, the Group incurred development expenditure of approximately RMB19.3 million in respect of our expansion plan in the Xinzhuang Mine, mainly comprising:

Mining system:	Completion upgrading in transportation, ventilation, back-filling, drainage, air-supply, water-supply and electricity-supply
Processing system:	Completion construction of crushing, floating mill and dehydration systems
Integrated system:	Completion construction of tailings dam, waste rock pile, roads in mining area

Details breakdown of development expenditure is as follows:

	RMB'(million)
Mining structures	13.9
Machinery and electronic equipment for process plants	4.7
Motor vehicles	0.7
	19.3

Mining activities

During the six months ended 30 June 2016, we processed a total of 290,125 tonnes of ore in the Xinzhuang Mine. The volume of our concentrates products sold were 1,382 tonnes, 51,361 tonnes, 1,275 tonnes, 61,219 tonnes, 32 kg, 2,329 kg and 545 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. During the six months ended 30 June 2016, the Group incurred expenditures for mining and processing activities of RMB33.5 million (30 June 2015: 40.3 million) and RMB17.5 million (30 June 2015: 26.2 million) respectively. The unit expenditures for mining and processing activities for the six months ended 30 June 2016 were RMB119.8/t (30 June 2015: RMB154.4/t) and RMB60.4/t (30 June 2015: RMB78.6/t) respectively.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and has complied with all material code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2016, except for the deviation from code provision A.2.1 of the CG Code in respect of segregation of the roles of chairman and chief executive officer as mentioned below.

According to code provision A.2.1 of the CG Code, 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 of the CG Code. 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

The Company has adopted a code of conduct (the "Code of Conduct") regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as 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 with 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 2016.

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 six months ended 30 June 2016.

Review of Accounts by the Audit Committee

The audit committee of the Board ("Audit Committee") comprises three independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang and Dr. Lu Jian Zhong. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process, and risk management and internal control of the Group. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2016 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof under the requirements of the Listing Rules.

The unaudited interim results of the Group for the six months ended 30 June 2016 have been reviewed by the auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim result announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.wgmine.com. The 2016 interim report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 22 August 2016

As at the date of this announcement, the Board comprises Mr. Gao Mingqing (Chairman), Ms. Gao Jinzhu, Mr. Xie Yaolin and Mr. Liu Zhichun as executive Directors; Mr. Li Kwok Ping and Mr. Lee Hung Yuen as non-executive Directors; and Dr. Lu Jian Zhong, Mr. Qi Yang and Mr. Shen Peng as independent non-executive Directors.