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Wanguo Gold Group Limited
萬國黃金集團有限公司

(formerly known as Wanguo International Mining Group Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3939)

DISCLOSEABLE AND CONNECTED TRANSACTION

**ACQUISITION OF 20.22% INTEREST
IN THE TARGET COMPANY**

AND

ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 9 August 2024 (after trading hours), the Company entered into the Sale and Purchase Agreement with Golden Crane and Prominence Investment, pursuant to which, the Company has conditionally agreed to acquire and Golden Crane and Prominence Investment have conditionally agreed to sell the Sale Shares, representing 20.22% share capital of the Target Company, at a consideration of approximately HK\$732.6 million, which will be settled by the allotment and issue of the 90,227,200 Consideration Shares by the Company to the Vendors at the price of HK\$8.12 per Consideration Share.

Upon Completion, the Group will hold 98% share capital of the Target Company.

The 90,227,200 Consideration Shares represent approximately 10.9% of the issued share capital of the Company as at the date of this announcement and approximately 9.8% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement and the date of the allotment and issue of the Consideration Shares).

Specific Mandate

The Directors will seek a specific mandate from the Independent Shareholders for the allotment and issue of the Consideration Shares to the Vendors. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

LISTING RULES IMPLICATIONS

Discloseable Transaction

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

Connected Transaction

As at the date of this announcement, one of the Vendors, Golden Crane, being a substantial shareholder of the Target Company which is a subsidiary of the Company, is interested in 16.17% of the issued share capital of the Target Company, and Golden Crane is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate). An independent financial adviser, CMBC International Capital Limited, has been appointed to advise the Independent Board Committee and Independent Shareholders regarding, among other things, the terms of the Sales and Purchase Agreement and transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendations of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from an independent financial adviser in relation to the Acquisition; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules, will be dispatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. As additional time is required to prepare the circular, the circular is expected to be dispatched by the Company to the Shareholders by 30 September 2024.

Completion of the Acquisition is conditional upon the fulfilment of the conditions set out under the paragraph headed "Conditions precedent" in this announcement, which may or may not be fulfilled. Accordingly, the Acquisition and the issue of the Consideration Shares may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 9 August 2024 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which, the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing 20.22% share capital of the Target Company, at a consideration of approximately HK\$732.6 million, which will be settled by the allotment and issue of the 90,227,200 Consideration Shares by the Company to the Vendors at the price of HK\$8.12 per Consideration Share.

Principal terms of the Sale and Purchase Agreement are set out as follows:

SALE AND PURCHASE AGREEMENT

Date

9 August 2024

Parties

- (i) the Company, as purchaser; and
- (ii) Golden Crane and Prominence Investment, collectively as the Vendors.

Subject matter to be acquired

The Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing 20.22% share capital of the Target Company, at a consideration of approximately HK\$732.6 million. The below table summarizes the Sale Shares to be sold by the Vendors and Consideration Shares to be issued by the Company.

Vendor	Number of Sale Shares	Consideration <i>Approximate</i> <i>(HK\$ million)</i>	Consideration Shares to be issued
Golden Crane	1,617	585.9	72,154,986
Prominence Investment	405	146.7	18,072,214
Total	2,022	732.6	90,227,200

The Company and the Vendors agree that neither the Vendors shall be obliged to sell any of the Sale Shares nor the Company shall be obliged to allot and issue any of the Consideration Shares unless the sale and purchase of the Sale Shares and the subscription of the Consideration Shares are completed simultaneously.

Consideration

The consideration for the Acquisition is approximately HK\$732.6 million, which will be settled by the allotment and issue of the 90,227,200 Consideration Shares by the Company to the Vendors at the price of HK\$8.12 per Consideration Share.

The consideration for the Acquisition has been arrived at after arm's length negotiations between the parties, having taken into account of, among other factors, (i) an average price to earning ratio of the Company of approximately 17.7 times computed based on the average closing price of HK\$7.88 per Share as quoted on the Stock Exchange for all trading days in the period from April 2024 to July 2024; and (ii) historical profit of the Target Company in the amount of approximately RMB186.1 million (equivalent to approximately HK\$204.8 million) for the year ended 31 December 2023.

Golden Crane acquired 1,617 shares of the Target Company at a consideration of AUD89,700,000 (equivalent to approximately HK\$457.5 million). Prominence Investment acquired 405 shares of the Target Company at a consideration of AUD22,400,000 (equivalent to approximately HK\$114.2 million).

The Consideration Shares

The 90,227,200 Consideration Shares represent approximately 10.9% of the issued share capital of the Company as at the date of this announcement and approximately 9.8% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement and the allotment and issue of the Consideration Shares).

The price of HK\$8.12 per Consideration Share represents:

- (i) a premium of approximately 8.0% to the closing price per Share of HK\$7.52 as quoted on the Stock Exchange on 9 August 2024, being the date of the Sale and Purchase Agreement; and
- (ii) a premium of approximately 12.6% to the average closing price per Share of HK\$7.214 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Sale and Purchase Agreement.

The price was determined on an arm's length basis between the Company and the Vendors and was arrived with reference to the closing prices of the Share as quoted on the Stock Exchange for all trading days in the period from April 2024 to July 2024. The Directors (excluding the independent non-executive Directors, who shall provide their views after taking into account of the advice of the independent financial adviser) consider that the issue price is fair and reasonable.

Conditions precedent

The Completion is conditional upon fulfilment or, where applicable, waiver of the following conditions:

- (i) the relevant transactions under the Sale and Purchase Agreement, including but not limited to, the issue of the Consideration Shares, having been approved by the Independent Shareholders of the Company at the EGM in accordance with the requirements of the Listing Rules;
- (ii) the approval for the listing of, and permission to deal in, the Consideration Shares by the Listing Committee of Stock Exchange having been obtained by the Company, and such approval not having been revoked or withdrawn prior to the date of Completion;
- (iii) the subscription of the Consideration Shares by the Vendors being completed simultaneously;
- (iv) each of the representations, warranties and/or undertakings contained in or referred to or as set out in the Sale and Purchase Agreement is true, accurate and not misleading in all respects; and
- (v) all necessary consents from any relevant governmental or regulatory authorities or other relevant third parties in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained.

If any of the conditions set out above has not been satisfied or waived by the Company (other than conditions (i), (ii) and (v) which may not be waived and save for conditions (iii) and (iv) which shall be satisfied up to Completion) on or before 31 October 2024 or such other date as the parties may agree, the Sale and Purchase Agreement will be terminated unless the parties otherwise agree.

Completion

Completion shall take place on the date that is the fifth Business Day after the day on which the conditions precedent of the Sale and Purchase Agreement have been satisfied or waived or such other day as the parties may agree.

Upon Completion, the Group will hold 98% share capital of the Target Company.

Lock-up Arrangement

The Vendors agree that the Consideration Shares shall be subject to lock-up arrangement as follows:

Vendor	Number of Consideration Shares locked-up in the first year from the date of Completion	Number of Consideration Shares continued to be locked-up in the second year from the date of Completion
Golden Crane	48,000,000	24,000,000
Prominence Investment	12,000,000	6,000,000
Total	60,000,000	30,000,000

EFFECT OF THE CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the Completion and the allotment and issue of the Consideration Shares in full as contemplated under the Acquisition (assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement and the allotment and issue of the Consideration Shares):

Shareholders	As at the date of this announcement		Immediately after Completion and the allotment and issue of the Consideration Shares in full	
	Number of Shares	Approximate % ⁽¹⁾	Number of Shares	Approximate % ⁽¹⁾
Golden Crane	–	–	72,154,986	7.8
Prominence Investment	–	–	18,072,214	2.0
Victor Soar Investments Limited	281,400,000	34.0	281,400,000	30.7
Achieve Ample Investments Limited	138,600,000	16.7	138,600,000	15.1
Shandong Humon Mining Development Limited	172,814,000	20.9	172,814,000	18.8
Public shareholders	235,186,000	28.4	235,186,000	25.6
Total	<u>828,000,000</u>	<u>100.0</u>	<u>918,227,200</u>	<u>100.0</u>

Notes:

1. The percentage figures included in this table are subject to rounding adjustment.

GENERAL INFORMATION OF THE PARTIES

Information of the Company

The Company is a company incorporated in Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange of Hong Kong Limited (stock code: 3939) and is an investment holding company whose subsidiaries are principally engaged in the business of mining, ore processing and sale of concentrates products in the PRC and Solomon Islands.

Information of the Vendors

Golden Crane is a company incorporated under the laws of British Virgin Islands. It principally engages in the business of investment holding. The ultimate beneficial owners of Golden Crane is Mr. He Guangping. Golden Crane, being a substantial shareholder of the Target Company which is a subsidiary of the Company, is interested in 16.17% of the issued share capital of the Target Company, and is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

Prominence Investment is also a company incorporated under the laws of British Virgin Islands. It principally engages in the business of investment holding. The ultimate beneficial owners of Prominence Investment are Ms. Wei Jiaming and Mr. Wu Zhengxi. Prominence Investment is interested in 4.05% of the issued capital of the Target Company. Each of Ms. Wei and Mr. Wu is an Independent Third Party.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Western Australia which holds 90% equity interest of Australian Solomons Gold Pty Ltd (“ASG”), a company incorporated in Queensland, Australia, and is engaged in investment holding. The Target Company is a subsidiary of the Company.

ASG, incorporated in Queensland, Australia, is an investment holding company which through its subsidiary ASG Solomon Islands Ltd together with ASG owns a 100% attributable interest of Gold Ridge Mining Limited (“GRML”), a company incorporated in Solomon Islands. GRML owns the mining license and the exploration license in respect of Gold Ridge Project on Guadalcanal in the Solomon Islands. 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 Group has commenced the trial production since November 2022. Products of the Gold Ridge Project include gold doré and gold concentrates.

The following table sets out the financial information of the Target Group prepared based on its accounts for the two years ended 31 December 2022 and 2023 respectively:

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Net (loss)/profit before and after taxation and extraordinary items	(35,609) (equivalent to approximately HK\$(39,170))	186,144 (equivalent to approximately HK\$204,758)

As at 31 December 2023, the audited net asset value of the Target Group was approximately RMB498.9 million (equivalent to approximately HK\$548.8 million).

REASONS FOR THE ACQUISITION

The Company is an investment holding company whose subsidiaries are principally engaged in the business of mining, ore processing and sale of concentrates products in the PRC and Solomon Islands.

As disclosed in the prospectus of the Company dated 28 June 2012, one of the growth strategies of the Group is to expand its mineral resources and ore reserves through acquisition of new mines. The Board believes that the Gold Ridge Project would continue to contribute sales revenue and profits to the Group. Unlike most other commodities, gold has been a stable performer in recent years, which is expected to enhance the stability of the Group's income in the future under impact of economy fluctuation. The Group developed the gold mine ("**Gold Ridge Mine**") which has been in trial production since November 2022. Gold Ridge Mine produces gold doré and gold concentrates. Flotation concentrate production has been steadily ramping up towards its design capacity during this trial production phase. Plant modification and upgrade continued to improve the metallurgical recovery. Installation of additional crushing, grinding and Knelson gravity circuits is expected to complete by October 2024. Construction of the tailings dry stack facility is progressing well, with the first phase completed and operational in 2023, and the second phase expected to be completed in 2024.

For the year ended 31 December 2023, sale of gold doré and gold concentrates have already accounted for more than 50% of the Group's revenue and gross profit. As the exploration programs continue to progress and production process continue to improve at the Gold Ridge Mine, the Group expects gold mining and processing will become the major revenue and profit contributor of the Group in the near future. The Board is therefore of the view that the Acquisition aligns with the Group's development strategy.

As at the date of this announcement, the Group owns 70% attributable interest of GRML. The Group will increase to approximately 88.2% attributable interest of GRML upon completion of the Acquisition.

After considering the above factors, the Directors (excluding the independent non-executive Directors, who shall provide their views after taking into account of the advice of the independent financial adviser) are of the view that the transactions contemplated under the Sale and Purchase Agreement are on normal commercial terms that are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

THE SPECIFIC MANDATE

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued on Completion, will rank pari passu in all respects with the existing Shares in issue.

LISTING RULES IMPLICATIONS

Discloseable Transaction

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

Connected Transaction

As at the date of this announcement, one of the Vendors, Golden Crane, being a substantial shareholder of the Target Company which is a subsidiary of the Company, is interested in approximately 16.17% of the issued share capital of the Target Company, Golden Crane is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

No Director has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolutions in relation to the aforesaid matters. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) approving the aforesaid matters.

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

The Independent Board Committee, comprising Mr. Tsang Wai Hung, Mr. Wong Chi Ming Ming and Mr. Wang Xin, has been established to advise the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

An independent financial adviser, CMBC International Capital Limited, has been appointed to advise the Independent Board Committee and Independent Shareholders regarding, among other things, the terms of the Sales and Purchase Agreement and transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendations of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from an independent financial adviser in relation to the Acquisition; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules, will be dispatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. As additional time is required to prepare the circular, the circular is expected to be dispatched by the Company to the Shareholders by 30 September 2024.

Completion of the Acquisition is conditional upon the fulfilment of the conditions set out under the paragraph headed “Conditions precedent” in this announcement, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendors pursuant to the terms and conditions set out in the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“AUD”	Australian dollars, the lawful currency of Australia
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and a Sunday) on which banks in Hong Kong are normally open for banking business to the public
“Company”	Wanguo Gold Group Limited (萬國黃金集團有限公司), formerly known as (Wanguo International Mining Group Limited (萬國國際礦業集團有限公司)), a company incorporated under the laws of the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	new Shares to be allotted and issued by the Company to the Vendors
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Golden Crane”	Golden Crane Holdings Limited, a company incorporated under the laws of British Virgin Islands, holding 1,617 shares of the Target Company
“Gold Ridge Project”	the project concerning the exploitation and operations of the gold mine located on the island of Guadalcanal, the central island of the Solomon Islands, approximately 30 km south-east of the capital city Honiara in Solomon Islands
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Tsang Wai Hung, Mr. Wong Chi Ming Ming, Mr. Wang Xin, which has been established to make recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Shareholders”	Shareholders who are not required to abstain under the Listing Rules from voting at the EGM for the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Third Part(ies)”	third part(ies) independent of and not connected with the Company and its subsidiaries and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Prominence Investment”	Prominence Investment Holding Company Limited, a company incorporated in British Virgin Islands, holding 405 shares of the Target Company

“Sale and Purchase Agreement”	the sale and purchase agreement dated 9 August 2024 and entered into between the Company and Golden Crane and Prominence Investment respectively in relation to the Acquisition
“Sale Shares”	2,022 shares of the Target Company (comprising 1,617 shares held by Golden Crane and 405 shares held by Prominence Investment), representing 20.22% of the issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the EGM to allot and issue the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	AXF Gold Ridge Pty Ltd, a company incorporated under the laws of the Western Australia with limited liability
“Vendors”	collectively represent both Golden Crane and Prominence Investment
“%”	per cent.

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB1: HK\$1.1; and AUD is converted into HK\$ at the rate of AUD1: HK\$5.1. No representation is made that any amounts in RMB or AUD has been or could be converted at the above rates or at any other rates.

By Order of the Board
Wanguo Gold Group Limited
Gao Mingqing
Chairman

Hong Kong, 9 August 2024

As at the date of this announcement, the Board comprises Mr. Gao Mingqing (Chairman), Mr. Li Feilong, Mr. Liu Zhichun, Mr. Wang Renxiang and Ms. Wang Nan as executive directors; and Mr. Tsang Wai Hung, Mr. Wong Chi Ming Ming and Mr. Wang Xin as independent non-executive directors.