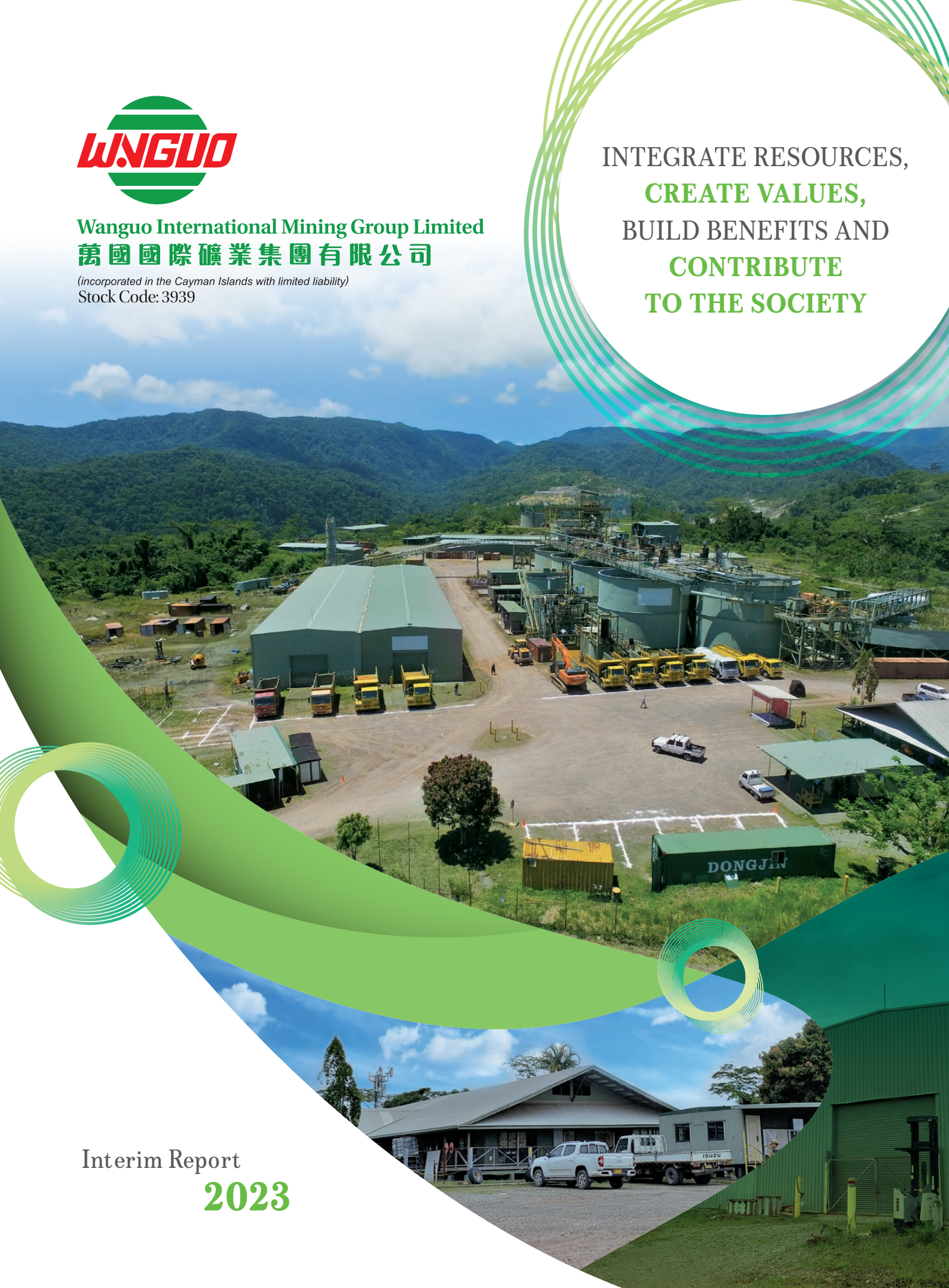




Wanguo International Mining Group Limited
萬國國際礦業集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 3939

INTEGRATE RESOURCES,
CREATE VALUES,
BUILD BENEFITS AND
CONTRIBUTE
TO THE SOCIETY



Interim Report
2023





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Corporate Information

DIRECTORS

Executive Directors:

Gao Mingqing (*Chairman, Chief Executive Officer*)

Liu Zhichun

Wang Renxiang

Wang Nan

Independent non-executive Directors:

Tsang Wai Hung

Wong Chi Ming Ming

Wang Xin

AUDIT COMMITTEE

Tsang Wai Hung (*Chairman*)

Wong Chi Ming Ming

Wang Xin

REMUNERATION COMMITTEE

Wong Chi Ming Ming (*Chairman*)

Liu Zhichun

Wang Xin

NOMINATION COMMITTEE

Tsang Wai Hung (*Chairman*)

Wong Chi Ming Ming

Wang Xin

COMPANY SECRETARY

Wong Chi Wah (*HKICPA, FCCA*)

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Jiangxi Province

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Cayman Islands

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Bank of China, Yifeng Branch

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Jiangxi Province

PRC

STOCK CODE

3939

COMPANY WEBSITE

www.wgmine.com

Management Discussion and Analysis

BUSINESS REVIEW

Wanguo International Mining Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is principally engaged in the business of mining, ore processing and sale of concentrates products in the PRC and Solomon Islands.

Currently, we, through our wholly-owned subsidiaries, own the entire equity interest in Jiangxi Province Yifeng Wanguo Mining Company Limited (“Yifeng Wanguo”) which in turn owns the Xin Zhuang copper-lead-zinc mine, an operating mine located in Jiangxi Province, the PRC (“Xin Zhuang Mine”) in which we conduct underground mining. The Xin Zhuang Mine has a substantial volume of non-ferrous polymetallic mineral resources. Products of our Group primarily include copper concentrates, iron concentrates, zinc concentrates, sulfur concentrates, lead concentrates as well as by-products of gold and silver.

The Group has, on 13 July 2017, completed acquisition of 51% attributable interest of Xizang Changdu County Dadi Mining Company Limited (“Xizang Changdu”), which owns the lead-silver mine in Walege of Changdu Country, the PRC (“Walege Mine”) in which we may further exploit for open-pit and underground mining. The Walege Mine has a significant volume of mineral resources of lead and silver.

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

Operating performance

The following tables set forth the volume of respective products sold at the Xin Zhuang Mine and Gold Ridge Mine during the six months ended 30 June 2023 compared to the corresponding period in 2022.

Type of products sold	Xin Zhuang Mine		
	Six months ended 30 June		
	2023 Volume (tonnes)	2022 Volume (tonnes)	Changes (approximate %)
Copper in copper concentrates	1,338	2,275	(41.2)
Zinc in zinc concentrates	3,728	1,765	111.2
Iron concentrates	38,295	48,615	(21.2)
Sulfur concentrates	116,626	117,182	(0.5)
Lead in lead concentrates	734	323	127.2
Sulfur and iron concentrates	16,794	16,360	2.7
Gold in concentrates (kg)	95	79	20.3
Silver in concentrates (kg)	4,780	5,497	(13.0)
Copper in concentrates (kg)	139	69	101.4
Zinc in concentrates (kg)	286	–	N/A

Type of products sold	Gold Ridge Mine		
	Six months ended 30 June		
	2023 Volume	2022 Volume	Changes (approximate %)
Gold Doré (kg)	608	–	N/A
Gold Concentrates (tonnes)	8,448	–	N/A

Management Discussion and Analysis

The following table sets forth the volume of ores mined and processed at our Xinzhuang Mine and Gold Ridge Mine during the six months ended 30 June 2023 and 2022 respectively.

	Xinzhuang Mine			Gold Ridge Mine		
	Six months ended 30 June			Six months ended 30 June		
	2023 Volume (tonnes)	2022 Volume (tonnes)	Changes (approximate %)	2023 Volume (tonnes)	2022 Volume (tonnes)	Changes (approximate %)
Volume of ores mined	491,437	506,320	(2.9)	613,655	–	N/A
Volume of ores processed	481,598	495,602	(2.8)	721,269	–	N/A

During the six months ended 30 June 2023, the production of copper-iron processing plant in Xinzhuang Mine was temporarily disrupted due to the upgrading of wastewater treatment facilities to satisfy new emission requirement, which resulted in drop in sales volume of copper in copper concentrates and iron concentrates. This has been offset by the surge in zinc in zinc concentrates and lead in lead concentrates sold, following the completion of upgrade in lead-zinc processing plant in last year.

Gold Ridge Mine has commenced trial production and exported gold dore in the fourth quarter of 2022 so there were no gold products sold or ore processed during the six months ended 30 June 2022.

EXPANSION IN EXISTING MINES

Xinzhuang Mine

We had completed our expansion plan as disclosed in the prospectus of the Company dated 28 June 2012 in Xinzhuang Mine, reaching 600,000 tpa in both mining capacity and processing capacity. We are now in the progress of upgrading its capacity to 900,000 tpa.

During the first half of 2023, Yifeng Wanguo has improved wastewater treatment facilities, resulting in emission concentrations of thallium fluoride below 2 microgram/L (well-below industry standard). It has obtained a 900,000 tpa safety production permit issued by the Jiangxi Provincial Department of Emergency Management (江西省应急管理廳) in May 2023, with the mine's mining permit extended to the deep level of -500m.

Walege Mine

During the first half of 2023, the Group organised several rounds of panel discussion in reviewing the draft Environmental Protection and Land Reclamation Programme of Walege Mine prepared by the external consultant. The Group launched and appointed consultants to prepare a soil and water conservation programme (水土保持方案) and a safety pre-evaluation report (工程安全預評價報告) etc for its intended mining and processing activities.

Gold Ridge Mine

Flotation production has been steadily ramping up towards its design capacity during this trial production phase. Further plant modification and upgrade is underway to improve the metallurgy process. We anticipate additional circuits installation to be completed in the second half of this year. In consultation with Golder Associates, construction of the tailings dry stack facility is progressing well, with the first phase completed and operational, and the second phase expected to be completed by the end of the year.

Management Discussion and Analysis

FINANCIAL REVIEW

	Six month ended 30 June					
	Concentrates products, gold doré and gold concentrates (own mined) RMB'000 (unaudited)	Trading of electrolytic copper and other concentrate (sourced outside) RMB'000 (unaudited)	2023 Total RMB'000 (unaudited)	Concentrates products (own mined) RMB'000 (unaudited)	Trading of electrolytic copper and other concentrate (sourced outside) RMB'000 (unaudited)	2022 Total RMB'000 (unaudited)
Revenue	537,538	43,648	581,186	293,967	36,523	330,490
Cost of sales	(259,037)	(43,517)	(302,554)	(134,537)	(36,500)	(171,037)
Gross profit	278,501	131	278,632	159,430	23	159,453
Gross profit margin	51.8%	0.3%	47.9%	54.2%	0.1%	48.2%

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

The Group's overall revenue reported an increase by approximately 75.9% from approximately RMB330.5 million for the six months ended 30 June 2022 to approximately RMB581.2 million for the six months ended 30 June 2023, which was primarily due to the increase in sales generated by Gold Ridge Mine. Our cost of sales increased by 77.0% from approximately RMB171.0 million for the six months ended 30 June 2022 to approximately RMB302.6 million for the six months ended 30 June 2023 which was mainly driven by the corresponding increase in sales from Gold Ridge Mine.

The overall gross profit of the Group increased by approximately 74.7% from approximately RMB159.5 million for the six months ended 30 June 2022 to approximately RMB278.6 million for the six months ended 30 June 2023. The overall gross profit margin decreased from approximately 48.2% for the six months ended 30 June 2022 to approximately 47.9% for the six months ended 30 June 2023. Such slight decrease was mainly resulted from the decrease in gross profit margin of Xinzhuang Mine.

(i) Concentrates products, gold doré and gold concentrates (own mined)

	Six month ended 30 June					
	Xinzhuang Mine Concentrates products RMB'000 (unaudited)	Gold Ridge Mine gold doré and gold concentrates RMB'000 (unaudited)	2023 Total RMB'000 (unaudited)	Xinzhuang Mine Concentrates products RMB'000 (unaudited)	Gold Ridge Mine gold doré and gold concentrates RMB'000 (unaudited)	2022 Total RMB'000 (unaudited)
Revenue	230,832	306,706	537,538	293,967	–	293,967
Cost of sales	(124,593)	(134,444)	(259,037)	(134,537)	–	(134,537)
Gross profit	106,239	172,262	278,501	159,430	–	159,430
Gross profit margin	46.0%	56.2%	51.8%	54.2%	N/A	54.2%

Management Discussion and Analysis

Xinzhuang Mine – concentrates products

Revenue from sales of concentrates products decreased by approximately 21.5% from approximately RMB294.0 million for the six months ended 30 June 2022 to approximately RMB230.8 million for the six months ended 30 June 2023.

For the six months ended 30 June 2023, we sold 1,338 tonnes of copper in copper concentrates, 38,295 tonnes of iron concentrates and 3,728 tonnes of zinc in zinc concentrates, compared to 2,275 tonnes, 48,615 tonnes and 1,765 tonnes respectively for the six months ended 30 June 2022, representing decreases of approximately 41.2% and 21.2% for copper in copper concentrates and iron concentrates respectively which were principally attributable to the suspension of copper-iron processing plant, and an increase of approximately 111.2% for zinc in zinc concentrates due to the completion of the reconstruction of lead-zinc processing plant in relation to the 900,000 tpa expansion plan.

The average prices of copper in copper concentrates, iron concentrates and zinc in zinc concentrates for the six months ended 30 June 2023 were RMB54,167, RMB716 and RMB12,457 per tonne respectively, compared to RMB57,405, RMB844 and RMB16,748 per tonne respectively for the six months ended 30 June 2022, representing decreases of approximately 5.6%, 15.2% and 25.6% respectively. Despite China easing its zero-COVID policies, signs of economic weakness persisted, leading to a slump in copper, zinc and iron prices.

The cost of sales of concentrates products decreased by approximately 7.4% from approximately RMB134.5 million for the six months ended 30 June 2022 to approximately RMB124.6 million for the six months ended 30 June 2023, which was in line with the decrease in sales.

The gross profit of concentrates products for the six months ended 30 June 2023 was approximately RMB106.2 million, which represented a decrease of approximately 33.4% compared to approximately RMB159.4 million for the six months ended 30 June 2022. The gross profit margin decreased from approximately 54.2% for the six months ended 30 June 2022 to approximately 46.0% for the six months ended 30 June 2023. Such decrease was mainly attributable to the decline in the selling price of certain concentrates.

Gold Ridge Mine – gold doré and gold concentrates

Starting from November 2022, Gold Ridge Mine exported gold doré from the heap leach operation. Revenue from sales of gold doré and gold concentrates for the six months ended 30 June 2023 was approximately RMB306.7 million and the cost of sales was approximately RMB134.4 million, resulting in a gross profit of approximately RMB172.3 million and gross profit margin of approximately 56.2% for the six months ended 30 June 2023.

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

Revenue from trading of electrolytic copper, electrolytic lead and other concentrates increased by approximately 19.5% from approximately RMB36.5 million for the six months ended 30 June 2022 to approximately RMB43.6 million during the six months ended 30 June 2023.

The corresponding cost of sales of electrolytic copper, electrolytic lead and other concentrates increased by approximately 19.2% from approximately RMB36.5 million during the six months ended 30 June 2022 to approximately RMB43.5 million during the six months ended 30 June 2023.

The gross profit of trading of electrolytic copper, electrolytic lead and other concentrates increased by approximately 4.7 times from approximately RMB23,000 during the six months ended 30 June 2022 to approximately RMB131,000 during the six months ended 30 June 2023. The gross profit margin increased from approximately 0.1% for the six months ended 30 June 2022 to approximately 0.3% for the six months ended 30 June 2023.

Management Discussion and Analysis

Other income

Our other income comprised mainly bank interest income of approximately RMB2.6 million, incentives received from a local governmental authority of approximately RMB0.5 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 2023. Other income increased by approximately RMB2.2 million compared with the corresponding period in 2022, which was attributable to the increase in bank interest income.

Other gains and losses

Our other gains and losses increased by approximately RMB1.2 million from losses of approximately RMB0.9 million to losses of approximately RMB2.1 million, which comprised mainly unrealised exchange loss of approximately RMB1.9 million for the six months ended 30 June 2023 as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi, whereas for the six months ended 30 June 2022, unrealised exchange loss of approximately RMB0.9 million was incurred as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi.

Distribution and selling expenses

Our distribution and selling expenses increased by approximately 15 times from approximately RMB2.1 million for the six months ended 30 June 2022 to approximately RMB33.6 million for the six months ended 30 June 2023. The increase was mainly attributable to the increase in the railway and transportation fees, export duty, refinery charges and royalties as a result of the increase in the sales volume of gold doré and gold concentrates.

Administrative expenses

Our administrative expenses increased by approximately 4.4% from approximately RMB47.8 million for the six months ended 30 June 2022 to approximately RMB49.9 million for the six months ended 30 June 2023. The increase was principally attributable to the increase in staff costs, travelling expenses and diesel oil fees incurred by Gold Ridge Mine and increase in research and development expenses incurred by Yifeng Wanguo with respect to certain research project on improvement of metal extraction and mining techniques.

Finance costs

Our finance costs increased by approximately 46.0% from approximately RMB5.0 million for the six months ended 30 June 2022 to approximately RMB7.3 million for the six months ended 30 June 2023, primarily due to the increase in interest on contract liabilities of approximately RMB1.2 million and interest expenses derived from bank borrowings which were newly drawn down during the period.

Income tax expense

Our income tax expense was approximately RMB10.1 million for the six months ended 30 June 2023, consisting of PRC corporate income tax payable of approximately RMB10.3 million, withholding tax payable of approximately RMB4.4 million, overprovision in respect of prior year of RMB3.7 million and deferred tax credit of approximately RMB0.9 million. Our income tax expense was approximately RMB18.4 million for the six months ended 30 June 2022, consisting of PRC corporate income tax payable of approximately RMB18.4 million, withholding tax payable of approximately RMB4.4 million and deferred tax credit of approximately RMB4.4 million.

The decrease in our income tax expense for the six months ended 30 June 2023 was primarily due to the decrease in the PRC corporate income tax expense as a result of the decrease in operating profit which were subject to PRC corporate income tax.

Profit for the period

As a result of the foregoing, our profit after taxation increased by approximately 106.9% or approximately RMB92.7 million, from approximately RMB86.7 million for the six months ended 30 June 2022 to approximately RMB179.4 million for the six months ended 30 June 2023. The increase was mainly attributable to the increase in sale of gold doré and gold concentrates and their profits contribution from Gold Ridge Mine.

Management Discussion and Analysis

Our net profit margin increased from approximately 26.2% for the six months ended 30 June 2022 to approximately 30.9% for the six months ended 30 June 2023. Such increase was mainly due to rise in revenue and profit generated from sales of gold doré and gold concentrates with high profit margin.

Profit attributable to owners of our Company

The profit attributable to the owners of our Company increased by approximately 55.5% or approximately RMB52.5 million, from approximately RMB94.6 million for the six months ended 30 June 2022 to approximately RMB147.1 million for the six months ended 30 June 2023.

Liquidity and financial resources

During the six months ended 30 June 2023, the Group's net cash generated from operating activities was approximately RMB166.3 million (net cash used in operating activities for the six months ended 30 June 2022: approximately RMB2.4 million) and the Group's bank balances and cash was approximately RMB176.1 million as at 30 June 2023 (as at 31 December 2022: approximately RMB67.9 million). Such increase in bank balances and cash was mainly attributable to the increase in sales from Gold Ridge Mine and better management on trade and other receivables.

Included in bank balances and cash, approximately RMB11.7 million (as at 31 December 2022: approximately RMB2.7 million) was denominated in Hong Kong dollars, Australian dollars, Solomon Islands dollars and US dollars.

Borrowings

As at 30 June 2023, the Group had secured bank borrowings of approximately RMB152.3 million and unsecured bank borrowings of approximately RMB40.0 million in aggregate with maturity from one year to five years and effective interest rate of approximately 4.96%.

Gearing ratio

The Group had a gearing ratio of approximately 11.4% (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2023. The gearing ratio was approximately 12.1% as at 31 December 2022. The decrease in gearing ratio was mainly attributable to the increase in bank balances and cash and inventories of approximately RMB163.7 million.

Capital expenditure

Capital expenditure mainly included purchase of mining and processing equipment, construction of mining structures at the Gold Ridge Mine as well as payment for exploration and evaluation assets. For the six months ended 30 June 2023, capital expenditure of approximately RMB48.2 million has been incurred (for the six months ended 30 June 2022: approximately RMB51.6 million).

Contractual obligations and capital commitment

As at 30 June 2023, the Group's capital commitment amounted to approximately RMB31.8 million, representing an increase of approximately RMB25.0 million as compared to approximately RMB6.8 million as at 31 December 2022, which was primarily due to the prospecting activities carrying out at Gold Ridge Mine and purchase of production machines for Xinzhuang Mine and Gold Ridge Mine.

Contingent liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities or guarantees.

Significant investments, acquisitions and disposals of subsidiaries, associates and joint ventures

Save as disclosed in this interim report, the Group had no significant investments, or material acquisition and disposal of subsidiaries, associated and joint ventures during the six months ended 30 June 2023.

Management Discussion and Analysis

Future plan for material investments and capital assets

Save as disclosed in this interim report, the Group does not have any plan authorised by the board of Directors (the “Board”) for material investments or additions of capital assets as at the date of this interim report.

Charge on group assets

As at 30 June 2023, the Group’s mining right, right-of-use assets and buildings with carrying value of approximately RMB72.3 million (as at 31 December 2022: approximately RMB74.7 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 Solomon Islands and most of the transactions are conducted in Renminbi, US dollars and Australian dollars. Except for certain Group’s bank balances and cash, other receivables and other payables denominated in Hong Kong dollars, Australian dollars, Solomon Islands dollars and US dollars, the majority of the Group’s assets and liabilities are denominated in Renminbi.

As Renminbi fluctuated against Hong Kong dollars and Australian dollars in a limited extent during the reporting period, the Group had no material adverse exposure to foreign exchange fluctuations during the six months ended 30 June 2023. We have not used any foreign currency hedge arrangement or other derivatives to hedge against exchange rates risk.

Interest rate risk

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

INTERIM DIVIDEND

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed approximately 785 employees, excluding the independent third-party contractor which is responsible for underground mining work in Xinzhuang Mine and mining and drilling works at Gold Ridge Mine. 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 mandatory provident funds for our Hong Kong employees, superannuation for our Australia employees and national provident funds for our Solomon Islands employees.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Xinzhuang Mine

Mineral exploration

During the six months ended 30 June 2023, the exploration activities in the Xinzhuang Mine were within 4-29 exploration line. We have completed underground geological drilling of 14,771 m, with drill size of 60-108 mm for the six months ended 30 June 2023. We have also finished tunnel drilling of 410 m and completed adit mapping of 932 m. For the six months ended 30 June 2023, approximately RMB6.3 million was incurred for the mineral exploration.

Management Discussion and Analysis

Development

During the six months ended 30 June 2023, the Group incurred development expenditure of approximately RMB7.5 million.

Detailed breakdown of development expenditure is as follows:

	RMB'(million)
Mining structures	6.5
Machinery and electronic equipment for processing plants	0.8
Motor vehicles	0.2
	7.5

Mining activities

During the six months ended 30 June 2023, we processed a total of 481,598 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 2023.

Type of concentrates sold	Volume
Copper in copper concentrates	1,338 tonnes
Iron concentrates	38,295 tonnes
Zinc in zinc concentrates	3,728 tonnes
Sulfur concentrates	116,626 tonnes
Lead in lead concentrates	734 tonnes
Sulfur and iron concentrates	16,794 tonnes
Gold in copper concentrates	22 kg
Silver in copper concentrates	1,473 kg
Silver in zinc concentrates	84 kg
Gold in lead concentrates	73 kg
Sliver in lead concentrates	3,223 kg
Copper in lead concentrates	139 kg
Zinc in lead concentrates	286 kg

During the six months ended 30 June 2023, Xinzhuang Mine incurred expenditures for mining and processing activities of approximately RMB72.1 million (30 June 2022: approximately RMB76.9 million) and approximately RMB46.0 million (30 June 2022: approximately RMB41.2 million) respectively. The unit expenditures for mining and processing activities were approximately RMB149.6/t (30 June 2022: approximately RMB151.9/t) and approximately RMB95.5/t (30 June 2022: approximately RMB83.0/t) respectively. The decrease in unit expenditure for mining activities was mainly attributable to decrease in safety production fees such as pandemic prevention and control. The increase in unit expenditure for processing activities was mainly attributable to increase in cost of materials such as forged steel grinding balls, explosives and chemical products.

Walege Mine

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

Mineral exploration

No exploration was conducted during the six months ended 30 June 2023. During the six months ended 30 June 2023, the main activities were license maintenance as well as application or conversion of exploration license to mining license.

Management Discussion and Analysis

Development

During the six months ended 30 June 2023, Walege Mine incurred development expenditure of approximately RMB0.7 million mainly in respect of various experts discussion and meetings for reviewing the draft Environmental Protection and Land Reclamation Programme of Walege Mine. The Group appointed consultants to prepare a soil and water conservation programme (水土保持方案) and a safety pre-evaluation report (工程安全預評價報告) etc for the mining and processing activities.

Mining activities

Since the Walege Mine is still in development stage, no mining activities occurred for the six months ended 30 June 2023.

Gold Ridge Mine

Mineral exploration

In order to upgrade and increase mineral resources within our Mining Lease area as well as to undertake metallurgical recovery optimization test works, the Gold Ridge Mine continued with the drilling program at the Charivunga deposit (CVG) launched in 2019. As at 30 June 2023, 42 diamond drill holes (“DDH”) (totally 18,229.29 meters) were completed, of which 4,255.83 meters were completed in the first half of 2023. The drilling results are promising with resource increase expected. Final resource update model and reserve will be published once we complete the designed DDHs and review by geologists.

Geological survey works along the Chovohio River commenced in March 2023, for alluvial gold prospect. Five alluvial gold ore bodies were identified, showing promising potential commercial mining value.

During the first half of 2023, expenditure of mineral exploration was approximately RMB19.6 million. The expenditure includes direct drilling costs, energy cost and assay cost.

Development

During the first half of 2023, the Gold Ridge Mine incurred development expenditure of RMB36.8 million mainly in respect of the construction of the tailings dry stacking facility, gold room refurbishment and improvement to flotation plant water supply and tailings discharge pipe works.

Detailed breakdown of development expenditure is as follows:

	RMB' (million)
Mining structures	11.0
Buildings	12.2
Machinery and electronic equipment for processing plants	12.3
Motor vehicles	1.3
	36.8

Mining activities

Gold Ridge Mine commenced heap leach plant trial production in August 2022, and flotation plant trial production from 1 January 2023.

During the first half of 2023, the flotation plant processed a total of 721,269 tonnes of ore and produced approximately 18,441 dry metric tonnes of gold concentrates (with an average grade above 25g/t).

Management Discussion and Analysis

Knelson gravity circuit and heap leach plant produced approximately 784 kg of gold doré. As at 30 June 2023, we sold approximately 608 kg of gold doré (averaging 78.3% gold and 19.2% silver) to ABC refinery (Australia). During the six months ended 30 June 2023, Gold Ridge Mine incurred expenditures for mining and processing activities of approximately RMB68.3 million (or AUD14.6 million) and RMB57.1 million (or AUD12.2 million) respectively. The unit of expenditures for mining and processing activities were approximately RMB111.8/t (or AUD23.9/t) and RMB79.6/t (or AUD17.0/t) respectively.

PROSPECT

We intend to continue to grow our business into a leading non-ferrous mining company in the PRC and South Pacific region 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 and is now on the final stage of upgrading the mining capacity to 900,000 tpa. We planned to further upgrade the mining capacity to 1,000,000 tpa in coming years. To minimise costs, we will continue to outsource our underground mining works to third-party contractors.

Horizontal expansion through future acquisitions of new mines

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

OUTLOOK

In the first half of 2023, global commodity prices fell sharply, with non-ferrous metal prices leading the decline. The general decline in commodity prices is closely related to the slowdown in developed economies such as Europe and the United States, global monetary tightening, and the dissipation of supply disruptions brought about by epidemics and geopolitical crises. Looking ahead, it is believed that the domestic non-ferrous metals market has experienced a period of active de-stocking, the inventory pressure weakened in the aftermath of the market, and replenishment activities may occur, and the slowdown in the overseas Fed interest rate hikes means that the financial attributes of commodities suppression weakened, and non-ferrous metal prices would have a possibility of a staged rebound. However, due to the poor economic growth prospects in Europe and the United States, especially the banking crisis to the European and American economy in the fourth quarter of 2022 and the risk of recession, the non-ferrous metal prices in the second half of 2023 may be only a staged rebound, rather than has bottomed out.

Gold price has climbed in the first half of 2023, and was up as much as 9% for the period in April. As of the end of June, the price is up around 4% year to date, sitting near US\$1,920 per ounce.

The rise has been attributed to rising interest rates and stock market volatility, as well as instability in the banking sector. Buying gold during an economic slowdown is an age-old trend because, unlike other investment options like stocks, the value of gold tends to rise as investors seek safe haven assets. The demand for safe haven assets may continue to be elevated for the foreseeable future. Earlier this year, a well-known banker predicted that the price of gold could rise to \$2,200 per ounce by March 2024.

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 (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the six months ended 30 June 2023, except for the deviation from code provision C.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 C.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 C.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 2023.

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 2023.

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 2023.

REVIEW OF ACCOUNTS BY THE AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Tsang Wai Hung, Mr. Wong Chi Ming Ming and Mr. Wang Xin. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process, and risk management and internal control of the Group. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023 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.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2023, 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 (“SFO”)) as notified to our Company and 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 were required to be notified to our Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

Long positions in Shares

Name of Directors	Capacity/nature of interest	Number of issued ordinary Shares held	Approximate percentage of shareholding in the Company
Mr. Gao Mingqing	Interest in controlled corporation	281,400,000 ⁽¹⁾	33.99%

Notes:

1. The 281,400,000 Shares were owned by Victor Soar Investments Limited which is wholly owned and controlled by Mr. Gao Mingqing.

Save as disclosed above, as at 30 June 2023, 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 2023, the following persons, other than the Directors and chief executives of the Company, had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 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

Name of shareholder	Capacity/nature of interest	Number of issued ordinary Shares held	Approximate percentage of shareholding in the Company
Victor Soar Investments Limited ⁽¹⁾	Beneficial owner	281,400,000 ⁽¹⁾	33.99%
Ms. Lin Yinyin ⁽²⁾	Interest of spouse	281,400,000 ⁽²⁾	33.99%
Achieve Ample Investments Limited ⁽³⁾	Beneficial owner	138,600,000 ⁽³⁾	16.74%
Ms. Gao Jinzhu ⁽³⁾	Interest in controlled corporation	138,600,000 ⁽³⁾	16.74%
Mr. Wang Weimian ⁽⁴⁾	Interest of spouse	138,600,000 ⁽⁴⁾	16.74%
Shandong Humon Mining Development Limited ⁽⁵⁾	Beneficial owner	172,814,000	20.87%
Shandong Humon Smelting Co., Ltd ⁽⁵⁾	Interest in controlled corporation	172,814,000 ⁽⁵⁾	20.87%
Jiangxi Copper Company Limited ⁽⁵⁾	Interest in controlled corporation	172,814,000 ⁽⁵⁾	20.87%
Jiangxi Copper Corporation Limited ⁽⁵⁾	Interest in controlled corporation	172,814,000 ⁽⁵⁾	20.87%
Haitong International Financial Solutions Limited ⁽⁶⁾	Security interest	447,920,000 ⁽⁶⁾	54.10%
Haitong International Securities Group Limited ⁽⁶⁾	Interest in controlled corporation	447,920,000 ⁽⁶⁾	54.10%
Haitong International Holdings Limited ⁽⁶⁾	Interest in controlled corporation	447,920,000 ⁽⁶⁾	54.10%
Haitong Securities Co., Ltd. ⁽⁶⁾	Interest in controlled corporation	447,920,000 ⁽⁶⁾	54.10%

Notes:

- Victor Soar Investments Limited is wholly owned and controlled by Mr. Gao Mingqing.
- Ms. Lin Yinyin is the wife of Mr. Gao Mingqing and is deemed to be interested in the 281,400,000 Shares held by Victor Soar Investments Limited, a company controlled by Mr. Gao Mingqing.
- Achieve Ample Investments Limited is wholly owned and controlled by Ms. Gao Jinzhu.
- Mr. Wang Weimian is the husband of Ms. Gao Jinzhu and is deemed to be interested in the 138,600,000 Shares held by Achieve Ample Investments Limited, a company controlled by Ms. Gao Jinzhu.
- Shandong Humon Mining Development Limited is a wholly-owned subsidiary of Hong Kong Humon International Logistics Limited (香港恒邦國際物流有限公司), which in turn is wholly-owned by Shandong Humon Smelting Co., Ltd., a company listed on Shenzhen Stock Exchange with stock code: 002237.

Shandong Humon Smelting Co., Ltd is owned as to 44.48% by Jiangxi Copper Company Limited, a company listed on both Shanghai Stock Exchange and Hong Kong Stock Exchange with stock code: 600362 and 358 respectively, which in turn is owned as to 43.72% by Jiangxi Copper Corporation Limited.

Other Information

- Haitong International Financial Solutions Limited is indirectly owned by Haitong International Securities Group Limited which in turn is owned as to 64.40% by Haitong International Holdings Limited and is ultimately owned Haitong Securities Co., Ltd.

Other than as disclosed above, as at 30 June 2023, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position 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

15 August 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	581,186	330,490
Cost of sales		(302,554)	(171,037)
Gross profit		278,632	159,453
Other income		3,814	1,550
Other gains and losses		(2,104)	(917)
Distribution and selling expenses		(33,592)	(2,133)
Administrative expenses		(49,886)	(47,843)
Finance costs	4	(7,331)	(4,964)
Profit before tax		189,533	105,146
Income tax expense	5	(10,099)	(18,420)
Profit for the period	6	179,434	86,726
Other comprehensive income (expense) for the period which may be reclassified subsequently to profit or loss:			
– Exchange differences on translation from functional currency to presentation currency		14,725	(1,848)
Total comprehensive income for the period		194,159	84,878
Profit (loss) for the period attributable to:			
Owners of the company		147,107	94,551
Non-controlling interests		32,327	(7,825)
		179,434	86,726
Total comprehensive income (expense) for the period attributable to:			
Owners of the company		159,272	95,178
Non-controlling interests		34,887	(10,300)
		194,159	84,878
Earnings per share			
Basic (RMB cents)	7	17.8	11.4

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	738,864	727,004
Right-of-use assets		57,713	54,817
Mining rights		251,567	274,278
Exploration and evaluation assets	9	214,882	201,471
Other intangible asset		312,165	312,165
Intangible assets		3,617	3,723
Deposit for purchase of property, plant and equipment		35,915	34,872
Deferred tax assets		3,957	3,930
Restricted bank balances		3,237	3,227
		1,621,917	1,615,487
CURRENT ASSETS			
Inventories		213,358	157,821
Trade and other receivables	11	184,213	196,460
Bank balances and cash			
– cash and cash equivalents		176,107	67,941
– restricted bank balances		260	254
		573,938	422,476
CURRENT LIABILITIES			
Trade and other payables	12	142,719	138,475
Contract liabilities		32,547	67,651
Lease liabilities		723	215
Amounts due to related parties	13	5,404	3,894
Consideration payable to a former non-controlling shareholder of a subsidiary	14	57,936	57,936
Dividend payable		82,800	–
Tax payable		13,542	29,407
Bank borrowings	15	192,273	189,444
		527,944	487,022
NET CURRENT ASSETS (LIABILITIES)		45,994	(64,546)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,667,911	1,550,941

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		3,066	–
Deferred income		5,751	6,331
Deferred tax liabilities		89,534	86,866
Provisions for restoration costs		8,602	8,145
		106,953	101,342
CAPITAL AND RESERVES			
Share capital	10	67,881	67,881
Reserves		1,157,056	1,080,584
Equity attributable to owners of the Company		1,224,937	1,148,465
Non-controlling interests		336,021	301,134
TOTAL EQUITY		1,560,958	1,449,599
		1,667,911	1,550,941

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company								Total
	Share capital	Share premium	Capital reserve	Statutory and surplus reserves	Translation reserve	Retained profits	Sub-total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000 (note a)	RMB'000 (note b)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	67,881	356,342	71,005	152,844	(30,558)	422,433	1,039,947	287,464	1,327,411
Profit (loss) for the period	-	-	-	-	-	94,551	94,551	(7,825)	86,726
Other comprehensive income (expense) for the period	-	-	-	-	627	-	627	(2,475)	(1,848)
Total comprehensive income (expense) for the period	-	-	-	-	627	94,551	95,178	(10,300)	84,878
Deemed contribution from a non-controlling shareholder	-	-	-	-	-	-	-	24,921	24,921
Dividend recognised as distribution (note 8)	-	(83,628)	-	-	-	-	(83,628)	-	(83,628)
At 30 June 2022 (unaudited)	67,881	272,714	71,005	152,844	(29,931)	516,984	1,051,497	302,085	1,353,582
At 1 January 2023 (audited)	67,881	272,714	71,005	152,844	(18,952)	602,973	1,148,465	301,134	1,449,599
Profit for the period	-	-	-	-	-	147,107	147,107	32,327	179,434
Other comprehensive income for the period	-	-	-	-	12,165	-	12,165	2,560	14,725
Total comprehensive income for the period	-	-	-	-	12,165	147,107	159,272	34,887	194,159
Dividend recognised as distribution (note 8)	-	(82,800)	-	-	-	-	(82,800)	-	(82,800)
At 30 June 2023 (unaudited)	67,881	189,914	71,005	152,844	(6,787)	750,080	1,224,937	336,021	1,560,958

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 (the "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 subsidiaries established in the PRC 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 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
NET CASH GENERATED FROM /(USED IN) OPERATING ACTIVITIES	166,320	(2,367)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(44,314)	(50,499)
Increase in right-of-use assets	–	(296)
Payment for exploration and evaluation assets	(12,912)	(1,428)
Placement of restricted bank balances	(16)	(2)
Interest received	2,601	853
Proceeds from disposal of property, plant and equipment	–	773
NET CASH USED IN INVESTING ACTIVITIES	(54,641)	(50,599)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(147,249)	(40,231)
Interest paid	(7,250)	(4,946)
Repayment to related parties	–	(2,257)
Repayments of lease liabilities	(653)	(154)
Advance from related parties	1,384	–
New bank borrowing raised	150,000	108,500
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(3,768)	60,912
NET INCREASE IN CASH AND CASH EQUIVALENTS	107,911	7,946
CASH AND CASH EQUIVALENTS AT 1 JANUARY	67,941	116,294
Effect of foreign exchange rate changes	255	914
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	176,107	125,154

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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.

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 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 mainly operates in the PRC and Solomon Islands, and all revenue is generated from, the PRC and Solomon Islands. The Group’s principal non-current assets are located in the PRC and Solomon Islands.

Revenue represents revenue arising on sales of processed concentrates of various metals and electrolytic copper. 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	
	2023 RMB’000 (Unaudited)	2022 RMB’000 (Unaudited)
Sales of processed concentrates		
– Copper concentrates	108,768	130,596
– Iron concentrates	27,424	41,010
– Zinc concentrates	46,441	39,685
– Sulfur concentrates	18,434	43,152
– Gold in copper and zinc concentrates	12,346	12,107
– Gold in lead concentrates	27,916	11,127
– Silver in lead concentrates	13,117	5,080
– Silver in copper and zinc concentrates	8,118	12,221
– Lead concentrates	5,654	2,723
– Sulfur and iron concentrates	4,598	5,544
– Copper in lead concentrates	1,284	847
– Zinc in lead concentrates	380	–
– Gold doré	203,888	–
– Gold concentrates	102,818	–
Sales of Electrolytic copper	–	26,398
	581,186	330,490
By revenue source		
– Own mined products	537,538	293,967
– Sourced outside	43,648	36,523
	581,186	330,490

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group mainly operates in the PRC and Solomon Islands, and all revenue is generated from the PRC and Solomon Islands. The Group's principal non-current assets are located in the PRC and Solomon Islands. Information about its revenue and non-current assets by geographical locations of operations are detailed below:

	Revenue		Non-current assets*	
	Six months ended 30 June 2023	2022	30.6.2023	31.12.2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Audited)
The PRC	274,480	330,490	1,013,108	1,026,755
Solomon Islands	306,706	–	591,364	574,973
Australia	–	–	3,813	56
Hong Kong	–	–	6,438	6,546
	581,186	330,490	1,614,723	1,608,330

* Non-current assets excluded deferred tax assets and restricted bank balance.

4. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest on bank borrowings	5,330	4,176
Interest on contract liabilities	1,920	770
Imputed interest expenses on lease liabilities	81	18
	7,331	4,964

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax charge:		
PRC Enterprise Income Tax (“EIT”)		
– Current period	10,312	18,440
– Overprovision in respect of prior years	(3,686)	–
Withholding tax	4,360	4,405
	10,986	22,845
Deferred tax credit		
– Current period	(887)	(4,425)
	10,099	18,420

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 November 2021, the Certificate has been extended for further 3 years and Yifeng Wanguo is entitled to the preferential rate for 2021, 2022 and 2023.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit before tax	189,533	105,146
Tax at the EIT rate of 25%	47,383	26,287
Tax effect of expenses not deductible for tax purpose	838	6,479
Tax effect of income not taxable for tax purpose	(28,954)	–
Income tax at concessionary rate	(7,738)	(13,094)
Tax effect of additional tax benefit on research and development expenses	(1,244)	(1,249)
Overprovision in respect of prior years	(3,686)	(3)
Withholding tax on distributable earnings of a subsidiary established in the PRC	3,500	–
Tax charge for the period	10,099	18,420

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging the following items:		
Directors' emoluments	1,978	2,252
Other staff costs	27,381	30,463
Retirement benefit scheme contributions, excluding those of directors	1,312	1,223
Total staff costs	30,671	33,938
Depreciation of property, plant and equipment	31,455	20,571
Depreciation of right-of-use assets	1,250	832
Amortisation of mining rights	26,819	533
Amortisation of intangible assets	106	106
Total depreciation and amortisation	59,630	22,042
Research and development costs	11,058	11,099
Cost of inventories recognised as an expense	302,554	171,037

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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	
	2023 (Unaudited)	2022 (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)	147,107	94,551
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	828,000	828,000

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

8. DIVIDENDS

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Final dividend for the year ended 31 December 2022: RMB10.00 cents per share (2022: RMB10.10 cents per share for the year ended 31 December 2021)	82,800	83,628

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

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

During the current interim period, the Group acquired property, plant and equipment and incurred construction costs of approximately RMB45,297,000 (six months ended 30 June 2022: RMB53,570,000).

During the current interim period, the Group incurred costs directly associated with the exploration and evaluation assets of RMB12,912,000 (six months ended 30 June 2022: RMB1,428,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

10. SHARE CAPITAL

Details of share capital of the Company are as follows:

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	1,000,000	100,000
Issued:		
At 1 January 2020, 30 June 2020 and 1 January 2021	720,000	72,000
Issuance of new shares upon allotment of new shares to a new subscriber (i)	108,000	10,800
At 30 June 2021, 2022 and 2023 (Unaudited)	828,000	82,800
	30.6.2023	31.12.2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Shown in the consolidated statement of financial position	67,881	67,881

- (i) On 29 December 2020, the Company and an independent third party (the subscriber) entered into a subscription agreement under which the Company agreed to issue and allot and the subscriber agreed to subscribe for an aggregate of 108,000,000 subscription shares at the subscription price of HK\$2.18 per subscription share. During the 6 months ended 30 June 2021, the subscription for 108,000,000 shares in the Company, representing approximately 13.04% of the issued share capital of the Company as enlarged by the issue of the 108,000,000 subscription shares, have been completed and the said shares have been issued and allotted to the subscriber. The gross proceeds from the subscription of the 108,000,000 shares amounted to approximately HK\$235,440,000 (equivalent to approximately RMB196,086,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

11. TRADE AND OTHER RECEIVABLES

	Note	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Trade receivables from contracts with customers	(a)	10,449	13,151
Amount due from a related company	(b)	3	3
Amount due from a non-controlling shareholder	(c)	23,996	23,569
Prepayments and other receivables			
– prepayments to major subcontractors	(d)	67,000	88,515
– prepayments to other suppliers	(e)	41,866	43,000
– Other receivables		40,899	28,222
		173,764	183,309
Total trade and other receivables		184,213	196,460

(a) Trade receivables

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

The ECL for trade receivables as at 30 June 2023 and 31 December 2022 have been assessed collectively based on the trade debtors' aging, grouped by debtor balances that are not yet past due and different aging brackets of numbers of days past due (if any). Based on the assessment of the management of the Group, allowance for credit losses from the trade receivables as at 30 June 2023 and 31 December 2022 is insignificant.

(b) Amount due from a related company

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

(c) Amount due from a non-controlling shareholder

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

(d) Prepayments to major subcontractors

Included in the balance is prepayment of subcontracting fee to mining subcontractors by the subsidiaries Gold Ridge Mining Limited ("GRML") and Yifeng Wanguo for mining of ores, which amounted to approximately Nil (as at 31 December 2022: RMB100,000) and RMB67,000,000 (as at 31 December 2022: RMB88,415,000) respectively as at 30 June 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

11. TRADE AND OTHER RECEIVABLES (Continued)

(e) Prepayments to other suppliers

Included in the balance is prepayment to suppliers of metal concentrates for trading which amounted to approximately RMB29,930,000 (as at 31 December 2022: RMB25,160,000) and prepayment to suppliers of raw materials which amounted to approximately RMB7,522,000 (as at 31 December 2022: RMB11,999,000) as at 30 June 2023.

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

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

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Within 30 days	10,449	13,073
Over 90 days	–	78
	10,449	13,151

12. TRADE AND OTHER PAYABLES

	Note	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Trade payables	(i)	67,505	83,109
Bills payables	(ii)	19,900	–
Trade and bills payables		87,405	83,109
Value-added tax, resource tax and other tax payables		12,947	12,454
Payables for construction in progress and property, plant and equipment		21,342	20,067
Accrued expenses and other payables			
– Accrued expenses		4,639	2,497
– Accrued staff cost		6,724	6,099
– Other payables		9,662	14,249
		55,314	55,366
Total trade and other payables		142,719	138,475

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. TRADE AND OTHER PAYABLES (Continued)

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

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Within 30 days	37,178	41,920
31-60 days	16,070	10,398
61-90 days	3,373	16,555
91-180 days	1,455	12,674
Over 180 days	9,429	1,562
	67,505	83,109

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

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
91-180 days	19,900	–
	19,900	–

Notes:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

13. AMOUNTS DUE TO RELATED PARTIES

	Note	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Victor Soar Investments Limited (“Victor Soar”)	(a), (b)	4,729	3,688
Mr. Gao Mingqing	(a)	404	(57)
Achieve Ample Investments Limited (“Achieve Ample”)	(a), (c)	271	263
		5,404	3,894

Notes:

- (a) All of the amounts above are non-trade in nature, interest free, unsecured and repayable on demand, of which approximately RMB4,999,000 (2022: RMB3,950,000) are denominated in HK\$.
- (b) Victor Soar held approximately 33.99% (2022: 33.99%) of the issued share capital of the Company as at 30 June 2023 and is wholly owned and controlled by Mr. Gao Mingqing.
- (c) Ms. Gao Jinzhu, former executive director of the Company is interested in 16.74% (2022: 16.74%) of the issued share capital of the Company as at 30 June 2023 via Achieve Ample which is wholly owned and controlled by her.

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

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

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Within one year	57,936	57,936
Less: Amount due within one year shown under current liabilities	(57,936)	(57,936)
Amount shown under non-current liabilities	–	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

15. BANK BORROWINGS

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Unsecured bank borrowings at:		
– fixed rate	40,000	40,000
Secured bank borrowings at:		
– fixed rate	150,000	147,000
– floating rate	2,273	2,444
	192,273	189,444
The carrying amounts of the above borrowing are repayable:		
– within one year	190,000	187,000
– within a period of more than one year but not exceeding two years	–	–
	190,000	187,000
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	2,273	2,444
	192,273	189,444
Less: Amount due within one year shown under current liabilities	(192,273)	(189,444)
Amount shown under non-current liabilities	–	–

The interest rates of the Group's floating rate borrowings are based on Hong Kong Interbank Offered Rate and RMB Benchmark Loan Rates issued by the People's Bank of China. Interest is reset every year.

16. PLEDGE OF ASSETS

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

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Property, plant and equipment	39,269	40,723
Right-of-use assets	23,118	23,442
Mining right	9,957	10,491
	72,344	74,656

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

17. CAPITAL COMMITMENTS

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Capital expenditure in respect of:		
– acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	31,794	6,752

18. RELATED PARTY DISCLOSURES

(a) Related party transactions and balances

During the period, there was no material transaction occurred between the Group and any related party.

Details of the balances with related parties as at 30 June 2023 and 31 December 2022 are set out in the condensed consolidated statement of financial position and in note 13.

In addition, certain of the Group's bank borrowing as set out in note 15 as at 30 June 2023 and 31 December 2022 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Fees, salaries and other allowances	4,103	3,113
Retirement benefit scheme contributions	181	109
	4,284	3,222

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