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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 2018

RESULTS HIGHLIGHT:

- Revenue decreased by approximately 6.5% to approximately RMB153.8 million
- Gross profit decreased by approximately 18.0% to approximately RMB60.2 million
- Gross profit margin was approximately 39.1%
- Net profit margin was approximately 17.7%
- Profit and total comprehensive income for the six months ended 30 June 2018 (or referred to as the "reporting period") attributable to owners of the Company decreased by approximately 16.0% to approximately RMB27.4 million
- Basic earnings per share was approximately RMB3.9 cents (six months ended 30 June 2017: RMB5.4 cents)
- The Board did not declare an interim dividend (six months ended 30 June 2017: RMB0.50 cents per share)

Note: Compared to the six months ended 30 June 2017

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 2018 together with comparative figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**153,760**	164,483
Cost of sales		**(93,568)**	(91,119)
Gross profit		**60,192**	73,364
Other income		**1,416**	1,151
Other gains and losses		**(219)**	(99)
Distribution and selling expenses		**(1,884)**	(1,980)
Administrative expenses		**(16,163)**	(15,061)
Finance costs	*4*	**(5,320)**	(8,757)
Profit before tax		**38,022**	48,618
Income tax expense	*5*	**(10,756)**	(15,986)
Profit and total comprehensive income for the period	*6*	**27,266**	32,632
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the company		**27,442**	32,632
Non-controlling interests		**(176)**	–
		27,266	32,632
Earnings per share			
Basic (RMB cents)	*7*	**3.9**	5.4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30.6.2018 RMB'000 (Unaudited)	31.12.2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**397,603**	395,955
Mining right		**15,289**	15,822
Exploration and evaluation assets		**186,369**	187,139
Other intangible asset		**319,288**	319,288
Prepaid lease payments		**59,145**	59,729
Deposit for purchase of property, plant and equipment		**2,131**	6,376
Deposit for acquisition of subsidiaries		**129,262**	35,393
Deferred tax assets		**3,141**	3,170
Restricted bank balances		**2,649**	7,615
		1,114,877	1,030,487
CURRENT ASSETS			
Inventories		**10,924**	9,302
Trade and other receivables	*9*	**42,208**	42,657
Prepaid lease payments		**1,379**	1,377
Bank balances and cash			
— cash and cash equivalents		**24,119**	108,639
— restricted bank balance		**25,000**	25,000
		103,630	186,975
CURRENT LIABILITIES			
Trade and other payables	*10*	**58,524**	79,671
Contract liabilities		**11,161**	–
Tax payable		**10,525**	26,214
Amounts due to a shareholder		**354**	351
Consideration payable for acquisition of a subsidiary		**47,435**	113,610
Consideration payable to a former non-controlling shareholder of a subsidiary		**32,835**	72,378
Secured bank borrowings		**141,677**	122,411
		302,511	414,635
NET CURRENT LIABILITIES		**(198,881)**	(227,660)
TOTAL ASSETS LESS CURRENT LIABILITIES		**915,996**	802,827

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2018

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Consideration payable to a former non-controlling shareholder of a subsidiary	**58,585**	35,356
Secured bank borrowings	**3,859**	23,293
Deferred income	**11,642**	12,565
Deferred tax liabilities	**83,892**	82,322
Provisions	**4,724**	4,399
	162,702	157,935
CAPITAL AND RESERVES		
Share capital	**58,882**	54,516
Reserves	**507,853**	403,641
Equity attributable to owners of the company	**566,735**	458,157
Non-controlling interests	**186,559**	186,735
TOTAL EQUITY	**753,294**	644,892
	915,996	802,827

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 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 2018, the Group's current liabilities exceeded its current assets by RMB198,881,000. 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 obtained in prior years, fund raising activities should needs arise to finance its capital expenditures and potential acquisitions and working capital estimated to be generated from operating activities. The directors of the Company believe that the Group will have sufficient working capital to satisfy its existing liabilities as and when they fall due and the Group's future expansion 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

<u>Application of new and amendments to HKFRSs</u>
In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) *RMB'000*	HKFRS 15 *RMB'000*	HKFRS 9 *RMB'000*	**1 January 2018 (Restated)** ***RMB'000***
NON-CURRENT ASSETS				
Sub-total: with no adjustments	1,030,487	–	–	**1,030,487**
CURRENT ASSETS				
Sub-total: with no adjustments	186,975	–	–	**186,975**
CURRENT LIABILITIES				
Trade and other payables	79,671	(9,263)	–	**70,408**
Contract liabilities	–	9,263	–	**9,263**
Others with no adjustments	334,964	–	–	**334,964**
NET CURRENT LIABILITIES	(227,660)	–	–	**(227,660)**
TOTAL ASSETS LESS CURRENT LIABILITIES	802,827	–	–	**802,827**
NON-CURRENT LIABILITIES				
Sub-total: with no adjustments	157,935	–	–	**157,935**
NET ASSETS	644,892	–	–	**644,892**
CAPITAL AND RESERVES				
Share capital	54,516	–	–	**54,516**
Reserves	403,641	–	–	**403,641**
Non-controlling interests	186,735	–	–	**186,735**
TOTAL EQUITY	644,892	–	–	**644,892**

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 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.

The Group determines that it has only one operating segment and revenue represents revenue arising on sales of processed concentrates of various metals. All of the revenue of the Group is recognised at a point in time. An analysis of the Group's revenue from its major products for the reporting period is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of processed concentrates		
— Copper concentrates	**57,065**	56,043
— Zinc concentrates	**39,859**	33,982
— Iron concentrates	**21,973**	28,048
— Sulfur concentrates	**8,319**	7,936
— Gold in lead concentrates	**5,976**	7,966
— Gold in copper concentrates	**5,841**	6,577
— Lead concentrates	**5,186**	7,894
— Silver in lead concentrates	**4,037**	6,270
— Silver in copper and zinc concentrates	**3,028**	7,031
— Copper in lead concentrates	**2,476**	2,736
	153,760	164,483

4. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**3,632**	4,297
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**1,688**	4,460
	5,320	8,757

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax charge:		
PRC Enterprise Income Tax ("EIT")		
— Current period	**10,651**	14,218
— (Over) under provision in prior years	**(1,495)**	78
	9,156	14,296
Deferred tax charge:		
Current period	**1,600**	1,690
	10,756	15,986

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 both periods.

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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**38,022**	48,618
Tax at the EIT rate of 25%	**9,506**	12,155
Tax effect of expenses not deductible for tax purpose	**665**	1,676
(Over) under provision in respect of prior year	**(1,495)**	78
Tax effect of tax losses not recognised	**510**	201
Withholding tax on distributable earnings of a subsidiary established in the PRC	**1,570**	1,876
Tax charge for the period	**10,756**	15,986

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging the following items:		
Directors' emoluments	**1,892**	1,502
Other staff costs	**15,325**	13,536
Retirement benefit scheme contributions, excluding those of directors	**847**	850
Total staff costs	**18,064**	15,888
Depreciation of property, plant and equipment	**13,072**	11,167
Amortisation of mining right	**533**	591
Release of prepaid lease payments	**688**	694
Total depreciation and amortisation	**14,293**	12,452
Auditor's remuneration (including audit and non-audit services)	**–**	285
Minimum lease payments under operating leases in respect of properties	**138**	111
Cost of inventories recognised as an expense	**93,568**	91,119

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Earnings figures are calculated as follows:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share (in RMB'000)	**27,442**	32,632
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**702,696**	600,000

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

8. DIVIDENDS

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2017 of RMB3.89 cents (2017: final dividend for the year ended 31 December 2016: nil) per share	**28,000**	–

The board of directors of the company does not recommend an interim dividend for the current interim period (six months ended 30 June 2017: RMB0.5 cent per share).

9. TRADE AND OTHER RECEIVABLES

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and bills receivables	**8,499**	16,098
Prepayments to suppliers	**29,206**	23,116
Other receivables	**4,503**	3,443
	33,709	26,559
Total	**42,208**	42,657

The Group allows an average credit periods of 30 days to its trade customers.

The following is analysis of trade and bills receivables by age, presented based on the invoice dates.

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**8,499**	16,098

10. TRADE AND OTHER PAYABLES

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**10,609**	16,013
Receipts in advance from customers	**–**	9,263
Value-added tax, resource tax and other tax payables	**13,285**	18,085
Amounts due to non-controlling interests of a subsidiary (note)	**7,100**	7,100
Advance from a supplier	**10,330**	10,330
Payables for construction in progress and property, plant and equipment	**13,245**	14,048
Payables for evaluation and exploration assets	**115**	115
Accrued expenses and other payables	**3,840**	4,717
	47,915	63,658
	58,524	79,671

Note: The amounts are non-trade in nature, interest free and repayable on demand.

The following is analysis of trade payables by age, presented based on the invoice dates.

	30.6.2018	31.12.2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**5,094**	10,962
31-60 days	**2,991**	2,397
61-90 days	**1,715**	613
91-180 days	**517**	1,234
Over 180 days	**292**	807
	10,609	16,013

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.

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 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, lead concentrates as well as by-products of gold and silver. In addition, we also own 51% attributable interest of Xizang Changdu County Dadi Mining Company Limited ("Xizang Changdu"), which in turn owns the Walege Mine in which we may further exploit for open-pit and underground mining. The Walege Mine has a significant volume of mineral resources of lead and silver.

Operating performance

The following table sets forth the volume of respective products sold during the six months ended 30 June 2018 compared to the corresponding period in 2017 at the Xinzhuang Mine.

	Six months ended 30 June		
	2018	2017	
	Volume (tonnes)	Volume (tonnes)	**Changes** (approximate %)
Copper in Copper concentrates	**1,539**	1,715	(10.3)
Zinc in Zinc concentrates	**2,427**	2,445	(0.7)
Iron concentrates	**56,385**	62,133	(9.3)
Sulfur concentrates	**78,217**	77,614	0.8
Lead in lead concentrates	**395**	652	(39.4)
Gold in concentrates (kg)	**53**	64	(17.2)
Silver in concentrates (kg)	**3,048**	5,369	(43.2)

The following table sets forth the volume of ores mined and processed during the six months ended 30 June 2018 and 2017 respectively at our Xinzhuang Mine.

	Six months ended 30 June		
	2018	2017	
	Volume (tonnes)	Volume (tonnes)	**Change** (approximate %)
Volume of ores mined	**373,954**	374,768	(0.2)
Volume of ores processed	**364,609**	373,610	(2.4)

The drop in volume of concentrates processed and sold during the six months ended 30 June 2018 compared with the corresponding period in 2017 was mainly attributable to the temporary suspension of operation of the grinding mill for the purpose of upgrading as well as the insufficient labour availability subsequent to the Chinese New Year holiday.

EXPANSION IN EXISTING MINES

Xinzhuang Mine

We had completed our expansion plan as disclosed in the prospectus of the Company dated 28 June 2012 (the "Prospectus") in Xinzhuang Mine, reaching 600,000 tonnes per annum ("tpa") in both mining capacity and processing capacity.

Yifeng Wanguo 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 our Xinzhuang Mine to 900,000 tpa. As at the date of this announcement, the Group has not yet received the report. It is expected that the Group will receive the report of feasibility study during the first half of 2019. China Nerin Engineering Co., Ltd. has also been appointed to prepare a feasibility study report for the tailings dam, an environmental assessment report, as well as a preliminary design and safety report for our 900,000 tpa expansion plan.

Walege Mine

We are in the progress of applying the mining license for the Walege Mine. The industrial indicators' demonstration was completed in February 2018 and was registered and filed to the National Land Bureau Evaluation Centre (國土廳評審中心). Final draft of the exploration report which was revised based on the industrial indicators has been submitted in July 2018 for review by the National Land Bureau Evaluation Centre.

HORIZONTAL EXPANSION

Proposed acquisition of majority shareholding of a gold mine in Solomon Islands

On 16 July 2017, the Company entered into the 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 Reconstruction Works and 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.

Due to a material difference between the aforesaid consideration to be paid and the draft valuation amount of the asset to be acquired made by an independent third party during the due diligence review, the Company and AXF Resources re-negotiated the terms of the acquisition, and entered into a deed of amendment and restatement (the "Deed") on 20 February 2018 to supersede the S&P Agreement. Pursuant to the Deed, the Company has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of, 7,778 shares out of 10,000 shares in AXF Gold Ridge (representing 77.78% equity interest of AXF Gold Ridge) in consideration of AUD53.473 million (including the AUD11.11 million of the Reconstruction Works taken to be paid by the Company on behalf of AXF Resources) and the net consideration is AUD42.363 million. Pursuant to the terms of the Deed, the Company has agreed a maximum commitment of AUD50 million for the Reconstruction Works.

Pursuant to the terms of the Deed, on the completion date, both parties shall sign the Put Option Agreement, pursuant to which AXF Resources will agree to pay AUD10 to the Company and the Company will grant AXF Resources an option (the "Put Option") to require the Company to purchase all of the remaining interest in AXF Gold Ridge held by AXF Resources (i.e. 22.22% equity interest of AXF Gold Ridge). The aforesaid consideration payable by the Company on exercise of the Put Option shall be AUD26.388 million plus any premium to be agreed by the parties. Hence, the total maximum amount of commitment of the Company for the acquisition (together with the Reconstruction Works) and the Put Option is approximately AUD118.751 million (subject to any premium to be added to the consideration on the exercise of the Put Option).

The Gold Ridge Project is a gold resource project 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 Gold Ridge 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 the 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

	Measured		Indicated		Inferred		Total	
Mine deposits	**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 fulfilled. The Group is now in progress of conducting due diligences. Since the Gold Ridge 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 Gold Ridge 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. Please refer to the announcement of the Company dated 22 February 2018 for details.

Subscription of new shares under general mandate

On 3 November 2017, the Company entered into a subscription agreement with Cheng Tun Prime Shine Limited (formerly known as Prime Shine Limited) (the "Subscriber"), an indirectly wholly owned subsidiary of Cheng Tun Mining Group Company Limited (盛屯礦業股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 600711), and is principally engaged in the business of mining and ore-processing of non-ferrous metals and providing value-added services in the metals industry. Pursuant to the subscription agreement, the Subscriber agreed to subscribe for an aggregate of 120,000,000 subscription shares, being the first subscription shares of 66,000,000 shares (the "First Subscription") and the second subscription shares of 54,000,000 shares (the "Second Subscription") at the subscription price of HK$1.86 per subscription share. Please refer to the Company's announcement dated 3 November 2017 for details.

The net proceeds for the subscription was intended to be used in the following:

a) payment of the consideration in relation to the acquisition of 35% equity interest of Xizang Changdu by the Group;

b) payment of the consideration in relation to the acquisition of majority shareholding of AXF Gold Ridge by the Group; and

c) funding of the project concerning the exploitation and operations of the gold mine located on the island of Guadalcanal, the central island of the Solomon Islands, approximately 30 kilometers south-east of the capital city Honiara in Solomon Islands.

On 28 February 2018, the subscription was completed where an aggregate of 120,000,000 shares in the subscription price of HK$1.86 per share had been allotted and issued to the Subscriber under the general mandate granted to the Directors at the annual general meeting of the Company held on 9 June 2017. Net proceeds of the subscription were approximately HK$223.0 million. As at 30 June 2018, the utilisation of the net proceeds from the subscription was as follows:

	Net proceeds from the subscription utilised (up to 30 June 2018) *(HK$ million)*
Net proceeds from the subscription	223.0
Payment of the consideration in relation to the acquisition of 35% equity interest of Xizang Changdu by the Group;	(105.3)
Payment of the consideration in relation to the acquisition of majority shareholding of AXF Gold Ridge;	(86.2)
Funding of the project concerning the exploitation and operations of the gold mine located on the island of Guadalcanal, the central island of the Solomon Islands, approximately 30 kilometers south-east of the capital city Honiara in Solomon Islands.	(17.8)
Balance of the net proceeds	13.7

The unutilised balance of net proceeds from the subscription has been used for the payment of the consideration in relation to the acquisition of 35% equity interest of Xizang Changdu of approximately HK$13.2 million and funding of gold mine project in Soloman Islands of approximately HK$0.5 million in July and August 2018, respectively.

FINANCE REVIEW

Revenue

The Group's overall revenue decreased by approximately 6.5% from approximately RMB164.5 million for the six months ended 30 June 2017 to approximately RMB153.8 million for the six months ended 30 June 2018. The decrease was primarily attributable to the decrease in volume of ores processed and concentrates sold.

For the six months ended 30 June 2018, we sold 1,539 tonnes of copper in copper concentrates, 2,427 tonnes of zinc in zinc concentrates and 56,385 tonnes of iron concentrates, compared to 1,715 tonnes, 2,445 tonnes and 62,133 tonnes, respectively, for the six months ended 30 June 2017, representing a decrease of approximately 10.3%, 0.7% and 9.3% for copper in copper concentrates, zinc in zinc concentrates and iron concentrates, respectively. The decrease was principally attributable to the temporary suspension of operation of the grinding mill for the purpose of upgrading as well as the insufficient labour availability subsequent to the Chinese New Year holiday.

The average prices of copper in copper concentrates, zinc in zinc concentrates and iron concentrates for the six months ended 30 June 2018 were approximately RMB37,079, RMB16,423 and RMB390 per tonne respectively, compared to approximately RMB32,678, RMB13,899 and RMB451 per tonne respectively, for the six months ended 30 June 2017, representing an increase of approximately 13.5%, 18.2% and a drop of approximately 13.5%, respectively. During the six months ended 30 June 2018, some of the metal prices have increased continuously. Our Directors believe that such increase was mainly due to the recovery of the industry.

Cost of sales

Our cost of sales increased by approximately 2.7% from approximately RMB91.1 million for the six months ended 30 June 2017 to approximately RMB93.6 million for the six months ended 30 June 2018, which was mainly due to the increase in wages of our workers and depreciation upon completion of the 600,000 tpa expansion project.

Gross profit and gross profit margin

The overall gross profit of our Group for the six months ended 30 June 2018 was approximately RMB60.2 million, representing a decrease of approximately 18.0% compared to approximately RMB73.4 million for the six months ended 30 June 2017. Our overall gross profit margin decreased from approximately 44.6% for the six months ended 30 June 2017 to approximately 39.1% for the six months ended 30 June 2018. Such decrease was mainly attributable to the increase in cost of sales.

Other income

Our other income comprised mainly bank interest income of approximately RMB0.2 million, incentives received from a local governmental authority 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 2018. Other income increased by approximately RMB0.2 million compared with the corresponding period in 2017, which was attributable to the increase in incentives received from a local governmental authority.

Other gains and losses

Our other gains and losses decreased by approximately RMB0.1 million, which comprised mainly loss on disposal of property, plant and equipment of approximately RMB0.4 million and unrealised exchange gain of approximately RMB0.2 million for the six months ended 30 June 2018 as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi. Unrealised exchange loss of approximately RMB0.1 million was incurred for the six months ended 30 June 2017 from the appreciation of Australian dollars against Renminbi.

Distribution and selling expenses

Our distribution and selling expenses decreased by approximately 5.0% from approximately RMB2.0 million for the six months ended 30 June 2017 to approximately RMB1.9 million for the six months ended 30 June 2018. The decrease was mainly attributable to the decrease in sales volume.

Administrative expenses

Our administrative expenses increased by approximately 7.3% from approximately RMB15.1 million for the six months ended 30 June 2017 to approximately RMB16.2 million for the six months ended 30 June 2018. The increase was principally attributable to the increase in staff salaries.

Finance costs

Our finance costs decreased by approximately 39.8% from approximately RMB8.8 million for the six months ended 30 June 2017 to approximately RMB5.3 million for the six months ended 30 June 2018, primarily due to the decrease in imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary.

Income tax expense

Our income tax expense was approximately RMB10.8 million for the six months ended 30 June 2018, consisting of PRC corporate income tax payable of approximately RMB9.2 million and withholding tax payable of approximately RMB1.6 million. 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.

The decrease in our income tax expense for the six months ended 30 June 2018 was primarily due to the decrease in the PRC corporate income tax expense 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 16.3% or approximately RMB5.3 million, from approximately RMB32.6 million for the six months ended 30 June 2017 to approximately RMB27.3 million for the six months ended 30 June 2018. Our net profit margin decreased from approximately 19.8% for the six months ended 30 June 2017 to approximately 17.7% for the six months ended 30 June 2018 mainly as a result of the decrease in profit margin of concentrates sold.

Profit and total comprehensive income attributable to owners of our Company

Profit and total comprehensive income attributable to owners of our Company decreased by approximately 16.0% or approximately RMB5.2 million, from approximately RMB32.6 million for the six months ended 30 June 2017 to approximately RMB27.4 million for the six months ended 30 June 2018.

Liquidity and financial resources

During the six months ended 30 June 2018, the Group's net cash from operating activities was approximately RMB23.1 million (net cash from operating activities for the six months ended 30 June 2017: RMB71.2 million) and the Group's bank balances and cash was approximately RMB24.1 million as at 30 June 2018 (as at 31 December 2017: RMB108.6 million). Included in bank balances and cash, approximately RMB8.9 million (as at 31 December 2017: RMB79.1 million) were denominated in Hong Kong dollars and Australian dollars. Such decrease was mainly attributable to the deposits paid for the potential acquisition project in Solomon Islands and partial settlement of consideration for acquisition of Xizang Changdu.

Gearing ratio

The Group had a gearing ratio of approximately 19.4% (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2018. The gearing ratio was approximately 20.8% as at 31 December 2017. The decrease in gearing ratio was mainly attributable to the repayment of approximately RMB18.0 million to a former non-controlling shareholder of a subsidiary during the six months ended 30 June 2018.

Bank borrowings

As at 30 June 2018, the Group had secured bank borrowings of RMB145.5 million in aggregate with maturity from one year to nine years and effective interest rate of 5.45%.

Capital expenditure

Capital expenditure mainly includes purchase of mining equipment, construction of mining structures at the Xinzhuang Mine, acquisition of Xizang Changdu, deposit paid for acquisition of a subsidiary, payment for land use right as well as payment for exploration and evaluation assets. For the six months ended 30 June 2018, capital expenditure of approximately RMB173.6 million has been incurred (for the six months ended 30 June 2017: RMB10.9 million).

Contractual obligations and capital commitment

As at 30 June 2018, the Group has entered into a non-cancellable operating lease with lease payables of approximately RMB0.1 million for certain properties of the Group.

As at 30 June 2018, the Group's capital commitments amounted to approximately RMB330.1 million, and decreased by approximately RMB193.1 million as compared to approximately RMB523.2 million as at 31 December 2017, which was primarily due to reduction of consideration for the acquisition of a gold mine in Solomon Islands.

Contingent liabilities

As at 30 June 2018, the Group did not have any material contingent liabilities or guarantees.

Material acquisition and disposal of subsidiaries, associates and joint ventures

Save as disclosed in this announcement, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

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 2018, the Group's prepaid lease payment, mining rights and building with carrying value of approximately RMB83.4 million (as at 31 December 2017: RMB85.3 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 2018.

Interest rate risk

Our bank borrowings are denominated in Renminbi and Hong Kong dollars 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") and Hong Kong Interbank Offered Rate ("HIBOR") respectively. Interest rates on our bank loans are subject to adjustments by our lenders in accordance with changes in the PBoC benchmark rates and HIBOR. 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 did not declare an interim dividend for six months ended 30 June 2018 (six months ended 30 June 2017: RMB0.50 cents per share).

SHARE OPTION SCHEME

During the six months ended 30 June 2018, 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 2018, the Group employed approximately 334 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.

OUTLOOK

In the second half of 2018, metal prices are expected to stabilise and the US dollar may be suppressed. In terms of demand, PRC government policies may continue to expand domestic demand, which is expected to boost demand for non-ferrous metals. From the perspective of monetary policy, domestic monetary policy is expected to be more flexible. The Group is optimistic about metal prices in the second half of 2018.

In order to strengthen our mineral resources, the Group is in the progress of further increasing the production capacity of Xinzhuang Mine to 900,000 tpa and applying for the mining license of Walege Mine as well as completing the acquisition of the gold mine in Solomon Islands.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Xinzhuang Mine

Mineral exploration

During the six months ended 30 June 2018, the exploration activities in the Xinzhuang Mine was within 4-29 exploration line. We have completed underground geological drilling of 7,478 m, with drill size of 60-90 mm for the six months ended 30 June 2018. For the six months ended 30 June 2018, we have also finished tunnel drilling of 301 m and completed adit mapping of 8,439 m.

For the six months ended 30 June 2018, no expenditure of mineral exploration was incurred.

Development

During the six months ended 30 June 2018, the Group incurred development expenditure of approximately RMB11.7 million. Our 600,000 tpa expansion plan has been completed and a safety acceptance for the completion and renovation of the 600,000 tpa expansion project was completed and approved by end of 2017. The Group has started to prepare relevant reports for our 900,000 tpa expansion plan.

Details breakdown of development expenditure is as follows:

	RMB' (million)
Land use right	0.1
Mining structures	7.0
Office buildings	0.3
Machinery and electronic equipment for process plants	4.1
Motor vehicles	0.2
	11.7

Mining activities

During the six months ended 30 June 2018, we processed a total of 364,609 tonnes of ore in the Xinzhuang Mine. The following table shows the volume of our concentrates products sold during the six months ended 30 June 2018.

Type of concentrates sold	Volume
Copper in copper concentrates	1,539 tonnes
Iron concentrates	56,385 tonnes
Zinc in zinc concentrates	2,427 tonnes
Sulfur concentrates	78,217 tonnes
Lead in lead concentrates	395 tonnes
Gold in copper concentrates	27 kg
Silver in copper concentrates	1,311 kg
Silver in zinc concentrates	249 kg
Gold in lead concentrates	26 kg
Sliver in lead concentrates	1,488 kg
Copper in lead concentrates	137 kg

During the six months ended 30 June 2018, the Group incurred expenditures for mining and processing activities were RMB57.1 million (30 June 2017: RMB55.3 million) and RMB25.6 million (30 June 2017: RMB26.5 million) respectively. The unit expenditures for mining and processing activities for the six months ended 30 June 2018 were RMB152.6/t (30 June 2017: RMB147.5/t) and RMB70.3/t (30 June 2017: RMB70.9/t) respectively.

Walege Mine

We own 51% attributable interest of Xizang Changdu which in turn owns the Walege Mine in which we may further exploit for open-pit and underground mining. The Walege Mine has a significant volume of mineral resources of lead and silver. Xizang Changdu currently owns an exploration license and the Group is in the progress of applying for the mining license.

Mineral exploration

All the field exploration work has been completed before 2017. No exploration was conducted during the six months ended 30 June 2018.

Development

During the six months ended 30 June 2018, the Group incurred development expenditure of approximately RMB0.7 million in respect of preparation of various trials and tests for the preparation work relating to the application of mining license.

Mining activities

Since Walege Mine is still in development stage, no mining activities has incurred for the six months ended 30 June 2018.

CORPORATE GOVERNACE 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 2018, 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

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 2018.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company for the six months ended 30 June 2018.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Ms. Iu Ching, our non-executive Director, has been appointed as the director of Cheng Tun Prime Shine Limited, a substantial shareholder of the Company since February 2018.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2017 annual report of the Company up to the date of this announcement.

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 2018.

REVIEW OF ACCOUNTS BY THE AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") comprises four independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jian Zhong and Mr. Xiong Zeke. 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 2018 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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results 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 2018 interim report of the Company containing all the information required by the Listing Rules will be despatched 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, 24 August 2018

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, Mr. Lee Hung Yuen and Ms. Iu Ching as non-executive Directors; and Dr. Lu Jian Zhong, Mr. Qi Yang, Mr. Shen Peng and Mr. Xiong Zeke as independent non-executive Directors.