Wanguo International Mining Group Limited
萬國國際礦業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3939)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS HIGHLIGHT:

- Revenue decreased by approximately 22.7% to approximately RMB118.9 million
- Gross profit decreased by approximately 35.7% to approximately RMB38.7 million
- Gross profit margin was approximately 32.5%
- Net profit margin was approximately 8.5%
- Profit and total comprehensive income for the six months ended 30 June 2019 (or referred to as the "reporting period") attributable to owners of the Company decreased by approximately 61.7% to approximately RMB10.5 million
- Basic earnings per share was approximately RMB1.5 cents (six months ended 30 June 2018: RMB3.9 cents)
- The Board did not declare an interim dividend (six months ended 30 June 2018: Nil)

Note: Compared to the six months ended 30 June 2018

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Wanguo International Mining Group Limited (the "Company") is pleased to announce the following unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group" or "We") for the six months ended 30 June 2019 together with comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**118,909**	153,760
Cost of sales		**(80,215)**	(93,568)
Gross profit		**38,694**	60,192
Other income		**1,178**	1,416
Other gains and losses		**239**	(219)
Distribution and selling expenses		**(1,287)**	(1,884)
Administrative expenses		**(22,126)**	(16,163)
Finance costs	*4*	**(5,951)**	(5,320)
Profit before tax		**10,747**	38,022
Income tax expense	*5*	**(600)**	(10,756)
Profit for the period	*6*	**10,147**	27,266
Other comprehensive income for the period which may be reclassified subsequently to profit or loss:			
– Exchange differences on translation from functional currency to presentation currency		**23**	–
Total comprehensive income for the period		**10,170**	27,266

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

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the company		**10,441**	27,442
Non-controlling interests		**(294)**	(176)
		10,147	27,266
Total comprehensive income (expense) for the period attributable to:			
Owners of the company		**10,464**	27,442
Non-controlling interests		**(294)**	(176)
		10,170	27,266
Earnings per share			
Basic *(RMB cents)*	*7*	**1.5**	3.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**438,091**	438,651
Mining right		**14,223**	14,755
Exploration and evaluation assets		**185,010**	184,548
Other intangible asset		**319,288**	319,288
Right-of-use assets		**59,869**	–
Prepaid lease payments		**–**	58,455
Deposit for purchase of property, plant and equipment		**407**	2,067
Deposits and payments for acquisition of a subsidiary		**157,531**	147,669
Deferred tax assets		**3,900**	3,903
Restricted bank balances		**2,660**	2,655
		1,180,979	1,171,991
CURRENT ASSETS			
Inventories		**8,416**	7,314
Trade and other receivables	*9*	**28,934**	29,930
Prepaid lease payments		**–**	1,379
Bank balances and cash			
– cash and cash equivalents		**739**	21,989
– restricted bank balance		**2,000**	5,000
		40,089	65,612
CURRENT LIABILITIES			
Trade and other payables	*10*	**82,356**	98,939
Lease liabilities		**343**	–
Contract liabilities		**29,157**	24,633
Tax payable		**3,227**	11,392
Amounts due to related parties		**31,663**	4,780
Consideration payable to a former non-controlling shareholder of a subsidiary		**36,459**	32,333
Bank and other borrowings		**92,145**	126,696
		275,350	298,773

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2019

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
NET CURRENT LIABILITIES	**(235,261)**	(233,161)
TOTAL ASSETS LESS CURRENT LIABILITIES	**945,718**	938,830
NON-CURRENT LIABILITIES		
Consideration payable to a former non-controlling shareholder of a subsidiary	**23,936**	40,823
Bank and other borrowings	**19,583**	3,792
Lease liabilities	**394**	–
Deferred income	**10,442**	11,042
Deferred tax liabilities	**80,497**	82,822
Provisions	**5,395**	5,050
	140,247	143,529
CAPITAL AND RESERVES		
Share capital	**58,882**	58,882
Reserves	**536,307**	525,843
Equity attributable to owners of the company	**595,189**	584,725
Non-controlling interests	**210,282**	210,576
TOTAL EQUITY	**805,471**	795,301
	945,718	938,830

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared on a going concern basis. As at 30 June 2019, the Group's current liabilities exceeded its current assets by RMB235,261,000. 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 RMB200,000,000, as well as the substantial shareholders and related companies have executed a letter of support and will continue to provide financial support to the Company to meet its financial obligations. The directors of the Company believe that the Group will have sufficient working capital to satisfy its existing liabilities as and when they fall due and the Group's future expansion for foreseeable future and, accordingly, have prepared the condensed consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs incurred by the Group.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate;

- amounts expected to be paid under residual value guarantees;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of RMB892,000 and right-of-use assets of RMB60,726,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 2.66%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	1,172
Less: Recognition exemption – short-term leases	(245)
	927
Lease liabilities discounted at relevant incremental borrowing rates	892
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	892
Analysed as	
Current	345
Non-current	547
	892

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	At 1 January 2019
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	892
Reclassified from prepaid lease payments *(Note)*	59,834
	60,726
By class:	
Leasehold lands	59,834
Land and buildings	892
	60,726

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB1,379,000 and RMB58,455,000 respectively were reclassified to right-of-use assets.

3. REVENUE AND SEGMENT INFORMATION

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

The Group operates in and all revenue is generated from the PRC. The Group's principal non-current assets are also located in the PRC.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of processed concentrates		
– Copper concentrates	**50,846**	57,065
– Iron concentrates	**24,627**	21,973
– Zinc concentrates	**19,652**	39,859
– Sulfur concentrates	**5,239**	8,319
– Gold in copper and zinc concentrates	**4,742**	5,841
– Gold in lead concentrates	**3,939**	5,976
– Silver in lead concentrates	**2,919**	4,037
– Silver in copper and zinc concentrates	**2,664**	3,028
– Lead concentrates	**2,446**	5,186
– Copper in lead concentrates	**1,835**	2,476
	118,909	153,760

4. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**3,700**	3,632
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**2,239**	1,688
Imputed interest expenses on lease liabilities	**12**	–
	5,951	5,320

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax charge:		
PRC Enterprise Income Tax ("EIT")		
– Current period	**1,730**	10,651
– Over provision in prior years	**(1,308)**	(1,495)
	422	9,156
Deferred tax charge:		
– Current period	**178**	1,600
	600	10,756

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

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

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

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

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**10,747**	38,022
Tax at the EIT rate of 25%	**2,687**	9,506
Tax effect of expenses not deductible for tax purpose	**982**	665
Over provision in respect of prior year	**(1,308)**	(1,495)
Tax effect of tax losses not recognised	**259**	510
Income tax at concessionary rate	**(1,393)**	–
Tax effect of additional tax benefit on research and development expenses	**(802)**	–
Withholding tax on distributable earnings of a subsidiary established in the PRC	**175**	1,570
Tax charge for the period	**600**	10,756

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging the following items:		
Directors' emoluments	**1,985**	1,892
Other staff costs	**12,274**	15,325
Retirement benefit scheme contributions, excluding those of directors	**550**	847
Total staff costs	**14,809**	18,064
Depreciation of property, plant and equipment	**15,710**	13,072
Depreciation of right-of-use assets	**859**	–
Amortisation of mining right	**533**	533
Release of prepaid lease payments	**–**	688
Total depreciation and amortisation	**17,102**	14,293
Minimum lease payments under operating leases in respect of properties	**23**	138
Cost of inventories recognised as an expense	**80,215**	93,568

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Earnings figures are calculated as follows:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share *(in RMB'000)*	**10,441**	27,442
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(in thousand)*	**720,000**	702,696

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

8. DIVIDENDS

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2018 of RMB2.78 cents (2018: final dividend for the year ended 31 December 2017: RMB3.89 cents) per share	**20,000**	28,000

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

9. TRADE AND OTHER RECEIVABLES

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from contracts with customers	**4,760**	4,484
Prepayments and other receivables	**24,174**	25,446
Total	**28,934**	29,930

No allowance of credit losses was provided for the six months ended 30 June 2019 and 30 June 2018, and no provision for trade and other receivables were recognised as at the end of the reporting period.

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

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

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**4,760**	4,484

10. TRADE AND OTHER PAYABLES

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**29,367**	15,924
Value-added tax, resource tax and other tax payables	**17,517**	30,068
Payables for construction in progress and property, plant and equipment	**23,793**	43,118
Accrued expenses and other payables	**11,679**	9,829
	52,989	83,015
	82,356	98,939

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

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**13,519**	7,693
31 – 60 days	**7,616**	5,004
61 – 90 days	**6,592**	1,180
91 – 180 days	**1,100**	1,596
Over 180 days	**540**	451
	29,367	15,924

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Our Group is principally engaged in the business of mining, ore processing and sale of concentrates products in the People's Republic of China (the "PRC").

Currently, we, through our wholly-owned subsidiaries, own the entire equity interest in Jiangxi Province Yifeng Wanguo Mining Company Limited ("Yifeng Wanguo") which in turn owns the Xinzhuang Mine in which we conduct underground mining. The Xinzhuang Mine has a substantial volume of non-ferrous polymetallic mineral resources. Products of our Group primarily include copper concentrates, iron concentrates, zinc concentrates, sulfur concentrates, lead concentrates as well as by-products of gold and silver. In addition, we also own 51% attributable interest of Xizang Changdu County Dadi Mining Company Limited ("Xizang Changdu"), which in turn owns the Walege Mine in which we may further exploit for open-pit and underground mining. The Walege Mine has a significant volume of mineral resources of lead and silver.

Operating performance

The following table sets forth the volume of respective products sold at the Xinzhuang Mine during the six months ended 30 June 2019 compared to the corresponding period in 2018.

	Six months ended 30 June		
	2019	**2018**	
	Volume	**Volume**	**Changes**
	(tonnes)	*(tonnes)*	*(approximate %)*
Copper in copper concentrates	1,443	1,539	(6.2)
Zinc in zinc concentrates	1,755	2,427	(27.7)
Iron concentrates	49,683	56,385	(11.9)
Sulfur concentrates	66,645	78,217	(14.8)
Lead in lead concentrates	225	395	(43.0)
Gold in concentrates *(kg)*	37	53	(30.2)
Silver in concentrates *(kg)*	2,667	3,048	(12.5)
Copper in concentrates *(kg)*	99	–	N/A

The following table sets forth the volume of ores mined and processed at our Xinzhuang Mine during the six months ended 30 June 2019 and 2018 respectively.

	Six months ended 30 June		
	2019	**2018**	
	Volume	**Volume**	**Changes**
	(tonnes)	*(tonnes)*	*(approximate %)*
Volume of ores mined	346,146	373,954	(7.4)
Volume of ores processed	342,223	364,609	(6.1)

The drop in volume of concentrates processed and sold during the six months ended 30 June 2019 compared with the same corresponding period in 2018 was mainly attributable to a decrease in volume of concentrates produced by the Group resulted from upgrading works in processing plant and a drop in average prices of concentrates during the first half of 2019.

EXPANSION IN EXISTING MINES

Xinzhuang Mine

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

Yifeng Wanguo entered into an agreement with China Nerin Engineering Co., Ltd（中國瑞林工程技術有限公司）("Nerin") for conducting a feasibility study on an expansion plan of our Xinzhuang Mine to 900,000 tpa. Nerin is still revising the feasibility study report and the Group expects to receive it during 2020 for the purpose of commencing the 900,000 tpa expansion plan.

Walege Mine

We are in the progress of applying for the mining license for the Walege Mine. The industrial indicators' demonstration was completed in February 2018 and was registered and filed to the National Land Bureau Evaluation Centre（國土廳評審中心）.

Additional samplings and chemical tests have been finished and submitted in 2018, results were satisfactory. We are in the progress of updating exploration report for re-submission to the National Land Bureau Evaluation Centre.

HORIZONTAL EXPANSION

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

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

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

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

On 19 October 2018, AXF Resources and the Company entered into an amendment to the Deed to amend the payment schedule of the consideration for the acquisition.

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

The Gold Ridge Project consists of a mining lease (No. 1/1997) that covers an area of 30 km2 and surrounding this is a prospecting license (SPL 194) that covers an area of 130 km2. Set out below is the estimated resources of the Gold Ridge Mine under JORC code prepared by Independent Technical Expert.

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

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

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

Please refer to the announcement of the Company dated 22 February 2018, 30 April 2018, 31 July 2018, 28 September 2018, 22 October 2018, 31 December 2018, 31 March 2019, 31 May 2019 and 31 July 2019 for details.

Possible Disposal and Subscription of Shares of the Company

On 14 November 2018, the Company, Victor Soar Investments Limited ("Victor Soar"), Achieve Ample Investments Limited ("Achieve Ample") and the potential buyer (the "Potential Buyer") entered into the memorandum of understanding (the "MOU") in respect of the possible disposal of 80,000,000 Shares from Victor Soar and Achieve Ample to the Potential Buyer (the "Possible Disposal") and the possible subscription of a new issue of 232,000,000 Shares from the Company to the Potential Buyer (the "Possible Subscription") (collectively referred to as the "Possible Transaction").

After the reporting period, the Company has been informed that on 26 August 2019, the Potential Buyer, Victor Soar and Achieve Ample have agreed to terminate the MOU, and their negotiations in respect of the Possible Transaction have been terminated as the parties were unable to reach an agreement on the terms of the formal agreements in relation to the Possible Transaction. For details, please refer to the Company's announcement dated 27 August 2019.

FINANCIAL REVIEW

Revenue

The Group's overall revenue decreased by approximately 22.7% from approximately RMB153.8 million for the six months ended 30 June 2018 to approximately RMB118.9 million for the six months ended 30 June 2019. The decrease was primarily attributable to the decrease in volume of ores processed and concentrates sold.

For the six months ended 30 June 2019, we sold 1,443 tonnes of copper in copper concentrates, 1,755 tonnes of zinc in zinc concentrates and 49,683 tonnes of iron concentrates, compared to 1,539 tonnes, 2,427 tonnes and 56,385 tonnes, respectively, for the six months ended 30 June 2018, representing a decrease of approximately 6.2%, 27.7% and 11.9% for copper in copper concentrates, zinc in zinc concentrates and iron concentrates, respectively. Such decreases were principally attributable to the conducting process trials and technical transformation in processing plant.

The average prices of copper in copper concentrates, zinc in zinc concentrates and iron concentrates for the six months ended 30 June 2019 were approximately RMB35,236, RMB11,198 and RMB496 per tonne respectively, compared to approximately RMB37,079, RMB16,423 and RMB390 per tonne respectively, for the six months ended 30 June 2018, representing a decrease of approximately 5.0%, 31.8% and an increase of approximately 27.2%, respectively. During the six months ended 30 June 2019, some of the metal prices have decreased continuously. Our Directors believe that such decrease was mainly due to the outbreak of US-China tensions since the second half of 2018.

Cost of sales

Our cost of sales decreased by approximately 14.3% from approximately RMB93.6 million for the six months ended 30 June 2018 to approximately RMB80.2 million for the six months ended 30 June 2019, which was mainly due to the decrease in material consumption and safety production fee which were in line with production volume.

Gross profit and gross profit margin

The overall gross profit of our Group for the six months ended 30 June 2019 was approximately RMB38.7 million, representing a decrease of approximately 35.7% compared to approximately RMB60.2 million for the six months ended 30 June 2018. Our overall gross profit margin decreased from approximately 39.1% for the six months ended 30 June 2018 to approximately 32.5% for the six months ended 30 June 2019. Such decrease was mainly attributable to the drop in the selling price of concentrates.

Other income

Our other income comprised mainly bank interest income of approximately RMB0.4 million, incentives received from a local governmental authority of approximately RMB0.1 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 2019. Other income decreased by approximately RMB0.2 million compared with the corresponding period in 2018, which was attributable to the decrease in incentives received from a local governmental authority.

Other gains and losses

Our other gains and losses increased by approximately RMB0.4 million, which comprised mainly loss on disposal of property, plant and equipment of approximately RMB0.1 million and unrealised exchange gain of approximately RMB0.3 million for the six months ended 30 June 2019 as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi, whereas for the six months ended 30 June 2018, loss on disposal of property, plant and equipment of approximately RMB0.4 million and unrealised exchange loss of approximately RMB0.2 million was incurred from the depreciation of Australian dollars against Renminbi.

Distribution and selling expenses

Our distribution and selling expenses decreased by approximately 31.7% from approximately RMB1.9 million for the six months ended 30 June 2018 to approximately RMB1.3 million for the six months ended 30 June 2019. The decrease was mainly attributable to the decrease in sales volume.

Administrative expenses

Our administrative expenses increased by approximately 36.9% from approximately RMB16.2 million for the six months ended 30 June 2018 to approximately RMB22.1 million for the six months ended 30 June 2019. The increase was principally attributable to the research and development expenses incurred in connection with the technical transformation in processing plant.

Finance costs

Our finance costs increased by approximately 11.9% from approximately RMB5.3 million for the six months ended 30 June 2018 to approximately RMB6.0 million for the six months ended 30 June 2019, primarily due to the increase in imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary and interest from right-to-used liabilities.

Income tax expense

Our income tax expense was approximately RMB0.6 million for the six months ended 30 June 2019, consisting of PRC corporate income tax payable of approximately RMB0.4 million and withholding tax payable of approximately RMB0.2 million. Our income tax expense was approximately RMB10.8 million for the six months ended 30 June 2018, consisting of PRC corporate income tax payable of approximately RMB9.2 million and withholding tax payable of approximately RMB1.6 million.

The decrease in our income tax expense for the six months ended 30 June 2019 was primarily due to the granting of the High and New-Technology Enterprise ("HNTE") certificate to Yifeng Wanguo resulting in a reduction in the corporate income tax rate from 25% to 15% for three consecutive years from 2018 to 2020.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation decreased by approximately 62.8% or approximately RMB17.1 million, from approximately RMB27.3 million for the six months ended 30 June 2018 to approximately RMB10.2 million for the six months ended 30 June 2019. Our net profit margin decreased from approximately 17.7% for the six months ended 30 June 2018 to approximately 8.5% for the six months ended 30 June 2019 mainly as a result of the decrease in profit margin of concentrates sold.

Profit and total comprehensive income attributable to owners of our Company

Profit and total comprehensive income attributable to owners of our Company decreased by approximately 61.7% or approximately RMB16.9 million, from approximately RMB27.4 million for the six months ended 30 June 2018 to approximately RMB10.5 million for the six months ended 30 June 2019.

Liquidity and financial resources

During the six months ended 30 June 2019, the Group's net cash from operating activities was approximately RMB29.1 million (net cash from operating activities for the six months ended 30 June 2018: RMB23.1 million) and the Group's bank balances and cash was approximately RMB0.7 million as at 30 June 2019 (as at 31 December 2018: RMB22.0 million). Included in bank balances and cash, approximately RMB0.3 million (as at 31 December 2018: RMB1.0 million) were denominated in Hong Kong dollars, Australian dollars and US dollars. Such decrease was mainly attributable to the deposits paid for acquisition of a subsidiary and repayment of bank loans.

Gearing ratio

The Group had a gearing ratio of approximately 14.1% (representing total bank and other borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2019. The gearing ratio was approximately 16.5% as at 31 December 2018. The decrease in gearing ratio was mainly attributable to the repayment of bank borrowings of approximately RMB75.5 million.

Bank and other borrowings

As at 30 June 2019, the Group had secured bank borrowings of RMB103.7 million and unsecured other borrowings of RMB8.0 million in aggregate with maturity from one year to nine years and effective interest rate of 5.54%.

Capital expenditure

Capital expenditure mainly includes purchase of mining equipment, construction of mining structures at the Xinzhuang Mine, acquisition of Xizang Changdu, deposit paid for acquisition of a subsidiary, payment for land use right as well as payment for exploration and evaluation assets. For the six months ended 30 June 2019, capital expenditure of approximately RMB43.0 million has been incurred (for the six months ended 30 June 2018: RMB173.6 million). Such decrease was mainly due to partial settlements to the consideration for the acquisition of Xizang Changdu and AXF Gold Ridge during the first half of 2018.

Contractual obligations and capital commitment

As at 30 June 2019, the Group has entered into a non-cancellable operating lease with lease payables of approximately RMB0.9 million for certain properties of the Group.

As at 30 June 2019, the Group's capital commitments amounted to approximately RMB299.9 million, and decreased by approximately RMB12.5 million as compared to approximately RMB312.4 million as at 31 December 2018, which was primarily due to partial payments for consideration of the acquisition of the gold mine in Solomon Islands.

Contingent liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities or guarantees.

Material acquisition and disposal of subsidiaries, associates and joint ventures

Save as disclosed in this announcement, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2019.

Significant investments and future plan for material investments or capital assets

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

Charge on group assets

As at 30 June 2019, the Group's right-of-use assets, mining rights and building with carrying value of approximately RMB79.5 million (as at 31 December 2018: RMB81.7 million) were pledged to secure the Group's bank borrowings and facilities.

Exposure to fluctuations in exchange rates

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

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the reporting period, the Group had no material adverse exposure to foreign exchange fluctuations during the six months ended 30 June 2019.

Interest rate risk

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

INTERIM DIVIDEND

The Board did not declare an interim dividend for both periods.

SHARE OPTION SCHEME

During the six months ended 30 June 2019, 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 2019, the Group employed approximately 348 employees. Remuneration is determined and reviewed based on fair principles with reference to market conditions and individual performances.

The Group also provides other benefits to its employees include social insurance together with housing provident funds for our PRC employees, contributions to statutory provident funds for our Hong Kong employees and superannuation for our Australia employees.

PROSPECT

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

Growing production at our mine and outsourcing our mining works

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

Horizontal expansion through future acquisitions of new mines

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

OUTLOOK

Since 2019, the price of non-ferrous metals has dropped significantly year-on-year. Looking forward to the second half of the year, we believe that the supply of non-ferrous metals continues to fluctuate, and the global economic uncertainty and risk will put pressure on the pricing. On the contrary, the value of gold has steadily grown and it is expected to achieve better relative returns

In order to strengthen our mineral resources, the Group is in the progress of further increasing the production capacity of Xinzhuang Mine to 900,000 tpa and applying for the mining license of Walege Mine as well as completing the acquisition of the gold mine in Solomon Islands. In addition, the Group will comprehensively strengthen our operation and management, strive to improve the business performance and achieve the Group's production target.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Xinzhuang Mine

Mineral exploration

During the six months ended 30 June 2019, the exploration activities in the Xinzhuang Mine was within 4-29 exploration line. We have completed underground geological drilling of 9,874m, with drill size of 60-108mm for the six months ended 30 June 2019. For the six months ended 30 June 2019, we have also finished tunnel drilling of 426m and completed adit mapping of 6,422m.

For the six months ended 30 June 2019, no expenditure of mineral exploration was incurred.

Development

During the six months ended 30 June 2019, the Group incurred development expenditure of approximately RMB32.8 million. Our 600,000 tpa expansion plan has been completed and the Group has been preparing relevant reports for our 900,000 tpa expansion plan.

Detailed breakdown of development expenditure is as follows:

	RMB' *(million)*
Mining structures	27.7
Machinery and electronic equipment for process plants	4.6
Motor vehicles	0.5
	32.8

Mining activities

During the six months ended 30 June 2019, we processed a total of 342,223 tonnes of ore in the Xinzhuang Mine. The following table shows the volume of our concentrates products sold during the six months ended 30 June 2019.

Type of concentrates sold	**Volume**
Copper in copper concentrates	1,443 tonnes
Iron concentrates	49,683 tonnes
Zinc in zinc concentrates	1,755 tonnes
Sulfur concentrates	66,645 tonnes
Lead in lead concentrates	225 tonnes
Gold in copper concentrates	20 kg
Silver in copper concentrates	1,116 kg
Gold in zinc concentrates	1 kg
Silver in zinc concentrates	469 kg
Gold in lead concentrates	16 kg
Sliver in lead concentrates	1,082 kg
Copper in lead concentrates	99 kg

During the six months ended 30 June 2019, the Group incurred expenditures for mining and processing activities of RMB45.7 million (30 June 2018: RMB57.1 million) and RMB22.2 million (30 June 2018: RMB25.6 million) respectively. The unit expenditures for mining and processing activities for the six months ended 30 June 2019 were RMB132.1/t (30 June 2018: RMB152.6/t) and RMB64.9/t (30 June 2018: RMB70.3/t) respectively.

Walege Mine

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

Mineral exploration

All the field exploration work has been completed before 2017. No exploration was conducted during the six months ended 30 June 2019.

Development

During the six months ended 30 June 2019, the Group incurred development expenditure of approximately RMB0.5 million in respect of follow-ups activities raised by the field inspection work of the expert group of the Tibet Autonomous Region Land Mineral Rights and Resource Reserves Evaluation Center（西藏自治區土地礦權和資源儲量評審中心）in 2018. The Group is in the progress of updating the geological prospecting report for re-submission.

Mining activities

Since the Walege Mine is still in development stage, no mining activities has incurred for the six months ended 30 June 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and has complied with all material code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2019, except for the deviation from code provision A.2.1 of the CG Code in respect of segregation of the roles of chairman and chief executive officer as mentioned below.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Code of Conduct") regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all Directors have confirmed that they had complied with the Model Code and the required standard set out in the Code of Conduct during the six months ended 30 June 2019.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company for the six months ended 30 June 2019.

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 2019.

REVIEW OF ACCOUNTS BY THE AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") comprises four independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jian Zhong and Mr. Xiong Zeke. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process, and risk management and internal control of the Group. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2019 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof under the requirements of the Listing Rules.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.wgmine.com. The 2019 interim report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 29 August 2019

As at the date of this announcement, the Board comprises Mr. Gao Mingqing (Chairman), Ms. Gao Jinzhu, Mr. Xie Yaolin and Mr. Liu Zhichun as executive Directors; Mr. Li Kwok Ping, Mr. Lee Hung Yuen and Ms. Iu Ching as non-executive Directors; and Dr. Lu Jian Zhong, Mr. Qi Yang, Mr. Shen Peng and Mr. Xiong Zeke as independent non-executive Directors.