# 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 2017

**RESULTS HIGHLIGHT:**

- Revenue increased by approximately 93.5% to approximately RMB164.5 million
- Gross profit increased by approximately 200.8% to approximately RMB73.4 million
- Gross profit margin was approximately 44.6%
- Net profit margin was approximately 19.8%
- Profit and total comprehensive income for the six months ended 30 June 2017 (or referred to as the "reporting period") attributable to owners of the Company increased by approximately 28.6 times to approximately RMB32.6 million
- Basic earnings per share was approximately RMB5.4 cents (six months ended 30 June 2016: RMB0.2 cents)
- The Board declared an interim dividend of RMB0.50 cents (six months ended 30 June 2016: Nil) per share

*Note: Compared to the six months ended 30 June 2016*

## 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 2017 together with comparative figures for the corresponding period in 2016.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2017*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *3* | **164,483** | 85,014 |
| Cost of sales | | **(91,119)** | (60,637) |
| Gross profit | | **73,364** | 24,377 |
| Other income | | **1,151** | 750 |
| Other gains (losses) | | **(99)** | 445 |
| Selling and distribution expenses | | **(1,980)** | (1,060) |
| Administrative expenses | | **(15,061)** | (13,265) |
| Finance costs | *4* | **(8,757)** | (7,590) |
| Profit before taxation | | **48,618** | 3,657 |
| Income tax expense | *5* | **(15,986)** | (2,552) |
| Profit and total comprehensive income for the period | *6* | **32,632** | 1,105 |
| Earnings per share | | | |
| Basic (RMB cents) | *7* | **5.4** | 0.2 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2017*

| | Notes | 30.6.2017 RMB'000 (Unaudited) | 31.12.2016 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **388,649** | 387,856 |
| Mining right | | **16,298** | 16,889 |
| Exploration and evaluation assets | | **10,898** | 10,642 |
| Prepaid lease payments | | **60,417** | 61,111 |
| Deposit for purchase of property, plant and equipment | | **2,780** | 3,129 |
| Deposit for acquisition of subsidiaries | | **85,769** | 85,891 |
| Deferred tax assets | | **3,146** | 2,960 |
| Restricted bank balances | | **7,610** | 7,576 |
| | | **575,567** | 576,054 |
| **CURRENT ASSETS** | | | |
| Prepaid lease payments | | **1,377** | 1,377 |
| Inventories | | **13,294** | 11,013 |
| Trade and other receivables | *9* | **19,222** | 18,910 |
| Bank balances and cash | | | |
| — cash and cash equivalents | | **27,187** | 8,777 |
| — restricted bank balance | | **18,000** | 32,750 |
| | | **79,080** | 72,827 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *10* | **52,930** | 37,613 |
| Tax payable | | **12,766** | 8,153 |
| Amounts due to shareholders | | **–** | 6,120 |
| Consideration payable to a former non-controlling shareholder of a subsidiary | | **70,037** | 70,607 |
| Secured bank borrowings | | **82,761** | 102,636 |
| | | **218,494** | 225,129 |
| **NET CURRENT LIABILITIES** | | **(139,414)** | (152,302) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **436,153** | 423,752 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

*At 30 June 2017*

| | **30.6.2017** | 31.12.2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| **NON-CURRENT LIABILITIES** | | |
| Consideration payable to a former non-controlling shareholder of a subsidiary | **53,672** | 64,643 |
| Secured bank borrowings | **43,158** | 53,808 |
| Deferred income | **13,180** | 13,796 |
| Deferred tax liabilities | **2,377** | 750 |
| Provisions | **4,170** | 3,791 |
| | **116,557** | 136,788 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **48,955** | 48,955 |
| Reserves | **270,641** | 238,009 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | **319,596** | 286,964 |
| | **436,153** | 423,752 |

## 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 2017, the Group's current liabilities exceed its current assets by RMB139,414,000. In preparing the condensed consolidated financial statements, the directors of the Company have reviewed the Group's financial and liquidity position, and taken into consideration the loan facility of RMB600,000,000 obtained in prior years and working capital expected to be generated from operating activities. The directors of the Company 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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 products.

The Group operates in and all revenue is generated from the People's Republic of China (the "PRC"). The Group's principal non-current assets are also located in the PRC.

## 4. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on bank borrowings | **4,297** | 2,954 |
| Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary | **4,460** | 4,636 |
| | **8,757** | 7,590 |

## 5. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax charge: | | |
| PRC Enterprise Income Tax ("EIT") | | |
| — Current period | **14,218** | 2,415 |
| — Underprovision in prior years | **78** | 153 |
| | **14,296** | 2,568 |
| Deferred tax charge (credit): | | |
| Current period | **1,690** | (16) |
| | **15,986** | 2,552 |

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit subject to Hong Kong Profits Tax during both periods.

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 | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit before tax | **48,618** | 3,657 |
| Tax at the EIT rate of 25% | **12,155** | 914 |
| Tax effect of expenses not deductible for tax purpose | **1,676** | 1,389 |
| Underprovision in respect of prior year | **78** | 153 |
| Tax effect of tax losses not recognised | **201** | – |
| Withholding tax on distributable earnings of a subsidiary established in the PRC | **1,876** | 96 |
| Tax charge for the period | **15,986** | 2,552 |

## 6. PROFIT FOR THE PERIOD

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Directors' and the chief executive's emoluments | **1,502** | 1,549 |
| Other staff costs | **13,536** | 11,020 |
| Retirement benefit scheme contributions, excluding those of directors and the chief executive | **850** | 931 |
| Total staff costs | **15,888** | 13,500 |
| Depreciation of property, plant and equipment | **11,167** | 11,247 |
| Amortisation of mining right | **591** | 217 |
| Release of prepaid lease payments | **694** | 687 |
| Total depreciation and amortisation | **12,452** | 12,151 |
| Auditor's remuneration (including audit and non-audit services) | **285** | 285 |
| Minimum lease payments under operating leases in respect of properties | **111** | 106 |
| Cost of inventories recognised as an expense | **91,119** | 60,637 |
| Bank interest income | **(317)** | (78) |
| Exchange loss (gain) | **99** | (496) |
| Loss on disposal of property, plant and equipment | **–** | 51 |

## 7. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***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 (in RMB'000) | **32,632** | 1,105 |
| 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 | |
|---|---|---|
| | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Final dividend for the year ended 31 December 2016 of Nil (2016: final dividend for the year ended 31 December 2015 of RMB1.33 cents) per share | **–** | 8,000 |

Subsequent to the end of the interim period, the directors have determined that an interim dividend of HK0.57 cent (equivalent to RMB0.5 cent) per share (six months ended 30 June 2016: nil), being RMB3,000,000 in total with reference to the issued shares as at 30 June 2017, which will be payable in cash to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 8 September 2017.

## 9. TRADE AND OTHER RECEIVABLES

| | **30.6.2017** | 31.12.2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade and bills receivables | **4,728** | 2,609 |
| Prepayments | **11,227** | 12,909 |
| Other receivables | **3,267** | 3,392 |
| | **14,494** | 16,301 |
| Total | **19,222** | 18,910 |

The Group grants a credit period of up to 60 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:

| | **30.6.2017** | 31.12.2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| 0 – 30 days | **4,624** | 2,609 |
| Over 90 days | **104** | – |
| | **4,728** | 2,609 |

## 10. TRADE AND OTHER PAYABLES

| | **30.6.2017** | 31.12.2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables | **10,142** | 7,440 |
| Advances from customers | **15,761** | 4,495 |
| Value-added tax, resource tax and other tax payables | **11,185** | 9,912 |
| Other payables for construction in progress and property, plant and equipment | **13,328** | 12,330 |
| Other payables for evaluation and exploration assets | **304** | 304 |
| Accrued expenses | **2,210** | 3,132 |
| | **42,788** | 30,173 |
| | **52,930** | 37,613 |

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

| | **30.6.2017** | 31.12.2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| 0 – 30 days | **4,772** | 5,343 |
| 31 – 60 days | **3,091** | 1,119 |
| 61 – 90 days | **751** | – |
| 91 – 180 days | **342** | 414 |
| Over 180 days | **1,186** | 564 |
| | **10,142** | 7,440 |

## 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 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.

***Operating performance***

The following table sets forth the volume of respective products sold during the six months ended 30 June 2017 compared to the corresponding period in 2016 at the Xinzhuang Mine.

| | **Six months ended 30 June** | | |
|---|---|---|---|
| | **2017** | **2016** | |
| | **Volume** | **Volume** | **Changes** |
| | *(tonnes)* | *(tonnes)* | *(approximate %)* |
| Copper in Copper concentrates | 1,715 | 1,382 | 24.1 |
| Zinc in Zinc concentrates | 2,445 | 1,275 | 91.8 |
| Iron concentrates | 62,133 | 51,361 | 21.0 |
| Sulfur concentrates | 77,614 | 61,219 | 26.8 |
| Lead in lead concentrates | 652 | 165 | 295.2 |
| Gold in concentrates (kg) | 64 | 40 | 60.0 |
| Silver in concentrates (kg) | 5,369 | 3,398 | 58.0 |

The following table sets forth the volume of ore mined and processed during the six months ended 30 June 2017 and 2016 respectively at our Xinzhuang Mine.

| | **Six months ended 30 June** | | |
|---|---|---|---|
| | **2017** | **2016** | |
| | **Volume** | **Volume** | **Change** |
| | *(tonnes)* | *(tonnes)* | *(approximate %)* |
| Ores bought forward | 5,171 | 15,082 | |
| Ores mined | 374,768 | 279,430 | 34.1 |
| Total ore mined | 379,939 | 294,512 | |
| Ores processed | 373,610 | 290,125 | 28.8 |

Substantial growth in volume of production and respective products sold were mainly contributed by our increased production capacity under the completion of expansion plan of the Xinzhuang Mine as well as increase in market demands.

**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 as disclosed in the prospectus of the Company dated 28 June 2012 (the "Prospectus").

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 2017 and commencing such expansion plan thereafter, 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, 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. The Group received the report by end of June 2017. The report showed that a portion of the waterproof pillars can be removed, which will result in an increase of mineral resources of the Xinzhuang Mine by 2.6 million tonnes.

## Horizontal Expansion

### *Acquisition of Xizang Changdu County Dadi Mining Company Limited ("Xizang Changdu")*

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 (the "Acquisition Agreement(s)") with Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin (collectively referred as the "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 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 approximately 18.6% for the acquisition.

On 13 July 2017, the aforesaid acquisition has been completed. Xizang Changdu becomes an indirect non-wholly owned subsidiary of the Company with 51% attributable interests owned by the Group.

### *Establishment of a Joint Venture Company*

On 1 June 2017, Mega Harvest International Development Limited (萬豐國際發展有限公司) ("Mega Harvest"), an indirect wholly-owned subsidiary of the Company, entered into the joint venture agreement ( the "Joint Venture Agreement") with Daye Runyang Mining Company Limited (大治潤陽礦業有限公司) ("Daye Runyang") and Able Harvest International Development Limited (建豐國際發展有限公司) ("Able Harvest") in relation to the establishment of Hubei Wanguo New Materials Technology Company Limited ("Hubei Wanguo") (湖北萬國新材料科技有限公司), located in Daye City, Hubei Province, the PRC with a registered capital of RMB10,000,000. Pursuant to the terms of the Joint Venture Agreement, Mega Harvest, Daye Runyang and Able Harvest will contribute RMB5,500,000, RMB4,200,000 and RMB300,000 respectively to the registered capital of the Hubei Wanguo which will be owned as to 55% by Mega Harvest, 42% by Daye Runyang and 3% by Able Harvest.

It is intended that Hubei Wanguo will be principally engaged in the business of mining, processing and sales of limestone products which the Directors believe will diversify the existing business of the Group and to explore new markets with significant growth potential and thereby increasing the Group's revenue and profit. For details, please refer to the announcement of the Company dated 9 June 2017.

At the date of this announcement, Hubei Wanguo is in the progress of bidding the limestone projects from the local governments.

***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 2016, the Group has finished preliminarily survey and exploration. The Group 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 2017.

At the date of this announcement, the Group is in progress to negotiate with SPM for acceptable terms and conditions for the possible exploration activities enhancing further cooperation with SPM.

***Proposed Acquisition of 55% interest of a gold mine in Solomon Islands***

On 16 July 2017, the Company entered into a share sales and purchase agreement (the "S&P Agreement") with AXF Resources Pty Limited ("AXF Resources") pursuant to which the Company has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of 611 shares out of 1,000 shares in AXF Gold Ridge Pty Limited ("AXF Gold Ridge") (representing 61.1% equity interest of AXF Gold Ridge) in consideration of AUD58.35 million. Pursuant to the terms of the S&P Agreement, the Company has agreed an estimated maximum commitment of AUD50 million for the construction, installation of machines and other relevant works with a view to rebuilding the project to resume the extraction, processing and production of gold (the "Reconstruction Works") and the administration and maintenance costs (the "AM Costs"). Hence, the total amount of commitment by the Company for the acquisition as well as the Reconstruction Works and the AM Costs is AUD108.35 million.

The Gold Ridge Project is a project concerning the exploitation and operations of the gold mine located at lower northern slopes of Mount Chaunapaho in the central ranges of Guadalcanal Island. The Gold Ridge deposits are concentrations of low-sulphidation intrusion related epithermal gold mineralisation. It consists of five known mineralised deposits of Valehaichichi, Charivunga, Namachamata, Kupers and Dawsons.

The project consists of a mining lease (No. 1/1997) that covers an area of 30 $km^2$ and surrounding this is a prospecting license (SPL 194) that covers an area of 130 $km^2$. Set out below is the estimated resources of Gold Ridge mine under JORC code prepared by Independent Technical Expert.

***Gold Ridge Mineral Resources (August 2016) at a cut-off grade of 0.5g/t Au***

| **Mine deposits** | **Measured** | | **Indicated** | | **Inferred** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | *kt* | *Au g/t* | *kt* | *Au g/t* | *kt* | *Au g/t* | *kt* | *Au g/t* |
| Valehaichichi | 434 | 1.26 | 3,118 | 1.28 | 867 | 1.48 | 4,419 | 1.32 |
| Namachamata | 166 | 2.03 | 457 | 1.66 | 146 | 1.36 | 769 | 1.68 |
| Charivunga | – | – | 8,437 | 1.51 | 16,905 | 2.06 | 25,342 | 1.88 |
| Kupers | 2,640 | 1.50 | 7,662 | 1.18 | 3,004 | 1.30 | 13,306 | 1.27 |
| Dawsons | 1,056 | 1.42 | 15,932 | 1.30 | 2,895 | 1.60 | 19,883 | 1.35 |
| Total | 4,296 | 1.48 | 35,606 | 1.33 | 23,817 | 1.88 | 63,719 | 1.52 |

At the date of this announcement, the conditions precedent of the proposed acquisition has not yet fulfilled. The Group is now in progress of conducting due diligences. Since the project has substantial reserves of gold, it is expected to be further exploited, and the processing plant will be renovated upon completion by the Group. The project would therefore contribute sales revenue and profits to the Group. Unlike most other commodities, gold has been a stable performer in recent years, which is expected to enhance the stability of the Group's income in the future under impact of economy fluctuation.

The Directors are of the view that the transactions contemplated under the S&P Agreement are on normal commercial terms that are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Please refer to the announcement of the Company dated 17 July 2017 for details.

**Financial Review**

***Revenue***

The Group's overall revenue increased by approximately 93.5% from approximately RMB85.0 million for the six months ended 30 June 2016 to approximately RMB164.5 million for the six months ended 30 June 2017. The increase was primarily attributable to the increase in volumes of concentrates sold and selling price during the period.

For the six months ended 30 June 2017, we sold 1,715 tonnes of copper in copper concentrates, 62,133 tonnes of iron concentrates and 77,614 tonnes of sulfur concentrates, compared to 1,382 tonnes, 51,361 tonnes and 61,219 tonnes, respectively, for the six months ended 30 June 2016, representing an increase of approximately 24.1%, 21.0% and 26.8% for copper in copper concentrates, iron concentrates and sulfur concentrates, respectively. The increase was principally attributable to the improvement in production technology and increase in production capacity under our expansion plan.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates for the six months ended 30 June 2017 were approximately RMB32,678, RMB451 and RMB102 per tonne respectively, compared to approximately RMB24,956, RMB282 and RMB153 per tonne respectively, for the six months ended 30 June 2016, representing an increase of approximately 30.9%, 59.9% and drop of approximately 33.3%, respectively. During the six months ended 30 June 2017, most of the metals prices have increased continuously. Our Directors believe that such increase was mainly due to the shortage of supply and recovery of the industry.

***Cost of sales***

Our cost of sales increased by approximately 50.3% from approximately RMB60.6 million for the six months ended 30 June 2016 to approximately RMB91.1 million for the six months ended 30 June 2017. It was mainly due to the increase in sales volume and safety production fee according to statutory requirement.

***Gross profit and gross profit margin***

The overall gross profit of our Group for the six months ended 30 June 2017 was approximately RMB73.4 million, representing an increase of approximately 200.8% compared to approximately RMB24.4 million for the six months ended 30 June 2016. Our overall gross profit margin increased from approximately 28.7% for the six months ended 30 June 2016 to approximately 44.6% for the six months ended 30 June 2017. Such increase was mainly attributable to the growth in the selling price of the concentrates.

***Other income***

Our other income comprised mainly bank interest income of approximately RMB0.3 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 2017. Other income increased by approximately RMB0.4 million compared with the corresponding period in 2016, which was attributable to the increase in bank interest income during the six months ended 30 June 2016.

***Other gains (losses)***

Our other gains (losses) decreased by approximately RMB0.5 million, which comprised mainly unrealised exchange loss of approximately RMB0.1 million for the six months ended 30 June 2017 as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi. Unrealised exchange gain of approximately RMB0.5 million was incurred for the six months ended 30 June 2016 from the appreciation of Australian dollars against Renminbi.

***Selling and distribution expenses***

Our selling and distribution expenses increased by approximately 81.8% from approximately RMB1.1 million for the six months ended 30 June 2016 to approximately RMB2.0 million for the six months ended 30 June 2017. The increase was mainly attributable to the increase in the transportation fees as result of increase in sale volume and the number of customers.

***Administrative expenses***

Our administrative expenses increased by approximately 13.5% from approximately RMB13.3 million for the six months ended 30 June 2016 to approximately RMB15.1 million for the six months ended 30 June 2017. The increase was principally attributable to the increase in staff salaries in connection with the growth of business.

***Finance costs***

Our finance costs increased by approximately 15.8% from approximately RMB7.6 million for the six months ended 30 June 2016 to approximately RMB8.8 million for the six months ended 30 June 2017, primarily due to the increase in interest expense from bank borrowings.

***Income tax expense***

Our income tax expense was approximately RMB16.0 million for the six months ended 30 June 2017, consisting of PRC corporate income tax payable of approximately RMB14.2 million, withholding tax payable of approximately RMB1.9 million and deferred tax credit of approximately RMB0.1 million. 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.

The increase in our income tax expense for the six months ended 30 June 2017 was primarily due to the increase in the PRC corporate income tax expense as a result of increase in operating profit.

***Profit and total comprehensive income***

As a result of the foregoing, our profit after taxation increased by approximately 2,863.6%, or approximately RMB31.5 million, from approximately RMB1.1 million for the six months ended 30 June 2016 to approximately RMB32.6 million for the six months ended 30 June 2017. Our net profit margin increased from approximately 1.3% for the six months ended 30 June 2016 to approximately 19.8% for the six months ended 30 June 2017 mainly as a result of the increase in profit margin of concentrates sold.

*Liquidity and financial resources*

During the six months ended 30 June 2017, the Group's net cash from operating activities was approximately RMB71.2 million (net cash from operating activities for the six months ended 30 June 2016: RMB16.4 million) and the Group's bank balances and cash was approximately RMB27.2 million as at 30 June 2017 (as at 31 December 2016: RMB8.8 million). Included in bank balances and cash, approximately RMB0.9 million (as at 31 December 2016: RMB0.7 million) were denominated in Hong Kong dollars and Australian dollars. Such increase was attributable to the increase in operating profit.

The Group had a gearing ratio of approximately 38.1% (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2017. The gearing ratio was approximately 45.0% as at 31 December 2016. The decrease in gearing ratio was mainly attributable to the repayment of bank borrowings of approximately RMB67.3 million and repayment to a former non-controlling shareholder of a subsidiary of approximately RMB16.0 million during the six months ended 30 June 2017.

*Bank borrowings*

As at 30 June 2017, the Group had secured bank borrowings of RMB125.9 million in aggregate with maturity from one year to two years and effective interest rate of 5.69%.

*Capital expenditure*

Capital expenditure mainly includes purchase of mining equipment, expansion of ore processing facilities, costs for constructing mining structures, office premises, deposits paid for acquisition of subsidiaries as well as payment for exploration and evaluation assets. For the six months ended 30 June 2017, capital expenditure of approximately RMB10.9 million has been incurred (for the six months ended 30 June 2016: RMB37.4 million).

*Contractual obligations and capital commitment*

As at 30 June 2017, the Group has entered into a non-cancellable operating lease with lease payables of approximately RMB0.5 million for certain properties of the Group.

As at 30 June 2017, the Group's capital commitments amounted to approximately RMB127.5 million, and increased by approximately RMB5.0 million as compared to approximately RMB122.5 million as at 31 December 2016, which was primarily due to registered capital payable for Hubei Wanguo.

*Contingent liabilities*

As at 30 June 2017, the Group did not have any material contingent liabilities or guarantees.

***Material acquisition and disposal of subsidiaries, associates and joint ventures***

On 1 June 2017, the Group entered into the Joint Venture Agreement with two other parties for the establishment of Hubei Wanguo with a registered capital of RMB10,000,000. Pursuant to the terms of the Joint Venture Agreement, the Group will contribute RMB5,500,000 to the registered capital of Hubei Wanguo and own 55% interest of Hubei Wanguo. At the date of this announcement, the registered capital has not been paid up and Hubei Wanguo is in the progress of bidding the limestone projects from the local governments.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2017.

On 13 July 2017, subsequent to the reporting date, the Group has completed the acquisition of Xizang Changdu and it becomes an indirect non-wholly subsidiary of the Company with 51% attributable interests owned by the Group.

***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 2017, the Group's prepaid lease payment, mining rights and building with carrying value of approximately RMB87.4 million (as at 31 December 2016: RMB89.7 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 2017.

### *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 Dividend

The Board declared an interim dividend of RMB0.50 cents (equivalent to approximately HK$0.57 cents) per share for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil), representing approximately 9.2% of the profit and total comprehensive income attributable to owners of the Company, payable to the Shareholders whose names appear on the register of members of the Company on 8 September 2017. Based on the number of issued shares of the Company as at 30 June 2017, this represents a total distribution of approximately RMB3.0 million. It is expected that the proposed interim dividend will be paid on 3 November 2017. The dividend has not been included as a liability in the condensed consolidated financial statements.

## Closure of Register of Members

The interim dividend is payable to the Shareholders whose names appear on the register of members of the Company at close of business on Friday, 8 September 2017. For determination of entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 6 September 2017 to Friday, 8 September 2017, both days inclusive. In order to qualify for the proposed interim dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 5 September 2017.

## Share Option Scheme

During the six months ended 30 June 2017, 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 2017, the Group employed approximately 330 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 medium-scale mining company in the PRC and globally 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 completed the acquisition of 51% equity interest in Xizang Changdu, established Hubei Wanguo for the possibility of conducting limestone projects, and conducted due diligence for the proposed acquisition in a gold mine as well as the exploration in Australia.

## Outlook

Following a few years of downturn in the mineral industry, metal prices have rebounced from bottom since the fourth quarter of 2016. Driven by strong demand (especially manufacturing and infrastructure spending in China) and supply constraints, metal prices grew significantly compared to the corresponding period in last year. The Group expects the metal prices will continue to improve as a result of a more constricted supply and robust demand in the second half of 2017.

## Exploration, Development and Mining Activities

### *Mineral exploration*

During the first half of 2017, the exploration activities occurred in the Xinzhuang Mine was within 4-23 exploration line. We have completed underground geological drilling of 6,214.7 m, with drill size of 60-90 mm for the six months ended 30 June 2017 and we have also finished tunnel drilling of 529.3 m, and completed adit mapping of 5,987.5 m.

For the six months ended 30 June 2017, no expenditure of mineral exploration was incurred.

***Development***

During the six months ended 30 June 2017, the Group incurred development expenditure of approximately RMB10.9 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 |

For the six months ended 30 June 2017, the Group has commenced completion inspection and evaluation for the aforesaid core systems.

Details breakdown of development expenditure is as follows:

| | *RMB'(million)* |
|---|---|
| Mining structures | 7.2 |
| Office buildings | 0.1 |
| Machinery and electronic equipment for process plants | 3.5 |
| Motor vehicles | 0.1 |
| | 10.9 |

***Mining activities***

During the six months ended 30 June 2017, we processed a total of 373,610 tonnes of ore in the Xinzhuang Mine. The volume of our concentrates products sold were 1,715 tonnes, 62,133 tonnes, 2,445 tonnes, 77,614 tonnes, 30 kg, 2,632 kg and 617 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 2017, the Group incurred expenditures for mining and processing activities of RMB55.3 million (30 June 2016: 33.5 million) and RMB26.5 million (30 June 2016: 17.5 million) respectively. The unit expenditures for mining and processing activities for the six months ended 30 June 2017 were RMB147.5/t (30 June 2016: RMB119.8/t) and RMB70.9/t (30 June 2016: RMB60.4/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 Listing Rules throughout the six months ended 30 June 2017, 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.

### Change of Biographical Information of Directors

Mr. Shen Peng, our independent non-executive Director, has resigned as a director of Carabella Resources Limited in June 2017.

### 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 2017.

### 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 2017.

**Review of Accounts by the Audit Committee**

The audit committee of the Board (the "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 2017 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 2017 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 2017 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 2017

*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.*