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Wanguo International Mining Group Limited

萬國國際礦業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3939)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS HIGHLIGHT:

- Revenue increased by approximately 306.7% to approximately RMB822.8 million
- Gross profit increased by approximately 252.0% to approximately RMB148.2 million
- Gross profit margin was approximately 18.0%
- Net profit margin was approximately 10.5%
- Profit and total comprehensive income for the six months ended 30 June 2021 (or referred to as the “**reporting period**”) attributable to owners of the Company increased by approximately 410.6% to approximately RMB81.7 million
- Basic earnings per share was approximately RMB11.1 cents (six months ended 30 June 2020: RMB2.2 cents)
- The Board did not declare an interim dividend (six months ended 30 June 2020: Nil)

Note: Compared to the six months ended 30 June 2020

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 2021 together with comparative figures for the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	822,813	202,288
Cost of sales		<u>(674,624)</u>	<u>(160,219)</u>
Gross profit		148,189	42,069
Other income		1,228	1,465
Other gains and losses		(7,391)	1,402
Distribution and selling expenses		(2,493)	(820)
Administrative expenses		(31,446)	(22,203)
Finance costs	4	<u>(4,181)</u>	<u>(2,657)</u>
Profit before tax		103,906	19,256
Income tax expense	5	<u>(17,319)</u>	<u>(3,630)</u>
Profit for the period	6	<u>86,587</u>	<u>15,626</u>
Other comprehensive income for the period which may be reclassified subsequently to profit or loss:			
– Exchange differences on translation from functional currency to presentation currency		<u>(6,494)</u>	<u>(74)</u>
Total comprehensive income for the period		<u><u>80,093</u></u>	<u><u>15,552</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)**

For the six months ended 30 June 2021

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the company		88,152	16,111
Non-controlling interests		<u>(1,565)</u>	<u>(485)</u>
		<u>86,587</u>	<u>15,626</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the company		81,658	16,037
Non-controlling interests		<u>(1,565)</u>	<u>(485)</u>
		<u>80,093</u>	<u>15,552</u>
Earnings per share			
Basic (<i>RMB cents</i>)	7	<u>11.1</u>	<u>2.2</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 June 2021*

	<i>Notes</i>	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		549,713	468,302
Right-of-use assets		56,412	57,253
Mining right		285,511	295,256
Exploration and evaluation assets		191,825	190,824
Other intangible asset		319,288	319,288
Intangible assets		4,041	4,148
Deposit for purchase of property, plant and equipment		40,790	8,786
Deferred tax assets		3,877	3,860
Restricted bank balances		2,666	2,662
		1,454,123	1,350,379
CURRENT ASSETS			
Inventories		16,692	9,421
Trade and other receivables	<i>9</i>	103,535	53,776
Bank balances and cash			
– cash and cash equivalents		131,979	36,662
– restricted bank balances		20,000	4,000
		272,206	103,859
CURRENT LIABILITIES			
Trade and other payables	<i>10</i>	69,536	99,746
Contract liabilities		85,954	49,821
Lease liabilities		34	205
Amounts due to related parties		3,679	29,148
Consideration payable to a former non-controlling shareholder of a subsidiary		57,936	57,936
Dividend payable		24,700	–
Tax payable		14,990	11,055
Bank borrowings		45,950	62,207
		302,779	310,118

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2021*

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
NET CURRENT LIABILITIES	<u>(30,573)</u>	<u>(206,259)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,423,550</u>	<u>1,144,120</u>
NON-CURRENT LIABILITIES		
Amount due to a non-controlling shareholder	12,132	–
Bank borrowings	61,500	45,500
Deferred income	8,072	8,652
Deferred tax liabilities	84,092	84,092
Provisions for restoration costs	<u>6,891</u>	<u>6,492</u>
	<u>172,687</u>	<u>144,736</u>
CAPITAL AND RESERVES		
Share capital	67,881	58,882
Reserves	<u>897,752</u>	<u>653,707</u>
Equity attributable to owners of the Company	965,633	712,589
Non-controlling interests	<u>285,230</u>	<u>286,795</u>
TOTAL EQUITY	<u>1,250,863</u>	<u>999,384</u>
	<u>1,423,550</u>	<u>1,144,120</u>

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 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 condensed consolidated financial statements have been prepared on a going concern basis. As at 30 June 2021, the Group's current liabilities exceeded its current assets by approximately RMB30,573,000. In preparing the condensed consolidated financial statements, the directors of the Company have reviewed the Group's financial and liquidity position, and taken into account the following relevant matters:

- (i) Mr. Gao Mingqing, substantial shareholder and executive director of the Company, had committed to further support the Group financially to enable it to meet its financial obligations as they fall due for the foreseeable future;
- (ii) Bank borrowings of approximately RMB45,950,000 will be due within one year or contain a repayment on demand clause and the directors are confident that the Group is able to extend approximately RMB40,000,000 of the bank borrowings in full upon their maturity, and the banks will not demand for early repayment with regard to approximately RMB2,950,000 of bank borrowing containing a repayment on demand clause, based on the past history of renewals and good relationship of the Group with the banks; and
- (iii) Amounts due to related parties of approximately RMB3,679,000 as at 30 June 2021 are repayable on demand. Since the related parties are substantial shareholders of the Company or controlled by the substantial shareholders of the Company, the directors of the Company are confident that the related parties will not demand for repayment until the Group has improved its liquidity position.

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 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 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Application of new and amendments to HKFRSs

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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform-Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and on the 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 operates in and all revenue is generated from 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sales of processed concentrates		
– Copper concentrates	96,756	50,259
– Iron concentrates	51,975	22,784
– Zinc concentrates	67,269	24,181
– Sulfur concentrates	15,326	4,266
– Gold in copper and zinc concentrates	10,967	10,251
– Gold in lead concentrates	16,330	9,287
– Silver in lead concentrates	9,195	3,816
– Silver in copper and zinc concentrates	7,036	4,778
– Lead concentrates	5,314	2,712
– Sulfur and iron concentrates	3,015	–
– Copper in lead concentrates	3,430	1,693
Sales of Electrolytic copper	534,223	68,261
Sales of Electrolytic lead	1,977	–
	822,813	202,288
By revenue source		
– Own mined products	267,183	125,375
– Sourced outside	555,630	76,913
	822,813	202,288

4. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	3,196	2,612
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	–	21
Imputed interest expenses on lease liabilities	7	24
Interest on discounted bills financing	978	–
	<u>4,181</u>	<u>2,657</u>

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax charge:		
PRC Enterprise Income Tax (“EIT”)		
– Current period	<u>17,336</u>	<u>2,631</u>
	17,336	2,631
Deferred tax (credit)/charge:		
– Current period	<u>(17)</u>	<u>999</u>
	<u>17,319</u>	<u>3,630</u>

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.

Jiangxi Province Yifeng Wanguo Mining Company Ltd (“Yifeng Wanguo”), a subsidiary of the Company, is approved as an enterprise that satisfied the conditions as high and new technology enterprises and obtained the Certificate of High and New Technology Enterprises enjoying the preferential enterprise income tax rate of 15% for a consecutive three calendar years from 2018 to 2020.

In addition, pursuant to the relevant rules and regulations, certain qualified research and development costs incurred by the Group during the period and endorsed by a local tax authority in the PRC is eligible for further deduction for PRC EIT up to 75% of the relevant costs incurred.

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit before tax	<u>103,906</u>	<u>19,256</u>
Tax at the EIT rate of 25%	25,976	4,814
Tax effect of expenses not deductible for tax purpose	4,358	865
Income tax at concessionary rate	(12,156)	(2,268)
Tax effect of additional tax benefit on research and development expenses	(859)	(784)
Withholding tax on distributable earnings of a subsidiary established in the PRC	<u>–</u>	<u>1,003</u>
Tax charge for the period	<u>17,319</u>	<u>3,630</u>

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging the following items:		
Directors' emoluments	2,005	1,950
Other staff costs	24,293	17,203
Retirement benefit scheme contributions, excluding those of directors	<u>1,064</u>	<u>395</u>
Total staff costs	<u>27,362</u>	<u>19,548</u>
Depreciation of property, plant and equipment	19,092	16,354
Depreciation of right-of-use assets	839	852
Amortisation of mining right	533	532
Amortisation of development costs	<u>106</u>	<u>42</u>
Total depreciation and amortisation	<u>20,570</u>	<u>17,780</u>
Research and development costs	7,703	6,966
Cost of inventories recognised as an expense	<u>674,624</u>	<u>160,219</u>

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	
	2021 (Unaudited)	2020 (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 (<i>in RMB'000</i>)	<u>88,152</u>	<u>16,111</u>

Number of shares:

Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>in thousand</i>)	<u>792,199</u>	<u>720,000</u>
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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	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Final dividend for the year ended 31 December 2020: RMB2.98 cents per share (2020: Nil)	<u>24,700</u>	<u>–</u>

The board of directors of the company does not recommend an interim dividend for both periods.

9. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	30.6.2021 RMB'000 (Unaudited)	31.12.2020 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables from contracts with customers		1,979	4,097
Bills receivables		1,145	3,551
	<i>(a)</i>	3,124	7,648
Amount due from a related company	<i>(b)</i>	–	167
Prepayments and other receivables			
– prepayments to a major subcontractor		46,975	23,334
– prepayments to other suppliers		23,209	8,705
		70,184	32,039
– Other receivables		30,227	13,922
		100,411	45,961
Total trade and other receivables		103,535	53,776

(a) Trade and bills receivables

No trade and bills receivables are past due at the end of the reporting period. The Group does not hold any collateral over these balances.

The ECL for trade receivables as at 30 June 2021 and 31 December 2020 have been assessed collectively based on the trade debtors' aging, grouped by debtor balances that are not yet past due and different aging brackets of numbers of days past due (if any). Based on the assessment of the management of the Group, allowance for credit losses from the trade receivables as at 30 June 2021 and 31 December 2020 is insignificant.

As at 30 June 2021 and 31 December 2020, the above bills received are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

(b) Amount due from a related company

The balance is due from a company wholly owned and controlled by Mr. Gao Mingqing, the Chief Executive of the Company. The balance is interest free, unsecured and repayable on demand.

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 60 days for sales of certain products. For others, the Group generally requests for deposits in advance from customers.

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

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 <i>RMB'000</i> (Audited)
Within 30 days	3,124	5,636
31 to 60 days	–	1,532
61 to 90 days	–	480
	<u>3,124</u>	<u>7,648</u>

10. TRADE AND OTHER PAYABLES

	<i>Note</i>	30.6.2021 RMB'000 (Unaudited)	31.12.2020 <i>RMB'000</i> (Audited)
Trade payables	<i>(i)</i>	14,359	14,633
Bills payables	<i>(ii)</i>	20,000	33,000
Trade and bills payable		<u>34,359</u>	<u>47,633</u>
Value-added tax, resource tax and other tax payables		15,189	15,232
Payables for construction in progress and property, plant and equipment		2,789	19,112
Accrued expenses and other payables			
– Accrued expenses		1,798	4,283
– Accrued staff cost		5,634	8,891
– Other payables		9,767	4,595
		<u>35,177</u>	<u>52,113</u>
Total trade and other payables		<u>69,536</u>	<u>99,746</u>

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

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Within 30 days	7,045	7,104
31-60 days	2,558	3,222
61-90 days	1,573	1,129
91-180 days	2,490	2,438
Over 180 days	693	740
	<u>14,359</u>	<u>14,633</u>

The following is an aged analysis of bills payables based on the date of issue of bills:

	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
91-180 days	20,000	4,000
Over 180 days	<u>–</u>	<u>29,000</u>
	<u>20,000</u>	<u>33,000</u>

Notes:

- (i) The average credit period on purchase of goods is 30 days upon delivery. No interest is charged on overdue trade payable.
- (ii) The bills payable were pledged by a restricted deposit made by Yifeng Wanguo, which have to be settled within one year from the date of issue.

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 Xin Zhuang Copper, Lead, Zinc Mine, an operating mine located in Jiangxi Province, the PRC (“**Xin Zhuang Mine**”) in which we conduct underground mining. The Xin Zhuang 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.

On 13 July 2017, the Group completed acquisition of 51% attributable interest of Xizang Changdu County Dadi Mining Company Limited (“**Xizang Changdu**”), which owns the lead mine in Walege of Changdu Country, the PRC (“**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.

In addition, on 30 April 2020, the Group completed acquisition of 77.78% interest of AXF Gold Ridge Pty Limited (“**AXF Gold Ridge**”), which owns 90% interest of a gold ridge mine located in the Solomon Islands (“**Gold Ridge Mine**”) in which we may further exploit for open-pit and underground mining. The Gold Ridge Mine has a substantial volume of mineral resources of gold.

Operating performance

The following table sets forth the volume of respective products sold at the Xin Zhuang Mine during the six months ended 30 June 2021 compared to the corresponding period in 2020.

	Six months ended 30 June		
	2021	2020	Changes
	Volume	Volume	(approximate %)
	(tonnes)	(tonnes)	
Copper in copper concentrates	1,809	1,491	21.3
Zinc in zinc concentrates	3,357	1,968	70.6
Iron concentrates	50,922	44,231	15.1
Sulfur concentrates	90,636	72,937	24.3
Lead in lead concentrates	566	318	78.0
Sulfur and iron concentrates	8,518	–	N/A
Gold in concentrates (kg)	99	65	52.3
Silver in concentrates (kg)	4,192	2,818	48.8
Copper in concentrates (kg)	171	108	58.3

The following table sets forth the volume of ores mined and processed at our Xinzhuang Mine during the six months ended 30 June 2021 and 2020 respectively.

	Six months ended 30 June		Changes <i>(approximate %)</i>
	2021 Volume <i>(tonnes)</i>	2020 Volume <i>(tonnes)</i>	
Volume of ores mined	<u>490,401</u>	<u>384,231</u>	<u>27.6</u>
Volume of ores processed	<u>494,242</u>	<u>375,667</u>	<u>31.6</u>

The increase in volume of ore mined, processed and concentrates sold during the six months ended 30 June 2021 compared with the corresponding period in 2020 was mainly attributable to an increase in volume of concentrates produced by the Group with the use of upgraded machines and technology improvements in both mining and processing processes as well as strengthening corporate management.

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 the Xinzhuang Mine, reaching 600,000 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) (“**Nerin**”) for conducting a feasibility study on an expansion plan of our Xinzhuang Mine to 900,000 tpa. The Group has received Nerin’s feasibility report during the six months ended 30 June 2021 and expects to commence initial production and safety design in the second half of 2021.

Walege Mine

We have received the renewal and extension of exploration license in April 2021. On the other hand, we are still in the progress of applying for the mining license for the Walege Mine. It is expected that the Group will receive the feasibility study of the Walege Mine for its development plan in the second half of 2021.

Gold Ridge Mine

We have purchased relevant machines and mining equipment for the purpose of recommissioning the Gold Ridge Mine during the six months ended 30 June 2021.

HORIZONTAL EXPANSION

Subscription of new shares under general mandate

On 29 December 2020, the Company entered into a subscription agreement (the “**Subscription Agreement**”) with Shandong Humon Smelting Co., Ltd. (山東恒邦冶煉股份有限公司) (the “**Subscriber**”), a company listed on the Shenzhen Stock Exchange (stock code: 002237), and is principally engaged in gold and silver smelting, production and sales of electrolytic copper, cathode copper, lead ingots, non-ferrous metals, rare and precious metals and their products. Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe for 108,000,000 new shares of the Company (“**Share(s)**”) at the subscription price of HK\$2.18 per subscription share (the “**Subscription**”). The closing price of the Share as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**” or “**Hong Kong Stock Exchange**”) on the date of the Subscription Agreement was HK\$2.20.

The Directors considered that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its development of the Gold Ridge Mine.

On 26 January 2021, the Company, the Subscriber and Shandong Humon Mining Development Limited (山東恒邦礦業發展有限公司) (“**Humon Mining**”), an indirectly wholly-owned subsidiary of the Subscriber, entered into a supplementary agreement, pursuant to which the Subscriber assigned its rights and obligations under the Subscription Agreement to Humon Mining.

On 2 March 2021, the Subscription was completed and 108,000,000 new Shares (representing approximately 13.04% of the issued share capital as enlarged by the allotment and issuance of the subscription shares) have been allotted and issued to Humon Mining under the general mandate granted to the Directors at the annual general meeting of the Company held on 26 June 2020 at the subscription price of HK\$2.18 per subscription share.

Please refer to the Company’s announcements dated 29 December 2020, 22 February 2021 and 2 March 2021 respectively for details.

The net proceeds from the Subscription was approximately HK\$235.3 million. It is expected that 90% of the net proceeds will be used for funding of the project concerning the exploitation of the Gold Ridge Mine (the “**Gold Ridge Project**”) and 10% of the net proceeds will be used for general working capital of the Company.

As at 30 June 2021, the utilisation of the net proceeds from the Subscription was as follows:

	Planned use of net proceeds HKD (million)	Actual use of net proceeds as at 30 June 2021 HKD (million)	Unutilised net proceeds as at 30 June 2021 HKD (million)
Funding of the Gold Ridge Project	211.8	170.0	41.8
General working capital	23.5	23.5	–
	<u>235.3</u>	<u>193.5</u>	<u>41.8</u>
Balance	<u><u>235.3</u></u>	<u><u>193.5</u></u>	<u><u>41.8</u></u>

The utilised balance of net proceeds from the Subscription is expected to be used in the second half of 2021.

FINANCIAL REVIEW

	Six months ended 30 June					
	Trading of electrolytic copper and lead and other concentrate products (sourced outside) RMB'000 (unaudited)	Trading of electrolytic copper and other concentrate (sourced outside) RMB'000 (unaudited)	2021 Total RMB'000 (unaudited)	Concentrates products (own mined) RMB'000 (unaudited)	Trading of electrolytic copper and other concentrate (sourced outside) RMB'000 (unaudited)	2020 Total RMB'000 (unaudited)
Revenue	267,183	555,630	822,813	125,375	76,913	202,288
Cost of sales	(119,401)	(555,223)	(674,624)	(83,385)	(76,834)	(160,219)
Gross profit	147,782	407	148,189	41,990	79	42,069
Gross profit margin	55.3%	0.07%	18.0%	33.5%	0.10%	20.8%

Revenue, cost of sales, gross profit and gross profit margin

The Group's overall revenue reported a triple increase from approximately RMB202.3 million for the six months ended 30 June 2020 to approximately RMB822.8 million for the six months ended 30 June 2021. Our cost of sales increased by three times from approximately RMB160.2 million for the six months ended 30 June 2020 to approximately RMB674.6 million for the six months ended 30 June 2021.

The overall gross profit of the Group increased by approximately 252.0% from approximately RMB42.1 million for the six months ended 30 June 2020 to approximately RMB148.2 million for the six months ended 30 June 2021. The overall gross profit margin decreased from approximately 20.8% for the six months ended 30 June 2020 to approximately 18.0% for the six months ended 30 June 2021. Such decrease was mainly attributable to the increase in revenue portion of trading of electrolytic copper and lead and other concentrates sourced outside, which had a low profit margin.

(i) Concentrated products (own mined)

Revenue from sales of concentrates products increased by approximately 113.1% from approximately RMB125.4 million for the six months ended 30 June 2020 to approximately RMB267.2 million for the six months ended 30 June 2021.

For the six months ended 30 June 2021, we sold 1,809 tonnes of copper in copper concentrates, 3,357 tonnes of zinc in zinc concentrates and 50,922 tonnes of iron concentrates, compared to 1,491 tonnes, 1,968 tonnes and 44,231 tonnes respectively for the six months ended 30 June 2020, representing increases of approximately 21.3%, 70.6% and 15.1% respectively which were principally attributable to the increase in production efficiency with the use of upgraded machines and technology improvements in both mining and processing processes.

The average prices of copper in copper concentrates, zinc in zinc concentrates and iron concentrates for the six months ended 30 June 2021 were RMB53,486, RMB14,414 and RMB1,021 per tonne respectively, compared to RMB32,816, RMB9,238 and RMB515 per tonne respectively for the six months ended 30 June 2020, representing increases of approximately 63.0%, 56.0% and 98.3% respectively, resulting from the significant recovery of metal market demand in the first half of 2021.

The cost of sales of concentrates products increased by approximately 43.2% from approximately RMB83.4 million for the six months ended 30 June 2020 to approximately RMB119.4 million for the six months ended 30 June 2021, which was mainly driven by the corresponding increase in sales revenue.

The gross profit of concentrates products for the six months ended 30 June 2021 was approximately RMB147.8 million, which represented an increase of approximately 251.9% compared to approximately RMB42.0 million for the six months ended 30 June 2020. The gross profit margin increased from approximately 33.5% for the six months ended 30 June 2020 to approximately 55.3% for the six months ended 30 June 2021. Such increase was mainly attributable to the rise in the selling price of the concentrates.

(ii) Trading of electrolytic copper and lead and other concentrates (sourced outside)

Starting from November 2019, the Group set up a company for trading of electrolytic copper, electrolytic lead and other concentrates. Revenue from trading of electrolytic copper, electrolytic lead and other concentrates increased by approximately 6.2 times from approximately RMB76.9 million for the six months ended 30 June 2020 to approximately RMB555.6 million during the six months ended 30 June 2021, resulting from the significant recovery of metal market demand in the first half of 2021.

The corresponding cost of sales of electrolytic copper, electrolytic lead and other concentrates increased by approximately 6.2 times from approximately RMB76.8 million during the six months ended 30 June 2020 to approximately RMB555.2 million during the six months ended 30 June 2021, which was mainly driven by the corresponding increase in sales revenue.

The gross profit of trading of electrolytic copper, electrolytic lead and other concentrates increased by approximately 412.5% from approximately RMB0.08 million during the year ended 30 June 2020 to approximately RMB0.41 million during the six months ended 30 June 2021. The gross profit margin dropped mildly by 0.03% from approximately 0.10% during the six months ended 30 June 2020 to approximately 0.07% during the six months ended 30 June 2021.

Other income

Our other income comprised mainly bank interest income of approximately RMB0.3 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 2021. Other income decreased by approximately RMB0.3 million compared with the corresponding period in 2020, which was attributable to the decrease in incentives received from a local governmental authority due to COVID-19 in 2020.

Other gains and losses

Our other gains and losses decreased by approximately RMB8.8 million from gains of approximately RMB1.4 million to losses of approximately RMB7.4 million, which comprised mainly unrealised exchange loss of approximately RMB7.4 million for the six months ended 30 June 2021 as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi, whereas for the six months ended 30 June 2020, gain on disposal of property, plant and equipment of approximately RMB0.1 million and unrealised exchange gain of approximately RMB1.3 million were incurred from the translation of Australian dollars and Hong Kong dollars into Renminbi.

Distribution and selling expenses

Our distribution and selling expenses increased by approximately 212.5% from approximately RMB0.8 million for the six months ended 30 June 2020 to approximately RMB2.5 million for the six months ended 30 June 2021. The increase was mainly attributable to the increase in the railway and transportation fees as result of the increase in the sales volume of concentrates products.

Administrative expenses

Our administrative expenses increased by approximately 41.4% from approximately RMB22.2 million for the six months ended 30 June 2020 to approximately RMB31.4 million for the six months ended 30 June 2021. The increase was principally attributable to the increase in staff costs and travelling expenses as a result of the completion of acquisition of AXF Gold Ridge by end of April 2020.

Finance costs

Our finance costs increased by approximately 55.6% from approximately RMB2.7 million for the six months ended 30 June 2020 to approximately RMB4.2 million for the six months ended 30 June 2021, primarily due to the increase in interest expenses derived from discounting bills.

Income tax expense

Our income tax expense was approximately RMB17.3 million for the six months ended 30 June 2021, which was entirely PRC corporate income tax payable. Our income tax expense was approximately RMB3.6 million for the six months ended 30 June 2020, consisting of PRC corporate income tax payable of approximately RMB2.6 million and withholding tax payable of approximately RMB1.0 million.

The increase in our income tax expense for the six months ended 30 June 2021 was primarily due to the increase in the PRC corporate income tax expense as a result of the increase in operating profit.

Profit for the period

As a result of the foregoing, our profit after taxation increased by approximately 4.6 times or approximately RMB71.0 million, from approximately RMB15.6 million for the six months ended 30 June 2020 to approximately RMB86.6 million for the six months ended 30 June 2021. Our net profit margin increased from approximately 7.7% for the six months ended 30 June 2020 to approximately 10.5% for the six months ended 30 June 2021 mainly because the revenue increased by a larger scale than cost of sales and other expenses.

Profit attributable to owners of our Company

Profit attributable to owners of our Company increased nearly by 4.5 times or approximately RMB72.1 million, from approximately RMB16.1 million for the six months ended 30 June 2020 to approximately RMB88.2 million for the six months ended 30 June 2021.

Liquidity and financial resources

During the six months ended 30 June 2021, the Group's net cash from operating activities was approximately RMB78.1 million (net cash from operating activities for the six months ended 30 June 2020: RMB16.1 million) and the Group's bank balances and cash was approximately RMB132.0 million as at 30 June 2021 (as at 31 December 2020: RMB36.7 million). Such increase was mainly attributable to the proceeds received from the Subscription.

Included in bank balances and cash, approximately RMB33.5 million (as at 31 December 2020: RMB0.8 million) were denominated in Hong Kong dollars, Australian dollars and US dollars.

Bank borrowings

As at 30 June 2021, the Group had secured bank borrowings of approximately RMB81.5 million and unsecured bank borrowings of approximately RMB26.0 million in aggregate with maturity from one year to seven years and effective interest rate of approximately 5.71%.

Gearing ratio

The Group had a gearing ratio of approximately 9.6% (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2021. The gearing ratio was approximately 11.4% as at 31 December 2020. The decrease in gearing ratio was mainly attributable to the increase in bank balances of approximately RMB95.3 million.

Capital expenditure

Capital expenditure mainly included purchase of mining equipment, construction of mining structures at the Gold Ridge Mine as well as payment for exploration and evaluation assets. For the six months ended 30 June 2021, capital expenditure of approximately RMB141.8 million has been incurred (for the six months ended 30 June 2020: RMB38.3 million).

Contractual obligations and capital commitment

As at 30 June 2021, the Group's capital commitment amounted to approximately RMB55.1 million, representing a decrease of approximately RMB22.8 million as compared to approximately RMB77.9 million as at 31 December 2020, which was primarily due to partial payments for reconstruction works for the Gold Ridge Project.

Contingent liabilities

As at 30 June 2021, 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 2021.

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 2021, the Group's mining right, right-of-use assets and buildings with carrying value of approximately RMB77.1 million (as at 31 December 2020: RMB79.5 million of mining right, right-of-use assets and buildings) 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 balances and cash, other receivables and other payables denominated in Hong Kong dollars, Australian dollars and US dollars, the majority of the Group's assets and liabilities are denominated in Renminbi.

As Renminbi fluctuated 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 2021. We have not used any foreign currency hedge arrangement or other derivatives to hedge against exchange rates risk.

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 both periods.

SHARE OPTION SCHEME

During the six months ended 30 June 2021, 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 2021, the Group employed approximately 341 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 include social insurance together with housing provident funds for our PRC employees, contributions to statutory provident funds for our Hong Kong employees and superannuation for our Australia employees.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Xinzhuang Mine

Mineral exploration

During the six months ended 30 June 2021, the exploration activities in the Xinzhuang Mine was within 4-29 exploration line. We have completed underground geological drilling of 12,286 m, with drill size of 60-108 mm for the six months ended 30 June 2021. For the six months ended 30 June 2021, we have also finished tunnel drilling of 312 m and completed adit mapping of 1,321 m.

For the six months ended 30 June 2021, no expenditure of mineral exploration was incurred.

Development

During the six months ended 30 June 2021, the Group incurred development expenditure of approximately RMB25.9 million.

Detailed breakdown of development expenditure is as follows:

	<i>RMB'</i> <i>(million)</i>
Mining structures	22.6
Machinery and electronic equipment for processing plants	2.2
Motor vehicles	1.1
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	25.9
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Mining activities

During the six months ended 30 June 2021, we processed a total of 494,242 tonnes of ore in the Xin Zhuang Mine. The following table shows the volume of our concentrates products sold during the six months ended 30 June 2021.

Type of concentrates sold	Volume
Copper in copper concentrates	1,809 tonnes
Iron concentrates	50,922 tonnes
Zinc in zinc concentrates	3,357 tonnes
Sulfur concentrates	90,636 tonnes
Lead in lead concentrates	566 tonnes
Sulfur and iron concentrates	8,518 tonnes
Gold in copper concentrates	31 kg
Silver in copper concentrates	1,899 kg
Gold in zinc concentrates	18 kg
Silver in zinc concentrates	60 kg
Gold in lead concentrates	50 kg
Sliver in lead concentrates	2,233 kg
Copper in lead concentrates	171 kg

During the six months ended 30 June 2021, the Group incurred expenditures for mining and processing activities of RMB62.8 million (30 June 2020: RMB45.5 million) and RMB44.3 million (30 June 2020: RMB24.2 million) respectively. The unit expenditures for mining and processing activities for the six months ended 30 June 2021 were RMB128.0/t (30 June 2020: RMB118.4/t) and RMB89.5/t (30 June 2020: RMB64.4/t) respectively. Such increase was mainly resulted from the increase in third-party contractor's fee and cost of forged steel grinding balls, explosives and chemical products.

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. The Group is in the progress of converting its exploration license to 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 2021.

Development

During the six months ended 30 June 2021, the Group incurred development expenditure of approximately RMB1.0 million in respect of conversion exploration license to mining license. During the six months ended 30 June 2021, the Group has been finalizing feasibility study in relation to the development of Xizang Changdu.

Mining activities

Since the Walege Mine is still in development stage, no mining activities has incurred for the six months ended 30 June 2021.

Gold Ridge Mine

Mineral exploration

The Group (through the holding of approximately 77.78% equity interest in AXF Gold Ridge) owns 70% attributable interest of Gold Ridge Mining Limited (“GRML”) which in turn owns the Gold Ridge Mine. The drilling program at the Charivunga deposit has been put on hold due to COVID-19 pandemic. It is planned that the Gold Ridge Mine will recommence the program in the third quarter of 2021 with an expected completion by the end of 2021.

During the first half of 2021, no expenditure of mineral exploration was incurred.

Development

During the six months ended 30 June 2021, the Gold Ridge Mine incurred mainly development expenditure of approximately RMB114.9 million.

Detailed breakdown of development expenditure is as follows:

	<i>RMB’ (million)</i>
Mining structures	33.2
Machinery and electronic equipment for processing plants	81.4
Motor vehicles	0.3
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	114.9
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Mining activities

The Gold Ridge Mine has commenced recommissioning work since September 2020 and is expected to commence drilling and blasting operations in September 2021 with trial production planned by the end of 2021. During the first half of 2021, 26,630 tonnes of oxide ore (at an average grade of 1.44g/t) were mined and stockpiled for the trial heap leaching process.

PROSPECT

We intend to continue to grow our business and become 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 the end of 2014. We planned to further upgrade the production 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 of the Company (the “**Shareholders**”).

OUTLOOK

Due to low prices of non-ferrous products in the past years resulting in underinvested exploration and development of new projects, the supply growth of non-ferrous products was low. The swift recovery of PRC economy from COVID-19 has significantly increased the demand of non-ferrous products. We believe the high non-ferrous prices will continue in the second half of 2021 under this imbalance of supply and demand situation. In addition, the Group will also speed up the reconstruction and development of the Gold Ridge Mine which is expected to increase revenue and profits of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 2021, 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. However, 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. Based on the above, 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 2021.

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 2021.

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 2021.

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. Wang Xin. 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 2021 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 2021 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, 25 August 2021

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, Mr. Shen Peng and Mr. Wang Xin as independent non-executive Directors.