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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 2012

FINANCIAL HIGHLIGHTS:

- Revenue decreased by 11.7% to approximately RMB146.8 million
- Gross profit increased by 4.1% to approximately RMB81.1 million
- Gross profit margin was approximately 55.3%
- Net profit margin was approximately 27.8%
- Profit and total comprehensive income attributable to owners of the Company decreased by 5.4% to approximately RMB37.0 million
- Basic earnings per share was RMB0.08 (six months ended 30 June 2011: RMB0.09)

Note: Compared to the six months ended 30 June 2011

INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the following unaudited interim results of the Company and its subsidiaries (collectively referred to as, the “Group” or “we”) for the six months ended 30 June 2012 together with comparable information for the corresponding period in 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended	
		30 June	
	Notes	2012	2011
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	146,776	166,256
Cost of sales		<u>(65,682)</u>	<u>(88,315)</u>
Gross profit		81,094	77,941
Other gains and income		722	2,033
Selling and distribution expenses		(1,465)	(1,658)
Administrative expenses		(15,022)	(10,454)
Listing expenses		(4,895)	(5,403)
Finance costs	4	<u>(2,846)</u>	<u>(1,359)</u>
Profit before tax		57,588	61,100
Income tax expense	5	<u>(16,800)</u>	<u>(16,625)</u>
Profit and total comprehensive income for the period	6	<u>40,788</u>	<u>44,475</u>
Attributable to:			
Owners of the Company		37,019	39,110
Non-controlling interests		<u>3,769</u>	<u>5,365</u>
		<u>40,788</u>	<u>44,475</u>
Earnings per share			
Basic (RMB cents)	8	<u>8</u>	<u>9</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2012

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
	<i>Notes</i> (unaudited)	(audited)
NON-CURRENT ASSETS		
Property, plant and equipment	161,085	142,441
Mining right	9,208	9,521
Prepaid lease payments	21,383	21,626
Deposit for acquisition of land use right	33,640	29,547
Deposit for purchase of property, plant and equipment	772	1,055
Deferred tax assets	1,455	1,312
Restricted bank balance	2,222	1,596
	229,765	207,098
CURRENT ASSETS		
Prepaid lease payments	484	484
Inventories	44,002	48,803
Trade and other receivables	9,277	3,779
Bank balances and cash	57,083	37,380
	110,846	90,446
CURRENT LIABILITIES		
Trade and other payables	56,232	40,113
Dividend payables	34,018	—
Tax payable	21,854	15,459
Consideration payable to a former non-controlling shareholder of a subsidiary	5,801	—
Amounts due to shareholders	306	7,297
Amount due to a related company	—	216
Secured bank borrowings	9,000	9,000
	127,211	72,085
NET CURRENT (LIABILITIES)/ASSETS	(16,365)	18,361
TOTAL ASSETS LESS CURRENT LIABILITIES	213,398	225,459

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2012

	30 June 2012 <i>RMB'000</i>	31 December 2011 <i>RMB'000</i>
	<i>Notes</i> (unaudited)	(audited)
NON-CURRENT LIABILITIES		
Secured bank borrowings	36,000	36,000
Consideration payable to a former non-controlling shareholder of a subsidiary	143,517	—
Deferred tax liabilities	—	3,526
Deferred income	16,911	17,166
Provision	1,500	1,245
	<u>197,928</u>	<u>57,937</u>
CAPITAL AND RESERVES		
Share capital	4	—
Reserves	15,468	152,908
	<u>15,472</u>	<u>152,908</u>
Equity attributable to owners of the Company	15,472	152,908
Non-controlling interests	—	14,614
	<u>15,472</u>	<u>167,522</u>
	<u>213,398</u>	<u>225,459</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 (HKAS34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In preparing for the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) underwent the group reorganisation (the “Reorganisation”) to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the Group on 25 July 2011. Details of the Group Reorganisation are more fully explained in the section headed “History and Development — Reorganisation” of the prospectus of the Company dated 28 June 2012. The Group resulting from the Reorganisation is regarded as a continuing entity. The condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flow for the Group for the six months ended 30 June 2011 have been prepared on the basis as if the current group structure has been in existence throughout the period.

The shares of the Company are listed on the Stock Exchange on 10 July 2012.

As at 30 June 2012, the Group had net current liabilities of RMB16,365,000. Taking into account of the internally generated funds and the cash flow generated from initial public offering subsequent to end of the reporting period, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligation as when they fall due for at least the next twelve months from the end of the reporting period and accordingly the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and method of computation used in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2012 are consistent with those followed in the preparation of the Group’s financial information for the year ended 31 December 2011 included in the Accountants’ Report in Appendix I of the prospectus of the Company dated 28 June 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standard (“HKFRSs”) issued by the HKICPA:

- amendments to HKFRS7 Financial Instruments: Disclosures — Transfers of Financial Assets; and
- amendments to HKAS12 Deferred Tax: Recovery of Underlying Assets.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — continued

3. REVENUE AND SEGMENT INFORMATION

Segment revenue

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of processed concentrates	146,776	135,346
Sales of other ore commodities	—	30,910
	<u>146,776</u>	<u>166,256</u>

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 directors of the Company, in order to allocate resources to segments and to assess their performance.

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

- mining and processing of ores, and sales of processed concentrates (“Mining operation”)
- sales of other ore commodities (“Trading operation”)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
continued**

3. REVENUE AND SEGMENT INFORMATION — continued

Segment revenue and result

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

For the six months ended 30 June 2012

	Mining operation RMB'000 (unaudited)	Trading operation RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue			
External sales	<u>146,776</u>	<u>—</u>	<u>146,776</u>
Segment profit (loss)	<u>64,829</u>	<u>(317)</u>	<u>64,512</u>
Other gains and income			722
Listing expenses			(4,895)
Unallocated administrative expenses			(965)
Unallocated finance costs			(1,734)
Accounting difference on amortisation of mining right			<u>(52)</u>
Profit before tax			<u><u>57,588</u></u>

Amounts included in the measure of segment profit or loss

	Mining operation RMB'000 (unaudited)	Trading operation RMB'000 (unaudited)	Total RMB'000 (unaudited)
Depreciation and amortisation	6,288	—	6,288
Impairment loss recognised in respect of inventories	<u>—</u>	<u>317</u>	<u>317</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
continued**

3. REVENUE AND SEGMENT INFORMATION — continued

Segment revenue and result — continued

For the six months ended 30 June 2011

	Mining operation <i>RMB'000</i> (unaudited)	Trading operation <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Revenue			
External sales	135,346	30,910	166,256
Segment profit	63,979	530	64,509
Other gains and income			2,033
Listing expenses			(5,403)
Unallocated administrative expenses			(26)
Accounting difference on amortisation of mining right			(13)
Profit before tax			<u>61,100</u>

Amounts included in the measure of segment profit or loss

	Mining operation <i>RMB'000</i> (unaudited)	Trading operation <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Depreciation and amortisation	6,387	—	6,387

Segment assets and liabilities

As at 30 June 2012

	Mining operation <i>RMB'000</i> (unaudited)	Trading operation <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Segment assets	242,694	35,804	278,498
Unallocated assets			61,819
Accounting difference on amortisation of mining right			294
Consolidated assets			<u>340,611</u>
Segment liabilities	91,586	33,000	124,586
Unallocated liabilities			200,553
Consolidated liabilities			<u>325,139</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
continued**

3. REVENUE AND SEGMENT INFORMATION — continued

Segment assets and liabilities — continued

As at 31 December 2011

	Mining operation <i>RMB'000</i> (audited)	Trading operation <i>RMB'000</i> (audited)	Total <i>RMB'000</i> (audited)
Segment assets	<u>220,399</u>	<u>36,121</u>	<u>256,520</u>
Unallocated assets			40,678
Accounting difference on amortisation of mining right			<u>346</u>
Consolidated assets			<u><u>297,544</u></u>
Segment liabilities	<u>101,453</u>	<u>364</u>	<u>101,817</u>
Unallocated liabilities			<u>28,205</u>
Consolidated liabilities			<u><u>130,022</u></u>

4. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on:		
— Bank borrowings wholly repayable within five years	1,601	528
— Bank borrowings wholly repayable over five years	—	1,107
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	<u>1,734</u>	<u>—</u>
Total borrowing costs	3,335	1,635
Less: amount capitalised	<u>(489)</u>	<u>(276)</u>
	<u>2,846</u>	<u>1,359</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
continued**

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
— PRC Enterprise Income Tax (“EIT”)	18,547	15,176
— withholding tax on distribution of earnings of a PRC subsidiary	1,922	—
Deferred tax		
Current period	<u>(3,669)</u>	<u>1,449</u>
	<u>16,800</u>	<u>16,625</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 the reporting period.

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

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax	<u>57,588</u>	<u>61,100</u>
Tax at the PRC Enterprise Income Tax rate of 25%	14,397	15,275
Tax effect of expenses not deductible for tax purpose	4,007	49
Tax effect of income not taxable for tax purpose	—	(371)
(Reverse of) provision for withholding tax for distributable earnings of PRC subsidiary (<i>note</i>)	<u>(1,604)</u>	<u>1,672</u>
Tax charge for the period	<u>16,800</u>	<u>16,625</u>

Note:

As a result of capital reduction of Jiangxi Province Yifeng Wanguo Mining Company Ltd (“Yifeng Wanguo”), a PRC subsidiary of the Company, there was no distributable earnings of the PRC subsidiary as at 30 June 2012. Accordingly, withholding tax for distributable earnings of PRC subsidiary provided by the Group in prior years was reversed in current interim period.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
continued**

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments	1,198	930
Other staff costs	11,848	7,629
Retirement benefit scheme contributions, excluding those of directors	391	283
	<hr/>	<hr/>
Total staff costs	13,437	8,842
	<hr/>	<hr/>
Depreciation of property, plant and equipment	5,784	5,896
Amortisation of mining right	313	313
Release of prepaid lease payment	243	191
	<hr/>	<hr/>
Total depreciation and amortisation	6,340	6,400
	<hr/>	<hr/>
Impairment loss recognised in respect of inventories (included in cost of sales)	317	699
Cost of inventories recognised as an expense	65,365	87,616
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDENDS

During the current interim period, dividends of HK\$2,000,000 (HK\$40 per share) (equivalent to approximately RMB1,618,000) and RMB32,400,000 (RMB648 per share), were declared and payable to the shareholders of the Company.

During the current interim period, Yifeng Wanguo, a subsidiary of the Company, declared a final dividend of 2011 of RMB43,667,000, of which RMB5,240,000 was paid to Brigade of Geological Survey of West-Jiangxi of Bureau of Geology and Mineral Exploration of Jiangxi Province ("West-Jiangxi Brigade"), the former non-controlling shareholder of Yifeng Wanguo and RMB38,427,000 was paid to Taylor Investment International Limited ("HK Taylor") and eliminated upon consolidation.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
continued**

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>37,019</u>	<u>39,110</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	<u>450,000</u>	<u>450,000</u>

The weighted average number of ordinary shares for the purpose of calculating the basic earnings per share for the six-month period ended 30 June 2012 and 30 June 2011 has been retrospectively adjusted to reflect 50,000 shares in issue as at 30 June 2012 and 449,950,000 shares issued upon capitalisation on 9 July 2012.

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

9. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	<u>4,557</u>	<u>—</u>
Prepayments	4,536	3,324
Other receivables	<u>184</u>	<u>455</u>
	<u>4,720</u>	<u>3,779</u>
Total	<u>9,277</u>	<u>3,779</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
continued**

9. TRADE AND OTHER RECEIVABLES — continued

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

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
0–30 days	<u>4,557</u>	<u>—</u>

10. TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Trade payables	<u>10,028</u>	<u>8,591</u>
Advance from customers	35,881	19,335
Valued-added tax, resources tax and other tax payables	7,296	10,763
Accrued expenses	<u>3,027</u>	<u>1,424</u>
	<u>46,204</u>	<u>31,522</u>
Total	<u>56,232</u>	<u>40,113</u>

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

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
0–30 days	8,346	5,859
31–60 days	557	1,999
61–90 days	810	233
91–180 days	224	209
Over 180 days	<u>91</u>	<u>291</u>
	<u>10,028</u>	<u>8,591</u>

INTERIM DIVIDENDS

On 18 April 2012, and 21 June 2012, the Board declared dividends of HK\$2,000,000 and RMB32,400,000 to the then shareholders of the Company respectively.

Save as disclosed above, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012.

HUMAN RESOURCES

As at 30 June 2012, the Group employed approximately 381 employees. Remuneration is determined and reviewed based on fair principles with reference to market conditions and individual performances.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Our Group is principally engaged in the business of mining, ore processing and sale of the concentrates products in the PRC. Copper concentrates and iron concentrates are our core commodities.

Currently, we, through our wholly-owned subsidiaries, own the entire equity interest in Yifeng Wanguo which in turn owns the Xinzhuang Mine in which we conduct underground mining. The Xinzhuang Mine is covered by a mining licence issued by the Department of Land and Resources of Jiangxi Province valid until April 2032 covering an aggregate area of 3.7692 km² pursuant to which we can conduct underground mining for copper, lead, zinc and iron ores at a rate of 600,000 tpa.

The Xinzhuang Mine was under construction during the period between 2003 and 2006 with an initial designed mining capacity and an initial designed processing capacity of both 200,000 tpa. Xinzhuang Mine and its processing plants began trial production in January 2007 and commercial production in August 2007. It reached the initial designed mining capacity and the initial designed processing capacity of both 200,000 tpa in 2008. Since then, we have continued our expansion and, as at 31 December 2011, we had a mining capacity of approximately 300,000 tpa and a processing capacity of approximately 400,000 tpa. We target to reach 450,000 tpa in both mining capacity and processing capacity by the end of 2012.

Expansion Plan

We plan to undergo an expansion plan for our mining and ore processing facilities, as disclosed in our prospectus dated 28 June 2012 (the "Prospectus"), by which, when completed, we expect to reach a mining capacity and a processing capacity of both 600,000 tpa by the end

of 2014. According to the Independent Technical Expert's Report in the Prospectus, as at 31 December 2011, the reserves at the Xinzhuang Mine were estimated to be sufficient for production at the planned long-term production rate of 600,000 tpa for approximately 31 years. We plan to focus on the production of copper concentrates and iron concentrates as our core commodities by expanding our production at the Xinzhuang Mine under the expansion plan.

Financial Review

Revenue

The overall revenue decreased by 11.7% from approximately RMB166.3 million for the six months ended 30 June 2011 to RMB146.8 million for six months ended 30 June 2012. It was mainly because there was no sales of other commodities during the reporting period.

Our revenue from sales of processed concentrates increased by approximately 8.5% from approximately RMB135.3 million for the six months ended 30 June 2011 to approximately RMB146.8 million for the six months ended 30 June 2012. The increase was primarily attributable to the increase in the sales volume of copper concentrates, iron concentrates and sulfur concentrates which was priced based on the content of copper, iron and sulfur therein, respectively.

For the six months ended 30 June 2012, we sold 1,535 tonnes of copper in copper concentrates, 45,633 tonnes of iron concentrates and 51,816 tonnes of sulfur concentrates, compared to 1,196 tonnes, 42,245 tonnes and 28,170 tonnes, respectively, for the six months ended 30 June 2011, representing an increase of approximately 28.3%, 8.0% and 83.9%, respectively.

Our Directors believe that the growth was primarily due to the shortage of mineral supply in China as well as our mine's expansion.

However, the average prices of copper in copper concentrates, iron concentrates and sulfur concentrates for the six months ended 30 June 2012 were approximately RMB42,514, RMB751 and RMB374 per tonne respectively, compared to approximately RMB51,519, RMB938 and RMB414 per tonne, respectively, for the six months ended 30 June 2011, representing a drop of approximately 17.5%, 19.9% and 9.7%, respectively. During the reporting period, the market prices of certain metals such as copper and iron were also on decreasing trends. Our Directors believe that the decrease was mainly due to instability of global economy.

Revenue from sales of ingots for the six months ended 30 June 2011 was approximately RMB30.9 million and no ingots have been sold during the six months ended 30 June 2012. The business of ingots trading will be ceased once all the existing inventories are sold.

Cost of sales

Our cost of sales of concentrates increased by approximately 13.5% from approximately RMB57.9 million for the six months ended 30 June 2011 to approximately RMB65.7 million for the six months ended 30 June 2012. The increase in cost of sales was mainly attributable to increase in sales volume of concentrates under the growth of business.

Our cost of sales of other commodities were nil and approximately RMB30.4 million for the six months ended 30 June 2012 and 2011, respectively.

Gross profit and gross profit margin

The overall gross profit of our Group for the six months ended 30 June 2012 was approximately RMB81.1 million, which represents an increase of approximately 4.1% compared to approximately RMB77.9 million for the six months ended 30 June 2011. Our overall gross profit margin increased from approximately 46.9% for the six months ended 30 June 2011 to approximately 55.3% for the six months ended 30 June 2012. Such increase was mainly attributable to no sales of ingots in 2012.

Other gains and income

Our other gains and income decreased by approximately RMB1.3 million from approximately RMB2.0 million for the six months ended 30 June 2011 to approximately RMB0.7 million for the six months ended 30 June 2012. The decrease was primarily attributable to exchange gains arising mainly from the translation of the amount due to shareholder from Hong Kong dollars into Renminbi under appreciation of Renminbi in 2011 and no such exchange gains in 2012.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 11.8% from approximately RMB1.7 million for the six months ended 30 June 2011 to approximately RMB1.5 million for the six months ended 30 June 2012, principally because no transportation costs were incurred in respect of the sales of ingots during the reporting period.

Administrative expenses

Our administrative expenses increased by approximately 42.9% from approximately RMB10.5 million for the six months ended 30 June 2011 to approximately RMB15.0 million for the six months ended 30 June 2012. The increase was principally attributable to increase in staff costs, travelling and transportation costs under the growth of operation.

Finance costs

Our finance costs increased by approximately 100% from approximately RMB1.4 million for the six months ended 30 June 2011 to approximately RMB2.8 million for the six months ended 30 June 2012, primarily due to the unwinding finance cost of approximately RMB1.7 million from the long-term payable to West-Jiangxi Brigade arising from the capital reduction Jiangxi Province Yifeng Wanguo Mining Co. Ltd. (“Yifeng Wanguo”).

Income tax expense

Our income tax expense was approximately RMB16.8 million for the six months ended 30 June 2012, consisting of PRC corporate income tax payable of approximately RMB18.5 million, less a reversal of withholding tax payable of approximately RMB1.6 million and a deferred tax credit of approximately RMB0.1 million. Our income tax expense was approximately RMB16.6 million for the six months ended 30 June 2011, consisting of PRC corporate income tax payable of approximately RMB15.0 million and deferred tax charge of approximately RMB1.6 million.

The increase in our income tax expense for the six months ended 30 June 2012 was primarily due to increase in the PRC corporate income tax expenses as a result of increase in expenses not deductible for tax purpose.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation decreased by approximately 8.3%, or approximately RMB3.7 million, from approximately RMB44.5 million for the six months ended 30 June 2011 to approximately RMB40.8 million for the six months ended 30 June 2012. Our net profit margin increased from approximately 26.8% for the six months ended 30 June 2011 to approximately 27.8% for the six months ended 30 June 2012 under increase in sales volume of our high margin concentrates products.

Profit attributable to owners of our Company

The profit attributable to the owners of our Company decreased by approximately 5.4% or approximately RMB2.1 million, from approximately RMB39.1 million for the six months ended 30 June 2011 to approximately RMB37.0 million for the six months ended 30 June 2012.

Liquidity and financial resources

During the six months ended 30 June 2012, the Group's net cash from operating activities was approximately RMB69.0 million (six months ended 30 June 2011: RMB59.6 million) and the Group's bank balances and cash was approximately RMB57.1 million (as at 31 December 2011: RMB37.4 million) as at 30 June 2012.

The Group had a gearing ratio of approximately 0.90 (which is calculated by dividing total debts by total assets. Debts are defined to exclude deferred income, deferred tax liabilities and provisions) as at 30 June 2012. The gearing ratio was approximately 0.36 as at 31 December 2011. Increase in gearing ratio was mainly attributable to increase in payables to West-Jiangxi Brigade and dividend payable.

As at 30 June 2012, the Group had a net current liabilities of approximately RMB16.4 million which was principally due to payables to West-Jiangxi Brigade and dividend payable. The Group had restored to a net current assets position immediately upon completion of the Share Offer as at 10 July 2012.

Capital expenditure

Capital expenditure includes purchase of mining equipment, expansion of ore processing facilities, costs for constructing mining structures. For the six months ended 30 June 2012, capital expenditure of approximately RMB27.7 million has been incurred.

Reserves

As a result of the capital reduction of Yifeng Wanguo, our group had recorded a total liability of approximately RMB153.6 million which was the present value of the redemption monies payable to West-Jiangxi Brigade. This resulted in reduction in the total equity of Yifeng Wanguo of approximately RMB153.6 million upon completion of the capital reduction. Please refer to section headed “History and Development” of the Prospectus for details.

PROSPECT

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

Growing production at our mine and outsourcing our mining works

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

Exploring additional mineral resources in our mine

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

Horizontal expansion through future acquisitions of new mines

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

During the first-half of 2012, the metal market remained sluggish under the influence of the European debt crisis and global economic volatility. Prices of certain metals such as copper, iron and zinc stayed low, posing challenges to our operation. In the second-half of the year, we expect that uncertainties still exist. We will continue to pay attention to the trend of metal prices and respond by formulating corresponding operational strategies, striving to ease off the pressure on operation brought by the global economic environment.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Mineral exploration

During the six months ended 30 June 2012, the Group has no expenditure in respect of mineral exploration.

Development

During the six months ended 30 June 2012, the Group incurred capital expenditure of approximately RMB15.6 million in respect of our expansion plan for 600,000 tpa as described in the Prospectus, mainly comprising research and design fees, construction of tailing storage facilities, construction of subsurface curtain grouting walls in three wells, construction for shafts areas as well as high-voltage electrical wires and transformers, etc.

Mining activities

During the first-half of 2012, we processed a total of 224,939 tonnes of ore at the Xinzhuang Mine. The volume of our concentrates products sold were 1,535 tonnes, 45,633 tonnes, 1,264 tonnes, 51,816 tonnes, 25 kg, 2,557 kg and 668 kg for copper in copper concentrates, iron concentrates, zinc concentrates, sulfur concentrates, gold in copper concentrates, silver in copper concentrates and silver in zinc concentrates, respectively.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On 10 July 2010, the shares of our Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. The initial public offering by way of international placing and Hong Kong public offering was welcomed by investors.

As stated in the Prospectus, the Group intends to use the proceeds for the expansion project at the Xinzhuang Mine, exploration activities in surrounding areas, miscellaneous technological improvement and renovation projects as well as for general working capital. As at the date of this announcement, the Group does not anticipate any change to the above use of proceeds.

CORPORATE GOVERNANCE PRACTICES

As the Company's shares were not yet listed on the Stock Exchange as at 30 June 2012, the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules was not applicable to the Company for the reporting period. The Company has adopted the Code as its corporate governance code of practices upon listing on the Stock Exchange and has complied with the code provisions of the Code since the listing of the Company except for the deviation from A.2.1 of the Code in respect of segregation of the roles of chairman and chief executive officer.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As the Company's shares were not yet listed on the Stock Exchange as at 30 June 2012, the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules was not applicable to the Company for the reporting period. The Company has adopted a code of conduct (the "Code of Conduct") regarding directors' securities transactions on terms based on the required standard set out in the Model Code upon listing. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct since the listing of the Company.

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

As the Company's shares were not yet listed on the Stock Exchange as at 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the reporting period.

AUDIT COMMITTEE

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

PUBLICATION OF THE DETAILED INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.wgmine.com. The 2012 interim report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

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

Hong Kong, 24 August 2012

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