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 Report 2017

Integrate Resources,
Create Values, Build Benefits and
Contribute to the Society

Content

Corporate Information

DIRECTORS

Executive Directors:

Gao Mingqing *(Chairman, Chief Executive Officer)*
Gao Jinzhu
Xie Yaolin
Liu Zhichun

Non-executive Directors:

Li Kwok Ping
Lee Hung Yuen

Independent non-executive Directors:

Lu Jian Zhong
Qi Yang
Shen Peng

AUDIT COMMITTEE

Shen Peng *(Chairman)*
Qi Yang
Lu Jian Zhong

REMUNERATION COMMITTEE

Qi Yang *(Chairman)*
Lu Jian Zhong
Liu Zhichun

NOMINATION COMMITTEE

Shen Peng *(Chairman)*
Qi Yang
Gao Jinzhu

COMPANY SECRETARY

Wong Chi Wah *(HKICPA, FCCA)*

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Xinzhuang Township Yifeng County
Jiangxi Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1, 28/F
Singga Commercial Centre
144-151 Connaught Road West
Hong Kong

REGISTERED OFFICE

3rd Floor, Queensgate House
113 South Church Street
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISER

as to Hong Kong Law
Dentons Hong Kong
3201 Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

Bank of China, Yifeng Branch
239 Xinchang West Street
Yifeng County
Jiangxi Province
PRC

STOCK CODE

3939

COMPANY WEBSITE

www.wgmine.com

Management Discussion and Analysis

BUSINESS REVIEW

Wanguo International Mining Group Limited (our "Company") and its subsidiaries (collectively referred to as the "Group" or "We") is principally engaged in the business of mining, ore processing and sale of concentrates products in the People's Republic of China (the "PRC").

Through our wholly-owned subsidiaries, we currently own the entire equity interest in Jiangxi Province Yifeng Wanguo Mining Company Limited ("Yifeng Wanguo") which in turn owns the Xinzhuang Mine in which we conduct underground mining. The Xinzhuang Mine has a substantial volume of non-ferrous polymetallic mineral resources. Products of our Group primarily include copper concentrates, iron concentrates, zinc concentrates, lead concentrates, sulfur concentrates as well as by-products of gold and silver.

Operating performance

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

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

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

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

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

Management Discussion and Analysis

EXPANSION IN EXISTING MINE

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

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

EXPANSION IN SURROUNDING AREAS

According to the Independent Technical Expert's Report in the Prospectus, there are significant additional defined mineral resources outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining licence held by the Group. On 20 November 2012, Yifeng Wanguo entered into an exploration agreement (the "Exploration Agreement") with the Bureau of Geology and Mineral Exploration of Jiangxi Province (江西省地質礦產勘查開發局) (the "Jiangxi Geology Bureau"). By the end of 2013, Jiangxi Geology Bureau has completed the field exploration work. A Mineral Resources Verification Report (資源儲量核實報告) has been finished and approved by Jiangxi Province Land Resources Bureau in April 2014 and registration was obtained in December 2014.

The exploration in the Xinzhuang Mine has increased the geological reserves of the Group and further proved the hydrogeology conditions in the mining area. Yifeng Wanguo also has appointed Changsha Mine Research Institute (長沙礦山研究院) to carry out mining experiments on the possibility to remove the waterproof pillars in the mining area. The Group received the report by end of June 2017. The report showed that a portion of the waterproof pillars can be removed, which will result in an increase of mineral resources of the Xinzhuang Mine by 2.6 million tonnes.

HORIZONTAL EXPANSION

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

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

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

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

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

HORIZONTAL EXPANSION *(Continued)*

Establishment of a Joint Venture Company

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

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

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

Exploration activities in Australia

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

By the end of 2016, the Group has finished preliminarily survey and exploration. The Group decided to utilise the resources in other directions and temporally suspended further exploration for the Regional Project and Near Mine Project during the six months ended 30 June 2017.

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

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

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

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

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

Management Discussion and Analysis

HORIZONTAL EXPANSION *(Continued)*

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Other income

Our other income comprised mainly bank interest income of approximately RMB0.3 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB0.6 million for the six months ended 30 June 2017. Other income increased by approximately RMB0.4 million compared with the corresponding period in 2016, which was attributable to the increase in bank interest income during the six months ended 30 June 2016.

Other gains (losses)

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Income tax expense

Our income tax expense was approximately RMB16.0 million for the six months ended 30 June 2017, consisting of PRC corporate income tax payable of approximately RMB14.2 million, withholding tax payable of approximately RMB1.9 million and deferred tax credit of approximately RMB0.1 million. Our income tax expense was approximately RMB2.5 million for the six months ended 30 June 2016, consisting of PRC corporate income tax payable of approximately RMB2.6 million and deferred tax credit of approximately RMB0.1 million.

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

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation increased by approximately 28.6 times, or approximately RMB31.5 million, from approximately RMB1.1 million for the six months ended 30 June 2016 to approximately RMB32.6 million for the six months ended 30 June 2017. Our net profit margin increased from approximately 1.3% for the six months ended 30 June 2016 to approximately 19.8% for the six months ended 30 June 2017 mainly as a result of the increase in profit margin of concentrates sold.

Liquidity and financial resources

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

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Liquidity and financial resources *(Continued)*

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

Bank borrowings

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

Capital expenditure

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

Contractual obligations and capital commitment

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

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

Contingent liabilities

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

Material acquisition and disposal of subsidiaries, associates and joint ventures

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

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

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

Significant investments and future plan for material investments or capital assets

Save as disclosed in this interim report, the Group had no significant investment nor were there any plan for material investments or additions of capital assets authorised by the board of Directors (the "Board") as at the date of this interim report.

Charge on group assets

As at 30 June 2017, the Group's prepaid lease payment, mining rights and building with carrying value of approximately RMB87.4 million (as at 31 December 2016: RMB89.7 million) were pledged to secure the Group's bank borrowings and facilities. Details have been set out in note 17 to the condensed consolidated financial statements.

FINANCIAL REVIEW *(Continued)*

Exposure to fluctuations in exchange rates

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

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the reporting period, the Group had no material adverse exposure to foreign exchange fluctuations during the six months ended 30 June 2017.

Interest rate risk

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

SHARE OPTION SCHEME

During the six months ended 30 June 2017, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the share option scheme.

HUMAN RESOURCES

As at 30 June 2017, the Group employed approximately 330 employees. Remuneration is determined and reviewed based on fair principles with reference to market conditions and individual performances.

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

PROSPECT

We intend to continue to grow our business into a leading medium-scale mining company in the PRC and globally through the following major strategies.

Growing production at our mine and outsourcing our mining works

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

Management Discussion and Analysis

PROSPECT *(Continued)*

Horizontal expansion through future acquisitions of new mines

We intend to further expand our mineral resources and ore reserves through the acquisitions of new mines. We will consider and balance assessment criteria carefully in respect of our acquisition targets, in order to pursue acquisitions prudently with a view to further growing our business and maximising returns to the Shareholders. As at the date of this interim report, the Group has completed the acquisition of 51% equity interest in Xizang Changdu, established Hubei Wanguo for the possibility of conducting limestone projects, and conducted due diligence for the proposed acquisition in a gold mine as well as the exploration in Australia.

OUTLOOK

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

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Mineral exploration

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

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

Development

During the six months ended 30 June 2017, the Group incurred development expenditure of approximately RMB10.9 million in respect of our expansion plan in the Xinzhuang Mine, mainly comprising:

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

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

Details breakdown of development expenditure is as follows:

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

Mining activities

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

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance and has complied with all material code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2017, except for the deviation from code provision A.2.1 of the CG Code in respect of segregation of the roles of chairman and chief executive officer as mentioned below.

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

CHANGE OF BIOGRAPHICAL INFORMATION OF DIRECTORS

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct (the "Code of Conduct") regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all Directors have confirmed that they had complied with the Model Code and the required standard set out in the Code of Conduct during the six months ended 30 June 2017.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

REVIEW OF ACCOUNTS BY THE AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang and Dr. Lu Jian Zhong. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process, and risk management and internal control of the Group. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2017 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof under the requirements of the Listing Rules.

The unaudited interim results of the Group for the six months ended 30 June 2017 have been reviewed by the auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

Other Information

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 12 June 2012.

1. **Purpose of the Share Option Scheme**

   The purpose of the Share Option Scheme is to provide an incentive for Eligible Participants (defined below) to work with commitment towards enhancing the value of our Company and the shares of our Company (the "Shares") for the benefit of our Shareholders and to retain and attract calibres and working partners whose contributions are or may be beneficial to the growth and development of our Group.

2. **Participants of the Share Option Scheme and the basis of determining the eligibility of the participants**

   The Board may at its discretion grant options to any full-time or part-time employees, potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board has contributed or will contribute to our Group (collectively "Eligible Participants").

3. **Maximum number of Shares**

   The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as of the Listing Date (i.e. 10 July 2012), which is 60,000,000 Shares, being 10% of the issued share capital of the Company as at the date of this interim report. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the Shareholders' approval in general meeting.

   However, the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time.

4. **Maximum entitlement of each participant**

   Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any participant if the acceptance of those options would result in the total number of Shares issued and to be issued to that participant on exercise of his options during any 12-month period exceeding 1% of the total Shares then in issue.

5. **Offer period and amount payable for options**

   The offer shall remain open for acceptance for a period of 14 business days from the date on which it is made provided that no such offer shall be open for acceptance after the expiry of the Scheme Period (as defined below) or after the termination of the Share Option Scheme. Unless otherwise determined by the Board and stated in the Offer Letter, there shall be no general performance target for the vesting or exercise of options.

   An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the "Grantee") and to have taken effect upon the issue of an option certificate after the duplicate offer letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance set out above.

Other Information

SHARE OPTION SCHEME *(Continued)*

6. Minimum period for which an option must be held before it can be exercised

Options may be exercised at any time from the date of grant of the option in the following manner:

i. up to 25% of the option granted from the first anniversary of date of grant of the option

ii. up to 50% of the option granted from the second anniversary date of grant of the option

iii. up to 75% of the option granted from the third anniversary date of grant of the option

iv. up to 100% of the option granted from the fourth anniversary date of grant of the option

7. Basis of determining the exercise price

The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

8. Remaining Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for 10 years from the Listing Date i.e. 10 July 2012 (the"Scheme Period"), after which time no further option will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

During the six months ended 30 June 2017, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2017, the interests or short positions of our Directors and chief executives in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as notified to our Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded, pursuant to section 352 of the SFO, in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

(a) Long positions in shares of the Company

Name of Director	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Gao Mingqing	Interest in controlled corporation	301,500,000(1)	50.25%
Ms. Gao Jinzhu	Interest in controlled corporation	148,500,000(2)	24.75%

Notes:

1. The 301,500,000 shares were owned by Victor Soar Investments Limited which is wholly-owned and controlled by Mr. Gao Mingqing.

2. The 148,500,000 shares were owned by Achieve Ample Investments Limited which is wholly-owned and controlled by Ms. Gao Jinzhu.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES *(Continued)*

(b) Long positions in associated corporations

Name of Director	Name of associated corporation	Percentage of shareholding
Mr. Gao Mingqing	Victor Soar Investments Limited (Note)	100%

Note: Victor Soar Investments Limited holds more than 50% of the shares in the Company and, therefore, is an associated corporation of the Company.

Save as disclosed above, as at 30 June 2017, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PARTIES' INTERESTS IN SECURITIES

As at 30 June 2017, the following persons, other than a Director or chief executive of the Company, had or were deemed or taken to have interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Long positions in shares of the Company

Name of Director	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
Victor Soar Investments Limited	Beneficial owner	301,500,000[1]	50.25%
Ms. Lin Yinyin	Interest of spouse	301,500,000[2]	50.25%
Achieve Ample Investments Limited	Beneficial owner	148,500,000[3]	24.75%
Mr. Wang Weimian	Interest of spouse	148,500,000[4]	24.75%

Notes:

1. Victor Soar Investments Limited is wholly-owned and controlled by Mr. Gao Mingqing.
2. Ms. Lin Yinyin is the wife of Mr. Gao Mingqing and is deemed to be interested in the 301,500,000 shares of the Company held by Victor Soar Investments Limited, a company controlled by Mr. Gao Mingqing.
3. Achieve Ample Investments Limited is wholly-owned and controlled by Ms. Gao Jinzhu.
4. Mr. Wang Weimian is the husband of Ms. Gao Jinzhu and is deemed to be interested in the 148,500,000 shares of the Company held by Achieve Ample Investments Limited, a company controlled by Ms. Gao Jinzhu.

Other Information

SUBSTANTIAL SHAREHOLDERS' AND OTHER PARTIES' INTERESTS IN SECURITIES

(Continued)

Other than as disclosed above, as at 30 June 2017, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

By Order of the Board
Wanguo International Mining Group Limited

Gao Mingqing
Chairman

Hong Kong, 22 August 2017

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
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)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wanguo International Mining Group Limited (the "Company") and its subsidiaries set out on pages 17 to 30, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

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

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Notes	30.6.2017 RMB'000 (Unaudited)	31.12.2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**388,649**	387,856
Mining right		**16,298**	16,889
Exploration and evaluation assets	9	**10,898**	10,642
Prepaid lease payments		**60,417**	61,111
Deposit for purchase of property, plant and equipment		**2,780**	3,129
Deposit for acquisition of subsidiaries	10	**85,769**	85,891
Deferred tax assets		**3,146**	2,960
Restricted bank balances		**7,610**	7,576
		575,567	576,054
CURRENT ASSETS			
Prepaid lease payments		**1,377**	1,377
Inventories		**13,294**	11,013
Trade and other receivables	11	**19,222**	18,910
Bank balances and cash			
— cash and cash equivalents		**27,187**	8,777
— restricted bank balance		**18,000**	32,750
		79,080	72,827
CURRENT LIABILITIES			
Trade and other payables	12	**52,930**	37,613
Tax payable		**12,766**	8,153
Amounts due to shareholders	13	**–**	6,120
Consideration payable to a former non-controlling shareholder of a subsidiary	14	**70,037**	70,607
Secured bank borrowings	15	**82,761**	102,636
		218,494	225,129
NET CURRENT LIABILITIES		**(139,414)**	(152,302)
TOTAL ASSETS LESS CURRENT LIABILITIES		**436,153**	423,752
NON-CURRENT LIABILITIES			
Consideration payable to a former non-controlling shareholder of a subsidiary	14	**53,672**	64,643
Secured bank borrowings	15	**43,158**	53,808
Deferred income		**13,180**	13,796
Deferred tax liabilities		**2,377**	750
Provisions		**4,170**	3,791
		116,557	136,788
CAPITAL AND RESERVES			
Share capital	16	**48,955**	48,955
Reserves		**270,641**	238,009
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**319,596**	286,964
		436,153	423,752

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company					
	Share capital RMB'000	**Share premium** RMB'000 (note a)	**Capital reserves** RMB'000 (note b)	**Statutory and surplus reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2016 (audited)	48,955	78,418	71,005	56,023	18,591	272,992
Profit and total comprehensive income for the period	–	–	–	–	1,105	1,105
Dividend recognised as distribution (note 8)	–	(8,000)	–	–	–	(8,000)
At 30 June 2016 (unaudited)	48,955	70,418	71,005	56,023	19,696	266,097
At 1 January 2017 (audited)	48,955	70,418	71,005	77,270	19,316	286,964
Profit and total comprehensive income for the period	–	–	–	–	32,632	32,632
At 30 June 2017 (unaudited)	48,955	70,418	71,005	77,270	51,948	319,596

Notes:

(a) The capital reserve represents contributions from an equity participant in 2011.

(b) The statutory reserve represents the appropriation of 10% of profit after taxation determined based on the relevant accounting rules and regulations of the People's Republic of China ("PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the relevant subsidiaries. The statutory reserve can be applied either to set off accumulated losses or to increase capital.

The surplus reserve represents further appropriation out of the retained profits of the PRC subsidiary for any amount approved by its board of directors after the appropriation to the statutory reserve.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**71,199**	16,375
INVESTING ACTIVITIES		
Release of restricted bank balances	**14,750**	–
Interest received	**317**	78
Purchase of property, plant and equipment	**(10,853)**	(19,323)
Placement of restricted bank balances	**(34)**	(19,827)
Deposits paid for acquisition of a subsidiary	**–**	(16,228)
Payment for exploration and evaluation assets	**–**	(1,826)
NET CASH FROM (USED IN) INVESTING ACTIVITIE	**4,180**	(57,126)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(67,325)**	(30,000)
Consideration paid for redemption of non-controlling interests	**(16,000)**	(22,468)
Repayment to shareholders	**(6,120)**	–
Interest paid	**(4,297)**	(2,840)
New bank borrowing raised	**36,800**	89,783
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(56,942)**	34,475
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**18,437**	(6,276)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**8,777**	12,296
Effect of foreign exchange rate changes	**(27)**	19
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**27,187**	6,039

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared on a going concern basis. As at 30 June 2017, the Group's current liabilities exceed its current assets by RMB139,414,000. In preparing the condensed consolidated financial statements, the directors of the Company have reviewed the Group's financial and liquidity position, and taken into consideration the loan facility of RMB600,000,000 obtained in prior years and working capital expected to be generated from operating activities. The directors of the Company believe that the Group will be able to meet its full financial obligations as they fall due for the foreseeable future and accordingly, have prepared the condensed consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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

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

3. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance.

The Group determines that it has only one operating segment and revenue represents sales of processed concentrates products.

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

4. FINANCE COSTS

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

5. INCOME TAX EXPENSE

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

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

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

5. INCOME TAX EXPENSE *(Continued)*

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	**48,618**	3,657
Tax at the EIT rate of 25%	**12,155**	914
Tax effect of expenses not deductible for tax purpose	**1,676**	1,389
Underprovision in respect of prior year	**78**	153
Tax effect of tax losses not recognised	**201**	–
Withholding tax on distributable earnings of a subsidiary established in the PRC	**1,876**	96
Tax charge for the period	**15,986**	2,552

6. PROFIT FOR THE PERIOD

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

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

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share (in RMB'000)	**32,632**	1,105
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	600,000

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

8. DIVIDEND

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

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

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

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/EVALUATION AND EXPLORATION ASSETS

During the current interim period, the Group acquired property, plant and equipment and incurred construction costs of RMB13,236,000 (six months ended 30 June 2016: RMB20,173,000), with no interest capitalised (six months ended 30 June 2016: nil).

During the current interim period, the Group incurred no costs directly associated with the evaluation and exploration assets (six months ended 30 June 2016:RMB1,018,000).

10. MOVEMENTS IN DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

	30.6.2017 RMB'000 (Unaudited)	31.12.2016 RMB'000 (Audited)
Deposits paid for acquisitions of:		
Xizang Changdu (note i)	**81,783**	81,783
A gold mine company overseas (note ii)	**3,986**	4,108
	85,769	85,891

Notes:

(i) Being amounts for 51% equity interest in Xizang Changdu-County Dadi Mining Company Limited ("Xizang Changdu"), which owns the exploration right of a lead mine in Walege of the Changdu County, Tibet Autonomous Region, the PRC.

This transaction has been completed on 13 July 2017 and Xizang Changdu becomes an indirect non-wholly-owned subsidiary of the Company with 51% attributable interests owned by the Group.

(ii) Being amounts paid to the vendor pursuant to a non-legally binding investment framework agreement under which the Group proposed to acquire certain equity interests in a gold mine company overseas.

On 16 July 2017, the Group entered into a sales and purchase agreement with the vendor pursuant to which the Group has conditionally agreed to acquire 61.1% equity interest of the gold mine company.

Up to the date these condensed consolidated financial statements are approved for issuance, this transaction has not yet been completed.

11. TRADE AND OTHER RECEIVABLES

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

11. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group grants a credit period of up to 60 days to its trade customers. The following is an aged analysis of trade and bills receivables presented based on the invoice dates at the end of the reporting period, which approximated the revenue recognition dates, as follows:

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

12. TRADE AND OTHER PAYABLES

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

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

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

13. AMOUNT DUE TO SHAREHOLDERS

	30.6.2017 RMB'000 (Unaudited)	31.12.2016 RMB'000 (Audited)
Victor Soar Investments Limited ("Victor Soar") (note i)	–	3,365
Achieve Ample Investments Limited ("Achieve Ample") (note ii)	–	2,755
	–	6,120

All of the amounts above as at 31 December 2016 are denominated in HK$, non-trade in nature, interest free, unsecured and repayable on demand. The entire balances have been settled during the period.

Notes:

(i) Victor Soar held approximately 50.25% of the issued share capital of the Company and is wholly owned and controlled by Mr. Gao Mingqing.

(ii) Achieve Ample held approximately 24.75% of the issued share capital of the Company and is wholly owned and controlled by Ms. Gao Jinzhu.

14. CONSIDERATION PAYABLE TO A FORMER NON-CONTROLLING SHAREHOLDER OF A SBUSIDARY

At the end of the reporting period, the carrying amount of consideration payable is repayable as below:

	30.6.2017 RMB'000 (Unaudited)	31.12.2016 RMB'000 (Audited)
Within one year	70,037	70,607
More than one year, but not exceeding two years	53,672	64,643
	123,709	135,250
Less: amount due within one year shown under current liabilities	70,037	70,607
Amount shown under non-current liabilities	53,672	64,643

15. SECURED BANK BORROWINGS

	30.6.2017 RMB'000 (Unaudited)	31.12.2016 RMB'000 (Audited)
Secured bank borrowings, at:		
— fixed rate	114,119	126,444
— floating rate	11,800	30,000
	125,919	156,444
The carrying amounts of the above borrowing are repayable:		
— within one year	82,761	102,636
— within a period of more than one year but not exceeding two years	43,158	32,100
— within a period of more than two years but not exceeding five years	–	21,708
Less: amount due within one year shown under current liabilities	82,761	102,636
Amount shown under non-current liabilities	43,158	53,808

The Group's floating-rate borrowings are mainly subject to interest at RMB Benchmark Loan Rates issued by the People's Bank of China. Interest is reset every year.

The effective interest rates on the Group's borrowings were as follows:

	30.6.2017 %	31.12.2016 %
Effective interest rate (per annum)	4.35 to 6.50	5.15 to 6.50

16. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 30 June 2017	1,000,000	100,000
Issued:		
At 1 January 2016, 31 December 2016 and 30 June 2017	600,000	60,000

	RMB'000
Shown in the condensed consolidated statement of financial position	48,955

17. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to banks for loan facilities granted to the Group:

	30.6.2017 RMB'000 (Unaudited)	31.12.2016 RMB'000 (Audited)
Property, plant and equipment	44,124	45,469
Prepaid lease payments	26,996	27,327
Mining right	16,298	16,889
	87,418	89,685

In addition to the above, the entire shareholding of the Company's subsidiary established in the PRC as at 30 June 2017 and 31 December 2016 was also pledged to a bank for a bank facility provided to the Group.

18. CAPITAL COMMITMENTS

	30.6.2017 RMB'000 (Unaudited)	31.12.2016 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of land use right and property, plant, and equipment	8,849	9,295
— acquisition of 51% equity interest in Xizang Changdu (note)	113,175	113,175
— establishment of an entity owned as to 55% by the Group	5,500	–
	127,524	122,470

Note:

The balance above will be settled within the next 6 months according to the payment schedules.

19. RELATED PARTY DISCLOSURES

(a) Related party transactions and balances

During the period, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales to Shanghai Wanhe Trading Limited ("Shanghai Wanhe")	**–**	952

The following balances were outstanding at the end of the reporting period:

	30.6.2017	31.12.2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Amount due from Fujian Jianyang Wanguo Electric Appliance Co., Ltd. ("Jianyang Wanguo") (included in trade receivables)	**104**	104
Amount due to Victor Soar	**–**	3,365
Amount due to Achieve Ample	**–**	2,755
	104	6,224

Shanghai Wanhe was owned as to 51.1% by Ms. Gao Jinzhu. The relevant equity interest has been transferred to independent third-parties by Ms. Gao Jinzhu on 8 July 2016.

Jianyang Wanguo is owned as to 98.9% and controlled by Mr. Gao Mingqing.

In addition, certain of the Group's borrowing as set out in note 15 as at 30 June 2017 and 31 December 2016 were personally guaranteed by Mr. Gao Mingqing and Ms. Gao Jinzhu.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other key management personnel during the period were as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees, salaries and other allowances	**1,854**	1,883
Retirement benefit scheme contributions	**17**	17
	1,871	1,900

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.