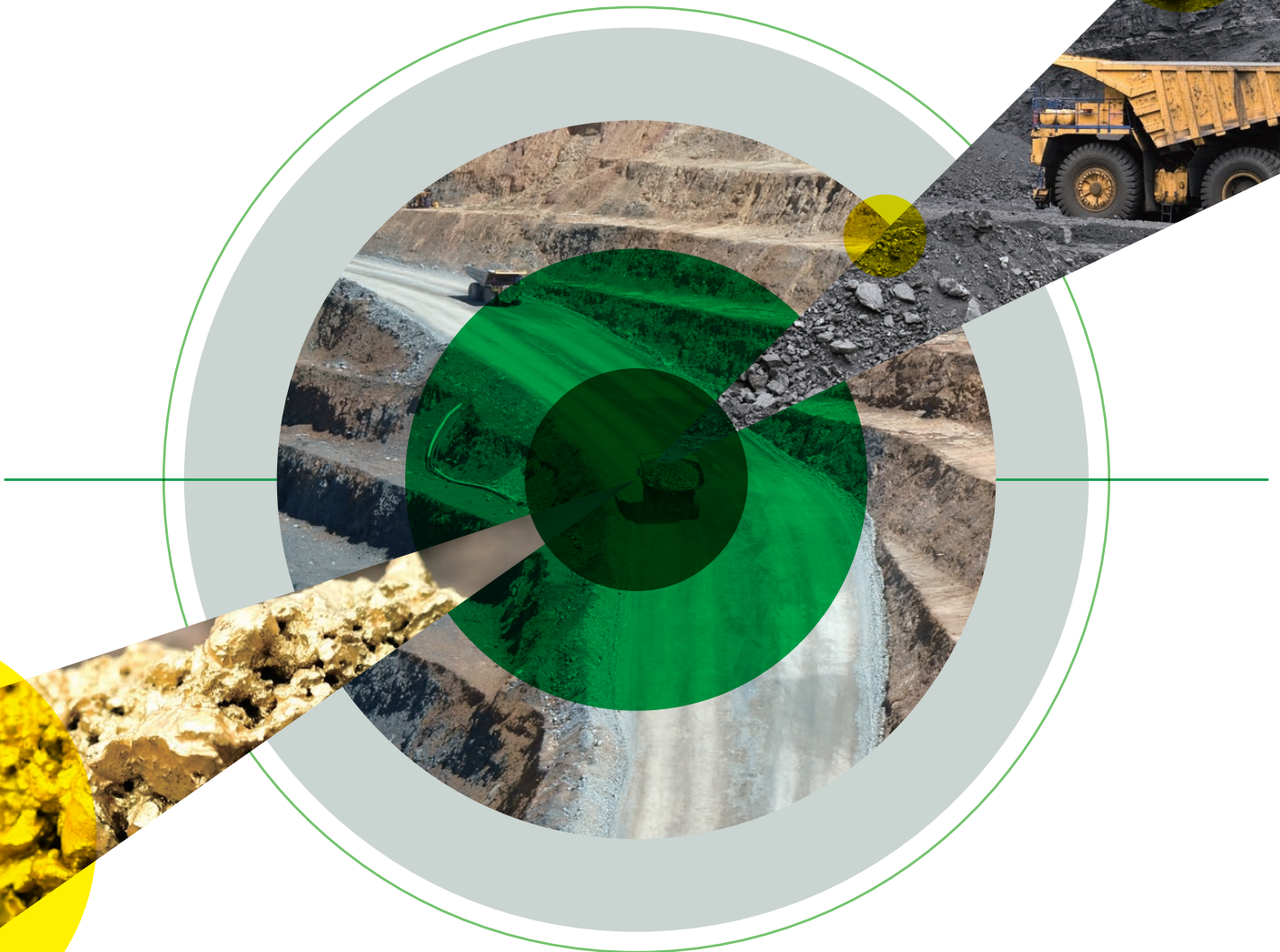




Wanguo International Mining Group Limited
萬國國際礦業集團有限公司

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

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




INTERIM REPORT
2020



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Corporate Information

DIRECTORS

Executive Directors:

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

Non-executive Directors:

Li Kwok Ping
Lee Hung Yuen
Iu Ching (resigned on 21 January 2020)

Independent non-executive Directors:

Lu Jian Zhong
Qi Yang
Shen Peng
Wang Xin (appointed on 2 January 2020)

AUDIT COMMITTEE

Shen Peng (*Chairman*)
Qi Yang
Lu Jian Zhong
Wang Xin (appointed on 2 January 2020)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Shen Peng (*Chairman*)
Qi Yang
Gao Jinzhu

COMPANY SECRETARY

Wong Chi Wah (*HKICPA, FCCA*)

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Xinzhuang Township Yifeng County
Jiangxi Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

3rd Floor, Queensgate House
113 South Church Street
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Cayman Islands

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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Cricket Square Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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AUDITOR

Crowe (HK) CPA Limited
Certified Public Accountants
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LEGAL ADVISER

as to Hong Kong Law
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PRINCIPAL BANKER

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

STOCK CODE

3939

COMPANY WEBSITE

www.wgmine.com

Management Discussion and Analysis

BUSINESS REVIEW

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

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

In addition, we also own 51% attributable interest of Xizang Changdu County Dadi Mining Company Limited (“**Xizang Changdu**”), which in turn owns the lead mine in Walege of Changdu Country, the PRC (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. On 30 April 2020, the Group has completed the acquisition of 77.78% equity interest of AXF Gold Ridge Pty Limited (“**AXF Gold Ridge**”), which in turn owns 90% interest of a gold mine located in the Solomon Islands (the “**Gold Ridge Mine**”). The Gold Ridge Mine has substantial reserves of gold, which is expected to be further exploited and the processing plant will be renovated, it would therefore contribute revenue and profits to the Group.

Operating performance

The following table sets forth the volume of respective products sold at the Xinzhuang Mine during the six months ended 30 June 2020 compared to the corresponding period in 2019.

	Six months ended 30 June		Changes (approximate %)
	2020 Volume (tonnes)	2019 Volume (tonnes)	
Copper in copper concentrates	1,491	1,443	3.3
Zinc in zinc concentrates	1,968	1,755	12.1
Iron concentrates	44,231	49,683	(11.0)
Sulfur concentrates	72,937	66,645	9.4
Lead in lead concentrates	318	225	41.3
Gold in concentrates (kg)	65	37	75.7
Silver in concentrates (kg)	2,818	2,667	5.7
Copper in concentrates (kg)	108	99	9.1

The following table sets forth the volume of ores mined and processed at our Xinzhuang Mine during the six months ended 30 June 2020 and 2019 respectively.

	Six months ended 30 June		Changes (approximate %)
	2020 Volume (tonnes)	2019 Volume (tonnes)	
Volume of ores mined	384,231	346,146	11.0
Volume of ores processed	375,667	342,223	9.8

The increase in volume of ore mined, processed and concentrates sold during the six months ended 30 June 2020 compared with the corresponding period in 2019 was mainly attributable to an increase in volume of concentrates produced by the Group following the completion of upgrading works in processing plant in 2019.

Management Discussion and Analysis

EXPANSION IN EXISTING MINES

Xinzhuang Mine

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

Yifeng Wanguo entered into an agreement with China Nerin Engineering Co., Ltd (中國瑞林工程技術有限公司) (“**Nerin**”) for conducting a feasibility study on an expansion plan of our Xinzhuang Mine to 900,000 tpa. Nerin has provided the preliminary draft of the feasibility study report to the Group by end of 2019. Due to outbreak of the coronavirus disease (“**COVID-19**”) in the first half of 2020, the Group has temporarily postponed the expansion plan.

Walege Mine

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

In September 2019, the Evaluation Centre completed evaluation of the exploration report and issued a review opinion for the registration of mineral resource reserves and the verification of the mineral ore-body resources. Due to outbreak of COVID-19, the Group has suspended to proceed with the design and feasibility study of the Walege Mine in the first quarter of 2020. The Group has resumed the work in the second quarter of 2020 and a technical consultancy contract for the development plan has been executed.

HORIZONTAL EXPANSION

Acquisition of the majority shareholding in AXF Gold Ridge Pty Ltd in which indirectly owns a gold mine in Solomon Islands

On 16 July 2017, the Company entered into the share sales and purchase agreement (the “**S&P Agreement**”) with AXF Resources Pty Limited (“**AXF Resources**”) pursuant to which the Company has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of, 611 shares out of 1,000 shares in AXF Gold Ridge (representing 61.1% equity interest of AXF Gold Ridge) in consideration of AUD58.35 million. Pursuant to the terms of the S&P Agreement, the Company has agreed an estimated maximum commitment of AUD50 million for the reconstruction works and all administration and maintenance costs associated with the project of the exploitation and operations of the gold mine contemplated under the S&P Agreement (the “**AM Costs**”). Hence, the total amount of commitment by the Company for the acquisition as well as the reconstruction works and the AM Costs is AUD108.35 million.

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

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

Management Discussion and Analysis

On 24 April 2020, the Company and AXF Resources entered into an amendment agreement to the S&P Agreement, pursuant to which, amongst other things, the consideration for the acquisition has been adjusted to AUD39.215 million (including the AUD17.110 million that has already been paid for the reconstruction works) and that the Company's obligations for the reconstruction works and for entering into the Put Option Agreement to acquire the remaining interest in AXF Gold Ridge has ceased.

On 30 April 2020, the aforesaid acquisition has been completed. AXF Gold Ridge becomes an indirect non-wholly owned subsidiary of the Company with 77.78% equity interest owned by the Group. Please refer to the Company's announcements dated 30 April 2020 and 21 May 2020 for details. For additional information in respect of the project concerning the development and operation of the Gold Ridge Mine, please refer to the Company's announcement dated 18 August 2020.

FINANCIAL REVIEW

	Six months ended 30 June			2019 Total RMB'000 (unaudited)
	Concentrated products (own mined) RMB'000 (unaudited)	Trading of electrolytic copper and other concentrates (sourced outside) RMB'000 (unaudited)	2020 Total RMB'000 (unaudited)	
Revenue	125,375	76,913	202,288	118,909
Cost of sales	(83,385)	(76,834)	(160,219)	(80,215)
Gross profit	41,990	79	42,069	38,694
Gross profit margin	33.5%	0.1%	20.8%	32.5%

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

The Group's overall revenue increased by approximately 70.1% from approximately RMB118.9 million for the six months ended 30 June 2019 to approximately RMB202.3 million for the six months ended 30 June 2020. Our cost of sales increased by approximately 99.8% from approximately RMB80.2 million for the six months ended 30 June 2019 to approximately RMB160.2 million for the six months ended 30 June 2020.

The overall gross profit of the Group increased by approximately 8.8% from approximately RMB38.7 million for the six months ended 30 June 2019 to approximately RMB42.1 million for the six months ended 30 June 2020. Gross profit margin decreased from approximately 32.5% for the six months ended 30 June 2019 to approximately 20.8% for the six months ended 30 June 2020.

(i) Concentrated products (own mined)

Revenue from sales of concentrates products increased by approximately 5.5% from approximately RMB118.9 million for the six months ended 30 June 2019 to approximately RMB125.4 million for the six months ended 30 June 2020.

For the six months ended 30 June 2020, we sold 1,491 tonnes of copper in copper concentrates, 1,968 tonnes of zinc in zinc concentrates and 44,231 tonnes of iron concentrates, compared to 1,443 tonnes, 1,755 tonnes and 49,683 tonnes respectively for the six months ended 30 June 2019, representing increases of approximately 3.3% and 12.1% for copper in copper concentrates and zinc in zinc concentrates which were principally attributable to the completion of technical transformation conducted in processing plant, and decrease of 11.0% in iron concentrates due to decrease in metal contained in magnetic iron within iron-copper core.

Management Discussion and Analysis

The average prices of copper in copper concentrates, zinc in zinc concentrates and iron concentrates for the six months ended 30 June 2020 were RMB32,816, RMB9,238 and RMB515 per tonne respectively, compared to RMB35,236, RMB11,198 and RMB496 per tonne respectively for the six months ended 30 June 2019, representing decreases of approximately 6.9%, 17.5% and increase of 3.8% respectively. During the six months ended 30 June 2020, most of the metal prices have dropped. Our Directors believe that such decreases were mainly due to shrinking demand under the outbreak of COVID-19 in the first half of 2020.

The cost of sales of concentrates products increased by approximately 4.0% from approximately RMB80.2 million for the six months ended 30 June 2019 to approximately RMB83.4 million for the six months ended 30 June 2020, such increase was mainly driven by the corresponding increase in revenue.

The gross profit of concentrates products for the six months ended 30 June 2020 was approximately RMB42.0 million, which represented an increase of approximately 8.5% compared to approximately RMB38.7 million for the six months ended 30 June 2019. The gross profit margin increased from approximately 32.5% for the six months ended 30 June 2019 to approximately 33.5% for the six months ended 30 June 2020. Such increase was mainly attributable to an increased grading of the ore mined, as well as decrease in mining costs by contractor under the COVID-19 incident.

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

Starting from November 2019, the Group set up a branch for trading of electrolytic copper and other concentrates. Revenue from trading of electrolytic copper and other concentrates for the six months ended 30 June 2020 was approximately RMB76.9 million.

Other income

Our other income comprised mainly bank interest income of approximately RMB0.1 million, incentives received from a local governmental authority of approximately RMB0.8 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 2020. Other income increased by approximately RMB0.3 million compared with the corresponding period in 2019, which was attributable to the increase in incentives received from a local governmental authority.

Other gains and losses

Our other gains and losses increased by approximately RMB1.2 million, which comprised mainly gain on disposal of property, plant and equipment of approximately RMB0.1 million and unrealised exchange gain of approximately RMB1.3 million for the six months ended 30 June 2020 as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi, whereas for the six months ended 30 June 2019, loss on disposal of property, plant and equipment of approximately RMB0.1 million and unrealised exchange gain of approximately RMB0.3 million was incurred from the depreciation of Renminbi against Hong Kong dollars.

Distribution and selling expenses

Our distribution and selling expenses decreased by approximately 38.5% from approximately RMB1.3 million for the six months ended 30 June 2019 to approximately RMB0.8 million for the six months ended 30 June 2020. The decrease was mainly attributable to the decrease in the railway and transportation fees as result of increase in the number of nearby customers.

Administrative expenses

Our administrative expenses increased by approximately 0.5% from approximately RMB22.1 million for the six months ended 30 June 2019 to approximately RMB22.2 million for the six months ended 30 June 2020. Our administrative expenses were comparable in the two periods.

Finance costs

Our finance costs decreased by approximately 55.0% from approximately RMB6.0 million for the six months ended 30 June 2019 to approximately RMB2.7 million for the six months ended 30 June 2020, primarily due to the decrease in bank loan interest expenses and imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary.

Income tax expense

Our income tax expense was approximately RMB3.6 million for the six months ended 30 June 2020, consisting of PRC corporate income tax payable of approximately RMB2.6 million and withholding tax payable of approximately RMB1.0 million. Our income tax expense was approximately RMB0.6 million for the six months ended 30 June 2019, consisting of PRC corporate income tax payable of approximately RMB0.4 million and withholding tax payable of approximately RMB0.2 million.

The increase in our income tax expense for the six months ended 30 June 2020 was primarily due to the increase in the PRC corporate income tax expenses as a result of increase in operating profit.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation increased by approximately 52.9% or approximately RMB5.4 million, from approximately RMB10.2 million for the six months ended 30 June 2019 to approximately RMB15.6 million for the six months ended 30 June 2020. Our net profit margin decreased from approximately 8.6% for the six months ended 30 June 2019 to approximately 7.7% for the six months ended 30 June 2020 mainly as a result of the increase in income tax expense.

Profit and total comprehensive income attributable to owners of our Company

Profit and total comprehensive income attributable to owners of our Company increased by approximately 52.4% or approximately RMB5.5 million, from approximately RMB10.5 million for the six months ended 30 June 2019 to approximately RMB16.0 million for the six months ended 30 June 2020.

Liquidity and financial resources

During the six months ended 30 June 2020, the Group's net cash from operating activities was approximately RMB16.1 million (net cash from operating activities for the six months ended 30 June 2019: RMB29.1 million) and the Group's bank balances and cash was approximately RMB25.0 million as at 30 June 2020 (as at 31 December 2019: RMB4.7 million). Included in bank balances and cash, approximately RMB1.4 million (as at 31 December 2019: RMB1.1 million) were denominated in Hong Kong dollars, Australian dollars and US dollars. Such increase was mainly attributable to the increase in bank loans.

Gearing ratio

The Group had a gearing ratio of approximately 12.2% (representing total bank and other borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2020. The gearing ratio was approximately 8.7% as at 31 December 2019. The increase in gearing ratio was mainly attributable to the increase in bank borrowings of approximately RMB60.0 million.

Bank and other borrowings

As at 30 June 2020, the Group had secured bank borrowings of approximately RMB83.7 million and unsecured other borrowings of approximately RMB26.0 million in aggregate with maturity from one year to eight years and effective interest rate of approximately 5.85%.

Management Discussion and Analysis

Capital expenditure

Capital expenditure mainly includes purchase of mining equipment, construction of mining structures at the Xinzhuang Mine, deposit paid for acquisition of a subsidiary as well as payment for exploration and evaluation assets. For the six months ended 30 June 2020, capital expenditure of approximately RMB38.3 million has been incurred (for the six months ended 30 June 2019: RMB43.0 million).

Contractual obligations and capital commitment

As at 30 June 2020, the Group's capital commitment amounted to approximately RMB32.3 million, representing a decrease of approximately RMB248.0 million as compared to approximately RMB280.3 million as at 31 December 2019, which was primarily due to the waiver of the Company's obligations for commitments in respect of the acquisition of AXF Gold Ridge.

Contingent liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities or guarantees.

Material acquisition and disposal of subsidiaries, associates and joint ventures

On 30 April 2020, the Group has completed the acquisition of AXF Gold Ridge, which becomes an indirect non-wholly owned subsidiary of the Company with 77.78% equity interest owned by the Group.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

Significant investments and future plan for material investments or capital assets

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

Charge on group assets

As at 30 June 2020, the Group's right-of-use assets, mining rights and buildings with carrying value of approximately RMB82.5 million (as at 31 December 2019: RMB71.4 million of right-of-use assets and buildings) were pledged to secure the Group's bank borrowings and facilities. Details have been set out in note 17 to the condensed consolidated financial statements.

Exposure to fluctuations in exchange rates

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

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the reporting period, the Group had no material adverse exposure to foreign exchange fluctuations during the six months ended 30 June 2020.

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.

SHARE OPTION SCHEME

During the six months ended 30 June 2020, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the share option scheme.

HUMAN RESOURCES

As at 30 June 2020, the Group employed approximately 350 employees. Remuneration is determined and reviewed based on fair principles with reference to market conditions and individual performances.

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

PROSPECT

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

Growing production at our mine and outsourcing our mining works

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

Horizontal expansion through future acquisitions of new mines

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

OUTLOOK

It is expected that COVID-19 will become under control in the second half of 2020 in China, coupled with the acceleration of China's infrastructure construction, would result in recovery of metal demands. However, due to adverse impacts in the supply chain, global industrial production still needs time to return to pre-epidemic levels. On the other hand, affected by investors' demand for hedging, the central bank's quantitative easing policy and the outbreak of COVID-19, gold has become a "sweet pastry" in the eyes of investors. The market generally expects that in the second half of this year, gold will continue to maintain an overall bull market. The Group therefore will speed up the reconstruction and development of the Gold Ridge Mine in order to contribute revenue and profits to the Group.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Xinzhuang Mine

Mineral exploration

During the six months ended 30 June 2020, the exploration activities in the Xinzhuang Mine was within 4-29 exploration line. We have completed underground geological drilling of 9,470 m, with drill size of 60-108 mm for the six months ended 30 June 2020. For the six months ended 30 June 2020, we have also finished tunnel drilling of 312 m and completed adit mapping of 1,321 m.

For the six months ended 30 June 2020, no expenditure of mineral exploration was incurred.

Management Discussion and Analysis

Development

During the six months ended 30 June 2020, the Group incurred development expenditure of approximately RMB14.3 million.

Detailed breakdown of development expenditure is as follows:

	RMB' (million)
Mining structures	5.7
Machinery and electronic equipment for process plants	6.5
Motor vehicles	2.1
	14.3

Mining activities

During the six months ended 30 June 2020, we processed a total of 375,667 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 2020.

Type of concentrates sold	Volume
Copper in copper concentrates	1,491 tonnes
Iron concentrates	44,231 tonnes
Zinc in zinc concentrates	1,968 tonnes
Sulfur concentrates	72,937 tonnes
Lead in lead concentrates	318 tonnes
Gold in copper concentrates	32 kg
Silver in copper concentrates	1,315 kg
Gold in zinc concentrates	4 kg
Silver in zinc concentrates	247 kg
Gold in lead concentrates	29 kg
Sliver in lead concentrates	1,256 kg
Copper in lead concentrates	108 kg

During the six months ended 30 June 2020, the Group incurred expenditures for mining and processing activities of RMB45.5 million (30 June 2019: RMB45.7 million) and RMB24.2 million (30 June 2019: RMB22.2 million) respectively. The unit expenditures for mining and processing activities for the six months ended 30 June 2020 were RMB118.4/t (30 June 2019: RMB132.1/t) and RMB64.4/t (30 June 2019: RMB64.9/t) respectively.

Walege Mine

We own 51% attributable interest of Xizang Changdu which in turn owns the Walege Mine in which we may further exploit for open-pit and underground mining. The Walege Mine has a significant volume of mineral resources of lead and silver. Xizang Changdu currently owns an exploration license and the Group intended to proceed with the application for the mining license in 2020. However, due to the outbreak of COVID-19, the application progress has been temporarily suspended in the first quarter of 2020.

Mineral exploration

All the field exploration work has been completed before 2017. No exploration was conducted during the six months ended 30 June 2020.



Management Discussion and Analysis

Development

During the six months ended 30 June 2020, the Group incurred development expenditure of approximately RMB0.7 million in respect of conversion exploration license to mining license. A technical consultancy contract has been executed for the purpose of design and development of the Walege Mine.

Mining activities

Since the Walege Mine is still in development stage, no mining activities has incurred for the six months ended 30 June 2020.

Gold Ridge Mine

The Group (through the holding of 77.78% equity interest in AXF Gold Ridge) owns 70% attributable interest of Gold Ridge Mining Limited (“GRML”) which in turn owns the Gold Ridge Mine. The Gold Ridge Mine is currently under reconstruction, which aims to commence production of gold concentrate in the second half of 2021. GRML has full mining lease which is valid until 2034 with a right of renewal for additional successive terms up to 10 years.

Mineral exploration

In order to upgrade and increase mineral resources as well as undertake metallurgical recovery optimization tests, the Gold Ridge Mine has performed 4 diamond drill holes (“DDH”) with drilling hole diameter of 75.7mm-122.6mm, totaling 710 meters drilled.

Development

During the six months ended 30 June 2020, the Group incurred mainly development expenditure of approximately RMB13.9 million for tidy up the mining area for the preparation of recommissioning.

Mining activities

Since the Gold Ridge Mine is still in pre-commissioning stage, no mining activities have incurred for the six months ended 30 June 2020.

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance and has complied with all material code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the six months ended 30 June 2020, except for the deviation from code provision A.2.1 of the CG Code in respect of segregation of the roles of chairman and chief executive officer as mentioned below.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the “**Code of Conduct**”) regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all Directors have confirmed that they had complied with the Model Code and the required standard set out in the Code of Conduct during the six months ended 30 June 2020.

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 2020.

CHANGE IN DIRECTORS’ BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

On 30 June 2020, Mr. Wang Xin retired from the office of independent director of Fujian Minfa Aluminum Co., Ltd (福建省閩發鋁業股份有限公司), a company listed on Shenzhen Stock Exchange with stock code: 002578.

Save as disclosed above, there is no other change in the Directors’ biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2019 annual report of the Company up to the date of this interim report.

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 2020.

REVIEW OF ACCOUNTS BY THE AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) comprises four independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jian Zhong and Mr. 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 2020 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.

SHARE OPTION SCHEME

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

1. Purpose of the Share Option Scheme

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

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

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

3. Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as of the Listing Date (i.e. 10 July 2012), which is 60,000,000 Shares, being approximately 8.33% of the issued share capital of the Company as at the date of this interim report. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the Shareholders’ approval in general meeting.

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

4. Maximum entitlement of each participant

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

5. Offer period and amount payable for options

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

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

Other Information

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

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

- i. up to 25% of the option granted from the first anniversary of date of grant of the option
- ii. up to 50% of the option granted from the second anniversary date of grant of the option
- iii. up to 75% of the option granted from the third anniversary date of grant of the option
- iv. up to 100% of the option granted from the fourth anniversary date of grant of the option

7. Basis of determining the exercise price

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

8. Remaining Life of the Share Option Scheme

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

During the six months ended 30 June 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2020, 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⁾	39.08%
Ms. Gao Jinzhu	Interest in controlled corporation	138,600,000 ⁽²⁾	19.25%

Notes:

1. The 281,400,000 Shares were owned by Victor Soar Investments Limited which is wholly owned and controlled by Mr. Gao Mingqing.
2. The 138,600,000 Shares were owned by Achieve Ample Investments Limited which is wholly owned and controlled by Ms. Gao Jinzhu.

Save as disclosed above, as at 30 June 2020, 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 Hong Kong 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 2020, 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	Beneficial owner	281,400,000 ⁽¹⁾	39.08%
Ms. Lin Yinyin	Interest of spouse	281,400,000 ⁽²⁾	39.08%
Achieve Ample Investments Limited	Beneficial owner	138,600,000 ⁽³⁾	19.25%
Mr. Wang Weimian	Interest of spouse	138,600,000 ⁽⁴⁾	19.25%
Cheng Tun Prime Shine Limited	Beneficial owner	120,000,000 ⁽⁵⁾	16.67%
Shenzhen Chengtun Equity Investments Company Limited	Interest in controlled corporation	120,000,000 ⁽⁵⁾	16.67%
Haitong International Financial Solutions Limited	Security interest	450,000,000 ⁽⁶⁾	62.50%
Haitong International Securities Group Limited	Interest in controlled corporation	450,000,000 ⁽⁶⁾	62.50%
Haitong International Holdings Limited	Interest in controlled corporation	450,000,000 ⁽⁶⁾	62.50%
Haitong Securities Co., Ltd.	Interest in controlled corporation	450,000,000 ⁽⁶⁾	62.50%

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.
- Cheng Tun Prime Shine Limited is a wholly-owned subsidiary of Shenzhen Chengtun Equity Investments Company Limited (深圳盛屯股權投資有限公司), which in turn is wholly-owned by Chengtun Mining Group Co., Ltd., a company listed on Shanghai Stock Exchange with stock code: 600711.
- Haitong International Financial Solutions Limited is indirectly owned by Haitong International Securities Group Limited which in turn is owned as to 62.43% by Haitong International Holdings Limited and is ultimately owned Haitong Securities Co., Ltd.

Other than as disclosed above, as at 30 June 2020, 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

Hong Kong, 25 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	202,288	118,909
Cost of sales		(160,219)	(80,215)
Gross profit		42,069	38,694
Other income		1,465	1,178
Other gains and losses		1,402	239
Distribution and selling expenses		(820)	(1,287)
Administrative expenses		(22,203)	(22,126)
Finance costs	4	(2,657)	(5,951)
Profit before tax		19,256	10,747
Income tax expense	5	(3,630)	(600)
Profit for the period	6	15,626	10,147
Other comprehensive income for the period which may be reclassified subsequently to profit or loss:			
– Exchange differences on translation from functional currency to presentation currency		(74)	23
Total comprehensive income for the period		15,552	10,170
Profit (loss) for the period attributable to:			
Owners of the company		16,111	10,441
Non-controlling interests		(485)	(294)
		15,626	10,147
Total comprehensive income (expense) for the period attributable to:			
Owners of the company		16,037	10,464
Non-controlling interests		(485)	(294)
		15,552	10,170
Earnings per share			
Basic (RMB cents)	7	2.2	1.5



Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	30.6.2020 RMB'000 (Unaudited)	31.12.2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	462,020	438,219
Right-of-use assets		58,122	58,965
Mining right		286,880	13,690
Exploration and evaluation assets	9	188,090	187,436
Other intangible asset		319,288	319,288
Development costs		4,206	4,249
Deposit for purchase of property, plant and equipment		2,187	725
Deposits for acquisitions	10	–	184,338
Deferred tax assets		3,901	3,897
Restricted bank balances		2,658	2,654
		1,327,352	1,213,461
CURRENT ASSETS			
Inventories		10,280	9,275
Trade and other receivables	11	34,858	36,086
Bank balances and cash		25,005	4,662
		70,143	50,023
CURRENT LIABILITIES			
Trade and other payables	12	95,095	98,693
Contract liabilities		63,330	57,262
Lease liabilities		359	330
Tax payable		1,205	7,823
Amounts due to related parties	13	42,286	37,977
Consideration payable to a former non-controlling shareholder of a subsidiary	14	33,284	32,806
Dividend payable		808	20,000
Bank borrowings	15	61,219	33,876
		297,586	288,767
NET CURRENT LIABILITIES		(227,443)	(238,744)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,099,909	974,717

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	30.6.2020 RMB'000 (Unaudited)	31.12.2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Consideration payable to a former non-controlling shareholder of a subsidiary	14	26,805	27,262
Bank borrowings	15	48,500	16,000
Lease liabilities		38	218
Deferred income		9,243	9,842
Deferred tax liabilities		85,095	85,142
Provisions		6,119	5,746
		175,800	144,210
CAPITAL AND RESERVES			
Share capital		58,882	58,882
Reserves		577,219	561,182
Equity attributable to owners of the Company		636,101	620,064
Non-controlling interests		288,008	210,443
TOTAL EQUITY		924,109	830,507
		1,099,909	974,717



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	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 2019 (audited)	58,882	213,956	71,005	152,844	1,287	86,751	584,725	210,576	795,301
Profit (loss) for the period	-	-	-	-	-	10,441	10,441	(294)	10,147
Other comprehensive income for the period	-	-	-	-	23	-	23	-	23
Total comprehensive income (expense) for the period	-	-	-	-	23	10,441	10,464	(294)	10,170
At 30 June 2019 (unaudited)	58,882	213,956	71,005	152,844	1,310	97,192	595,189	210,282	805,471
At 1 January 2020 (audited)	58,882	193,956	71,005	152,844	1,087	142,290	620,064	210,443	830,507
Profit (loss) for the period	-	-	-	-	-	16,111	16,111	(485)	15,626
Other comprehensive income for the period	-	-	-	-	(74)	-	(74)	-	(74)
Total comprehensive income (expense) for the period	-	-	-	-	(74)	16,111	16,037	(485)	15,552
Acquisition of subsidiaries (note 16)	-	-	-	-	-	-	-	78,050	78,050
At 30 June 2020 (unaudited)	58,882	193,956	71,005	152,844	1,013	158,401	636,101	288,008	924,109

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 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	16,077	29,065
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(12,795)	(32,812)
Deposits paid for acquisition	(23,434)	(9,719)
Payment for exploration and evaluation assets	(654)	(462)
Placement of restricted bank balances	(4)	(5)
Interest received	14	429
Release of restricted bank balances	–	3,000
Proceeds from disposal of property, plant and equipment	70	–
Deposits paid for purchase of property, plant and equipment	(1,462)	–
NET CASH USED IN INVESTING ACTIVITIES	(38,265)	(39,569)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(41,234)	(75,527)
Consideration paid for redemption of non-controlling interests	–	(15,000)
Interest paid	(2,612)	(3,712)
Repayment to related parties	(79)	(396)
Repayments of lease liabilities	(185)	(159)
Advance from related parties	4,327	27,274
New bank borrowing raised	101,000	56,750
Dividend paid	(18,710)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	42,507	(10,770)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,319	(21,274)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	4,662	21,989
Effect of foreign exchange rate changes	24	24
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	25,005	739

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared on a going concern basis. As at 30 June 2020, the Group's current liabilities exceeded its current assets by approximately RMB227,443,000. In preparing the condensed consolidated financial statements, the directors of the Company have reviewed the Group's financial and liquidity position, and taken into account the following relevant matters:

- (i) Mr. Gao Mingqing, substantial shareholder and executive director of the Company, had committed to further support the Group financially to enable it to meet its financial obligations as they fall due for the foreseeable future;
- (ii) In January 2020, the Company obtained a credit facility of approximately RMB300,000,000 from an entity, which is the subsidiary of a reputable stated-owned enterprise in the PRC which is listed in the HKEx. The new credit facility granted is for the Group's mining project of AXF Gold Ridge Pty Limited;
- (iii) A loan facility of approximately RMB104,000,000 was granted by a bank in 2020. The new loan facility granted is mainly for the Group's working capital purposes at present;
- (iv) Bank borrowings of approximately RMB61,219,000 will be due within one year or contain a repayment on demand clause and the directors are confident that the Group is able to extend the bank borrowings in full upon their maturity, and the banks will not demand for early repayment, based on the past history of renewals and good relationship of the Group with the banks; and
- (v) Amounts due to related parties of approximately RMB42,286,000 as at 30 June 2020 are repayable on demand. Since the related parties are substantial shareholders of the Company or controlled by the substantial shareholders of the Company, the directors of the Company are confident that the related parties will not demand for repayment until the Group has improved its liquidity position.

The directors of the Company believe that the Group will have sufficient working capital to satisfy its existing liabilities as and when they fall due and the Group's future expansion for foreseeable future and, accordingly, have prepared the condensed consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

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 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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 2020

3. REVENUE AND SEGMENT INFORMATION

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

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

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

	Six months ended 30 June	
	2020 RMB’000 (Unaudited)	2019 RMB’000 (Unaudited)
Sales of processed concentrates		
– Copper concentrates	50,259	50,846
– Iron concentrates	22,784	24,627
– Zinc concentrates	24,181	19,652
– Sulfur concentrates	4,266	5,239
– Gold in copper and zinc concentrates	10,251	4,742
– Gold in lead concentrates	9,287	3,939
– Silver in lead concentrates	3,816	2,919
– Silver in copper and zinc concentrates	4,778	2,664
– Lead concentrates	2,712	2,446
– Copper in lead concentrates	1,693	1,835
Sales of Electrolytic copper	68,261	–
	202,288	118,909
By revenue source		
– Own mined products	125,375	118,909
– Sourced outside	76,913	–
	202,288	118,909

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

4. FINANCE COSTS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest on bank borrowings	2,612	3,700
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	21	2,239
Imputed interest expenses on lease liabilities	24	12
	2,657	5,951

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax charge:		
PRC Enterprise Income Tax (“EIT”)		
– Current period	2,631	1,730
– Over provision in prior years	–	(1,308)
	2,631	422
Deferred tax charge:		
– Current period	999	178
	3,630	600

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit before tax	19,256	10,747
Tax at the EIT rate of 25%	4,814	2,687
Tax effect of expenses not deductible for tax purpose	865	982
Over provision in respect of prior year	–	(1,308)
Tax effect of tax losses not recognised	–	259
Income tax at concessionary rate	(2,268)	(1,393)
Tax effect of additional tax benefit on research and development expenses	(784)	(802)
Withholding tax on distributable earnings of a subsidiary established in the PRC	1,003	175
Tax charge for the period	3,630	600

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging the following items:		
Directors' emoluments	1,950	1,985
Other staff costs	17,203	12,274
Retirement benefit scheme contributions, excluding those of directors	395	550
Total staff costs	19,548	14,809
Depreciation of property, plant and equipment	16,354	15,710
Depreciation of right-of-use assets	852	859
Amortisation of mining right	532	533
Amortisation of development costs	42	–
Total depreciation and amortisation	17,780	17,102
Research and development costs	6,966	6,816
Minimum lease payments for rented properties classified as operating leases under HKAS 17	–	23
Cost of inventories recognised as an expense	160,219	80,215

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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	
	2020 (Unaudited)	2019 (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)	16,111	10,441
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	720,000	720,000

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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Final dividend for the year ended 31 December 2018: RMB2.78 cents per share	–	20,000

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 RMB38,636,000 (six months ended 30 June 2019: RMB15,147,000).

During the current interim period, the Group incurred costs directly associated with the exploration and evaluation assets of RMB654,000 (six months ended 30 June 2019: RMB462,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

10. DEPOSITS FOR ACQUISITIONS

As at 31 December 2019, the balances of approximately RMB184,338,000 represent the deposits paid for the acquisition of 77.78% equity interest of AXF Gold Ridge of approximately AU\$21,655,000 (equivalent to approximately RMB111,217,000) and deposits for reconstruction works of approximately RMB73,121,000. The acquisition of AXF Gold Ridge has been completed on 30 April 2020 (note 16).

11. TRADE AND OTHER RECEIVABLES

	30.6.2020 RMB'000 (Unaudited)	31.12.2019 RMB'000 (Audited)
Trade receivables from contracts with customers	1,462	7,510
Bills receivables	100	364
	1,562	7,874
Prepayments and other receivables		
– prepayments	28,920	14,763
– other receivables	4,376	13,449
	33,296	28,212
Total trade and other receivables	34,858	36,086

No allowance of credit losses was provided for the six months ended 30 June 2020 and year ended 31 December 2019, and no provision for trade and other receivables were recognised as at the end of the reporting period.

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

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

	30.6.2020 RMB'000 (Unaudited)	31.12.2019 RMB'000 (Audited)
Within 30 days	1,562	7,874

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For the six months ended 30 June 2020

12. TRADE AND OTHER PAYABLES

	30.6.2020	31.12.2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	41,765	37,941
Value-added tax, resource tax and other tax payables	7,938	13,805
Payables for construction in progress and property, plant and equipment	23,056	22,700
Accrued expenses and other payables		
– Accrued expenses	1,209	1,276
– Accrued staff cost	10,401	7,243
– Other payables	10,726	15,728
	53,330	60,752
	95,095	98,693

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

	30.6.2020	31.12.2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 30 days	6,800	12,288
31 – 60 days	2,398	7,350
61 – 90 days	646	7,078
91 – 180 days	30,884	11,217
Over 180 days	1,037	8
	41,765	37,941

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13. AMOUNTS DUE TO RELATED PARTIES

	Note	30.6.2020 RMB'000 (Unaudited)	31.12.2019 RMB'000 (Audited)
Victor Soar Investments Limited (“Victor Soar”)	(a), (b)	4,173	2,845
Mr. Gao Mingqing	(a)	15,600	12,624
Fujian Jianyang Wanguo Electric Applicane Co., Ltd. (“Jianyang Wanguo”)	(a), (c)	3,520	3,520
Ms. Gao Jinzhu	(a), (d)	18,652	18,654
Achieve Ample Investments Limited (“Achieve Ample”)	(a), (d)	341	334
		42,286	37,977

Notes:

- (a) All of the amounts above are non-trade in nature, interest free, unsecured and repayable on demand.
- (b) Victor Soar held approximately 39.08% of the issued share capital of the Company and is wholly owned and controlled by Mr. Gao Mingqing.
- (c) Jianyang Wanguo is owned as to 98.86% and controlled by Mr. Gao Mingqing.
- (d) Ms. Gao Jinzhu is interested in 19.25% of the issued share capital of the Company 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:

	30.6.2020 RMB'000 (Unaudited)	31.12.2019 RMB'000 (Audited)
Within one year	33,284	32,806
More than one year, but not exceeding two years	26,805	27,262
More than two years, but not exceeding five years	–	–
	60,089	60,068
Less: amount due within one year shown under current liabilities	(33,284)	(32,806)
Amount shown under non-current liabilities	26,805	27,262

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For the six months ended 30 June 2020

15. BANK BORROWINGS

	30.6.2020	31.12.2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Unsecured bank borrowings at:		
– fixed rate	26,000	16,000
Secured bank borrowings at:		
– fixed rate	80,000	30,000
– floating rate	3,719	3,876
	109,719	49,876
The carrying amounts of the above borrowing are repayable:		
– within one year	57,500	30,000
– within a period of more than one year but not exceeding two years	3,000	16,000
– within a period of more than two years but not exceeding five years	45,500	–
	106,000	46,000
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	3,719	3,876
	109,719	49,876
Less: Amount due within one year shown under current liabilities	(61,219)	(33,876)
Amount shown under non-current liabilities	48,500	16,000

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.

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16. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 16 July 2017, the Group as the purchaser entered into a conditional sale and purchase agreement, as subsequently revised by supplementary agreements, with an independent third party as the vendor to acquire the 77.78% issued share capital of AXF Gold Ridge Pty Ltd (“**AXF Gold Ridge**”) which indirectly owns a gold mine in the Solomon Islands at the total consideration of AUD39.215 million (equivalent to approximately RMB182,127,000). The total consideration was settled by cash amounted to AUD22.105 (equivalent to approximately RMB102,663,000) million and reconstruction works and other recommissioning activities undertaken by the Group whereby the Group incurred a cost of approximately AUD17.11 million (equivalent to approximately RMB 79,464,000).

AXF Gold Ridge is an investment holding company which through its subsidiaries (together with AXF Gold Ridge, the “**AXF Gold Ridge Group**”) indirectly owns a 90% attributable interest of Gold Ridge Mining Limited (“**GRML**”). GRML owns the mining license and the exploration license in respect of Gold Ridge Project on Guadalcanal in the Solomon Islands. The directors of the Company are of the opinion that the acquisition of AXF Gold Ridge is a purchase of net assets of AXF Gold Ridge Group which does not constitute a business combination for accounting purpose as AXF Gold Ridge Group was not a business at the acquisition date.

The Group has elected to measure the non-controlling interests in AXF Gold Ridge Group at the non-controlling interest’s proportionate share of fair values of AXF Gold Ridge Group’s identifiable net assets.

The fair value of the identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were as follows:

	RMB’000
Net assets acquired:	
Mining rights	260,177
Non-controlling interests	(78,050)
Consideration	182,127
Total purchase consideration satisfied by:	
Deposits for acquisitions	182,127
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	–

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For the six months ended 30 June 2020

17. PLEDGE OF ASSETS

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

	30.6.2020	31.12.2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Property, plant and equipment	44,272	46,009
Right-of-use assets	25,058	25,381
Mining right	13,157	–
	82,487	71,390

In addition to the above, the entire shareholding of Yifeng Wanguo as at 30 June 2020 and 31 December 2019 was also pledged to a bank for a bank facility provided to the Group.

18. CAPITAL COMMITMENTS

	30.6.2020	31.12.2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Capital expenditure in respect of:		
– acquisition of equity interest in; and construction, installation of machines and other relevant works for the mining project of AXF Gold Ridge		
– contracted for but not provided in the consolidated financial statements	–	103,806
– authorised but not contracted for	–	162,984
	–	266,790
– acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	32,252	13,498
	32,252	280,288

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For the six months ended 30 June 2020

19. 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 a related party as at 30 June 2020 and 31 December 2019 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 2020 and 31 December 2019 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Fees, salaries and other allowances	2,438	2,447
Retirement benefit scheme contributions	9	12
	2,447	2,459

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

