Annual Report 2012

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

CONTENT

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Gao Mingqing *(Chairman, chief executive officer)*
Gao Jinzhu
Xie Yaolin
Liu Zhichun

Non-executive Directors:

Li Kwok Ping
Lee Hung Yuen
Wen Baolin

Independent non-executive Directors:

Lu Jian Zhong
Qi Yang
Shen Peng
Li Hongchang

AUDIT COMMITTEE

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

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

Flat D–E, 7/F., Big Star Centre
8 Wang Kwong Road, Kowloon Bay
Kowloon

REGISTERED OFFICE

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

AUDITOR

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

LEGAL ADVISER

O'Melveny & Myers
31/F, AIA Central
1 Connaught Road
Central
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

INVESTOR AND MEDIA RELATIONS

Trinity Finance Communications Group Ltd
301–302, 3/F, Keen Hung Commercial Building
80–86 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

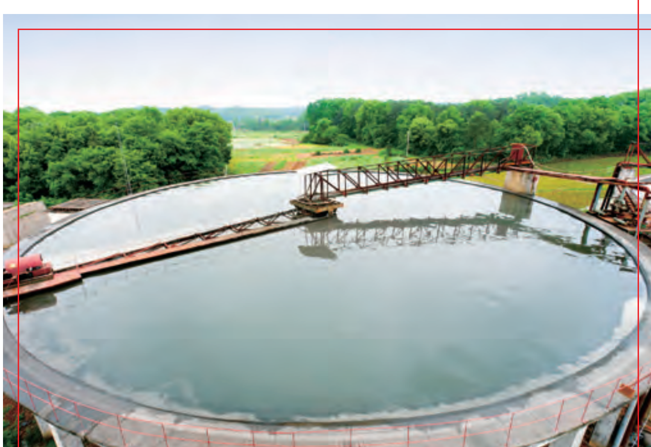
Bank of China, Yifeng Branch
239 Xinchang West Street
Yifeng County
Jiangxi Province
PRC

STOCK CODE

3939

COMPANY WEBSITE

www.wgmine.com



CHAIRMAN'S STATEMENT

"The Group will endeavour to expand its production capacity, scale of Xinzhuang mine and improve its operational efficiency."

Chairman and Chief Executive Officer

Dear Shareholders,

On behalf of the board of Directors (the "Board") of Wanguo International Mining Group Limited (the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 December 2012.

The year of 2012 has been undoubtedly meaningful for the development of the Group. The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 July 2012 by way of placing and public offer. The net proceeds from the placing and public offer enhanced the financial position of the Group and facilitated implementation of its business plans.

During the year of 2012, the global economy has not yet fully recovered, the domestic consumption market in China was also affected by the weak domestic economy and outside factors, and the investment and exports were retrogressive, leading to a greater volatility in the price of copper and other non-ferrous metal such as iron and zinc. Metal prices dropped substantially as compared with 2011. Nevertheless, according to market reports, the domestic demand for copper, iron and zinc continued to grow steadily, the Chinese market for copper consumption recorded an increase of 13.5% in November last year, accounting for 42.77% of the global market share, total iron ore demand reached 59.52% of the total world demand, an increase of 4.06%, and the demand for zinc recorded an increase of 2.31%.

As demand for copper, iron and zinc metals remain fundamentally favourable, the Group will benefit favourably from such demand. During the year ended 31 December 2012, we mined 463,513 tonnes from which we sold copper in copper concentrates of 2,703 tonnes, iron concentrates of 90,577 tonnes, zinc in zinc concentrates of 2,197 tonnes, sulfur concentrates of 93,833 tonnes, gold of 42 kg and sliver of 5,248 kg. We achieved revenue of RMB293.6 million, gross profit of RMB139.2 million and profit attributable to owners of the Company of RMB60.2 million.

The Group will endeavour to expand its production capacity and scale of Xinzhuang mine, and improve its operational efficiency. Further, we will continue to explore additional mineral resources in Xinzhuang mine. In addition, the Group is also exploring acquisition opportunities, aiming to deliver better performance in the coming year.

On behalf of the Group, I would like to take this opportunity to express my sincere gratitude to all of our customers, business partners and investors for their support and trust towards the Group. Further, I would like to express my sincere thanks to our Directors and employees for their dedications and contributions to the Group.

By order of the Board

Gao Mingqing
Chairman and Chief Executive Officer
Hong Kong, 15 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2012, due to the impact of the debt crisis and global economic uncertainties, the metal market experienced a downturn and the prices of certain metal commodity (such as copper, iron and zinc) was at the low level, posing some difficulties to the Company.

The world's major economies are generally expected to stabilise the current economic slowdown and promote economic recovery. In particular, United States and Japan are implementing quantitative easing monetary policy to stimulate economic growth.

Copper

According to reports from World Bureau of Metal Statistics (世界金屬統計局), as of November 2012, China's refined copper consumption was 8.03 million tonnes, an increase of 13.5% in comparison to the same period of 2011. It also accounted for 42.77% of the total global refined copper consumption of 18.776 million tonnes.

Iron

According to the statistics from World Steel Association (世界鋼鐵協會), as of 30 November, 2012, the total global demand for iron ore was 1.014 billion tonnes, an increase of 18.0 million tonnes, or 1.80%, compared to the same period in 2011. The demand for iron ore in the Chinese market continued to expand and reached 603 million tonnes, accounting for 59.52% of the total global demand, and showed an increase of 24.0 million tonnes, or 4.06%, compared to the same period in 2011.

Zinc

On the other hand, the global zinc market remained volatile last year. The Chinese market, however, recorded steady growth. According to a report from China Nonferrous Metals Industry Association (中國有色金屬工業協會), driven by domestic galvanizing industries such as roads, highways, railways, electricity and other utilities, domestic consumption of zinc in China reached 5.28 million tonnes, showing an increase of 1.54% in 2012.

Gold and Sliver

In 2012, the international spot gold market price opened at USD1,569.70/ounce and closed at USD1,675.35/ounce, showing an increase of 6.7% and indicating better market return performance. In China, despite tightened credit conditions by the Chinese government and the reduction in the growth rate target to slow down economic growth, the market demand for gold was still high.

According to The Silver Institute (世界白銀協會), mine production of silver in China now accounted for 14% of the global supply, and was likely to be recorded as the second largest silver producing country in 2012. Total silver demand in China has grown by over 100 million ounces in the past ten years. The strength of the Chinese economy, assisted by a boom in the manufacturing sector and heavy investment in infrastructure, has boosted domestic demand for silver since the liberalization of the Chinese silver market at the start of 2000. This has propelled China into the world's second largest silver fabricator, with its share of global demand standing at 17% at the end of 2011. Overall silver fabrication demand has grown from 67.1 ounces to 159.5 ounces during the period 2002–2011, representing a rise of 137%.

Based on the analysis above, we expect the economic recovery and growth of the demand and prices of metal commodities will become a pillar to the industry. The Company will grasp the opportunities, enhance costs control, expand capacity, and enhance its efficiency to ensure steady growth of revenue of the Group.

We anticipate that the economic situation of the world will be more stable and uncertainty factors will be reduced in 2013 compared to 2012, and expect that the PRC government will put in place policies to promote domestic economic growth. Therefore, we believe that the supply and demand of the market for metal products will continue to maintain a steady growth in 2013.

BUSINESS REVIEW

Our Group is principally engaged in the business of mining, ore processing and sale of concentrates products in the PRC.

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

EXPANSION IN EXISTING MINE

We continued to develop the Xinzhuang Mine during the year. We had reached 450,000 tpa in both mining capacity and processing capacity by the end of 2012 from 300,000 tpa in 2011.

We plan to undergo an expansion plan for our mining and ore processing facilities, as disclosed in the prospectus of our Company dated 28 June 2012 (the "Prospectus"), by which, when completed, both of the mining capacity and processing capacity are expected to reach 600,000 tpa by the end of 2014. According to the Independent Technical Expert's Report in the Prospectus, the reserves at the Xinzhuang Mine were estimated to be sufficient for production at the planned long term production rate of 600,000 tpa for approximately 31 years.

EXPANSION IN SURROUNDING AREAS

According to the Independent Technical Expert's Report in the Prospectus, there are significant additional defined mineral resources outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining licence held by the Group. On 20 November 2012, Yifeng Wanguo entered into an exploration agreement (the "Exploration Agreement") with the Bureau of Geology and Mineral Exploration of Jiangxi Province (江西省地質礦產勘查開發局) (the "Jiangxi Geology Bureau"). The Board believes that the engagement of Jiangxi Geology Bureau for the exploration work at the Xinzhuang Mine will potentially increase the Group's mineral resources and allow the Group to apply for an increase in its mining capacity set forth in its mining license, thereby enhancing the competitiveness of the Group in the future with the increased capacities and annual total production volume.

LISTING ON THE MAIN BOARD

On 10 July 2012, shares of the Company were listed on the Main Board of the Stock Exchange by way of placing and public offer (the "Listing"). The net proceeds from such offer amounted to approximately RMB205.2 million. The Directors intend to use the proceeds as stated in the Prospectus, namely, for the expansion project at the Xinzhuang Mine, exploration activities in surrounding areas, miscellaneous technological improvement and renovation projects as well as general working capital. The Group currently does not anticipate any change to the above use of proceeds.

MINERAL RESOURCES AND RESERVES

		The Xinzhuang Mine Mineral Resource Summary — as at 31 December 2012										
Mineralisation	JORC Mineral		Grades					Contained Metals				
Type	Resource Category	Tonnage	Cu	Pb	Zn	Tfe	mFe	Cu	Pb	Zn	Tfe	mFe
		kt	%	%	%	%	%	kt	kt	kt	kt	kt
Cu-Fe	Measured	6,004	0.80	–	–	–	–	48.03	–	–	–	–
	Indicated	12,935	0.69	–	–	–	–	89.58	–	–	–	–
	Subtotal	18,939	0.73	–	–	–	–	137.62	–	–	–	–
	Inferred	900	0.46	–	–	–	–	4.16	–	–	–	–
	Total	19,839	0.71	–	–	–	–	141.78	–	–	–	–
Fe-Cu	Measured	2,414	0.22	–	–	43.51	31.30	5.37	–	–	1,050.37	755.63
	Indicated	4,165	0.35	–	–	40.21	26.79	14.62	–	–	1,674.59	1,115.87
	Subtotal	6,579	0.30	–	–	41.42	28.45	19.99	–	–	2,724.96	1,871.50
	Inferred	319	0.52	–	–	44.16	31.05	1.66	–	–	141.00	99.00
	Total	6,898	0.31	–	–	41.55	28.57	21.65	–	–	2,865.96	1,970.50
Cu-Pb-Zn	Measured	2,207	0.16	0.95	4.95	–	–	3.42	20.92	109.21	–	–
	Indicated	2,732	0.11	1.74	3.77	–	–	2.97	47.45	103.07	–	–
	Subtotal	4,939	0.13	1.38	4.30	–	–	6.39	68.37	212.28	–	–
	Inferred	358	0.15	0.39	4.33	–	–	0.52	1.41	15.52	–	–
	Total	5,297	0.13	1.32	4.30	–	–	6.91	69.78	227.80	–	–
Total	Measured	10,625	–	–	–	–	–	56.83	20.92	109.21	1,050.37	755.63
	Indicated	19,832	–	–	–	–	–	107.17	47.45	103.07	1,674.59	1,115.87
	Subtotal	30,457	–	–	–	–	–	164.00	68.37	212.28	2,724.96	1,871.50
	Inferred	1,577	–	–	–	–	–	6.34	1.41	15.52	141.00	99.00
	Total	32,034	–	–	–	–	–	170.34	69.78	227.80	2,865.96	1,970.50

Note: The mineral resources also contain meaningful amounts of gold and silver. Based on limited composite sample analysis, the average grade is 0.19 g/t for gold and 13.1 g/t for silver in the Cu-Fe resource, 0.17 g/t for gold and 5.7 g/t for silver in the Fe-Cu resource, and 0.61 g/t for gold and 56.7 g/t for silver for the Cu-Pb-Zn resource.

The Xinzhuang Mine Ore Reserve Summary — 31 December 2012

Mineralisation Type	JORC Ore Reserve Category	Tonnage kt	Grades Cu %	Pb %	Zn %	Tfe %	mFe %	Contained Metals Cu kt	Pb kt	Zn kt	Tfe kt	mFe kt
Cu-Fe	Proved	4,563	0.77	–	–	–	–	35.11	–	–	–	–
	Probable	5,485	0.70	–	–	–	–	38.14	–	–	–	–
	Total	10,048	0.73	–	–	–	–	73.26	–	–	–	–
Fe-Cu	Proved	2,514	0.24	–	–	38.16	32.92	6.02	–	–	959.37	827.63
	Probable	2,594	0.34	–	–	30.28	25.23	8.93	–	–	785.59	654.41
	Total	5,108	0.29	–	–	34.16	29.01	14.95	–	–	1,744.96	1,482.04
Cu-Pb-Zn	Proved	1,644	0.14	0.88	4.63	–	–	2.32	14.53	76.13	–	–
	Probable	1,304	0.08	1.29	3.35	–	–	1.05	16.87	43.70	–	–
	Total	2,948	0.11	1.07	4.06	–	–	3.37	31.40	119.83	–	–
Total	Proved	8,721	–	–	–	–	–	43.46	14.53	76.13	959.37	827.63
	Probable	9,383	–	–	–	–	–	48.12	16.87	43.70	785.59	654.41
	Total	18,104	–	–	–	–	–	91.58	31.40	119.83	1,744.96	1,482.04

Note: The ore reserves also contain meaningful amounts of gold and silver. Based on limited composite sample analysis,the average grade is 0.19 g/t for gold and 13.1 g/t for silver in the Cu-Fe resource, 0.17 g/t for gold and 5.7 g/t forsilver in the Fe-Cu resource, and 0.61 g/t for gold and 56.7 g/t for silver for the Cu-Pb-Zn resource.

FINANCIAL REVIEW

Financial Highlights

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000	Increase/ (Decrease)
Revenue	**293,634**	296,737	(1.0%)
Profit and total comprehensive income			
— Before deduction of listing expenses and imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary (Note)	**84,949**	88,440	(3.9%)
— After deduction of listing expenses and imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**63,998**	81,694	(21.7%)

Profit and total comprehensive income, before deduction of listing expenses and imputed interest expenses on the consideration payable to a former non-controlling shareholder of a subsidiary, Yifeng Wanguo, for its capital reduction of approximately RMB84.9 million, slightly decreased by approximately 3.9% compared with that in 2011.

Profit and total comprehensive income, after deduction of listing expenses and imputed interest expenses on the consideration payable to a former non-controlling shareholder of a subsidiary, Yifeng Wanguo, for its capital reduction of approximately RMB14.0 million (2011: approximately RMB6.7 million) and approximately RMB6.9 million (2011: nil) respectively for the year, amounted to approximately RMB64.0 million.

Note: On 3 March 2012, Yifeng Wanguo, Brigade of Geological Survey of West-Jiangxi of the Bureau of Geology and Mineral Exploration of Jiangxi Province ("West-Jiangxi Brigade") and Taylor Investment International Limited ("HK Taylor") entered into a capital reduction agreement (the "Capital Reduction Agreement") pursuant to which, among other things, West-Jiangxi Brigade shall redeem all of its 12% equity investment in Yifeng Wanguo for a consideration of approximately RMB207.9 million. The consideration shall be payable by Yifeng Wanguo to West-Jiangxi Brigade by instalments within 8 years.

As a result of the Capital Reduction Agreement, the Group recorded a liability of approximately RMB154 million which is the fair value of the consideration payable by Yifeng Wanguo to West-Jiangxi Brigade in April 2012. The difference between total consideration of approximately RMB207.9 million and fair value of the consideration payable of approximately RMB154 million will then be recognised as imputed interests in subsequent years. West-Jiangxi Brigade then became a former non-controlling shareholder of a subsidiary. Please refer to the section headed "History and Development — Yifeng Wanguo — Capital Reduction Agreement" of the Prospectus for details.

Revenue

Revenue represents income generated from the sales of concentrates and ingots to customers. The Group's revenue decreased slightly by 1.0% from approximately RMB296.7 million in 2011 to approximately RMB293.6 million in 2012. The decrease was primarily attributable to the decrease in the average prices of copper in copper concentrates, iron concentrates and sulfur concentrates under the global economic downturn, which is partially offset by the increase in volume of sales.

For the year ended 31 December 2012, we sold 2,703 tonnes of copper in copper concentrates, 90,577 tonnes of iron concentrates and 93,833 tonnes of sulfur concentrates, compared to 2,362 tonnes, 77,701 tonnes and 64,560 tonnes respectively for the year ended 31 December 2011, representing increases of approximately 14.4%, 16.6% and 45.3%, respectively.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates in 2012 were RMB42,437, RMB702 and RMB347 per tonne respectively, compared to RMB48,661, RMB881 and RMB447 per tonne respectively in 2011, representing a decline of approximately 12.8%, 20.3% and 22.4% respectively.

Revenue from sales of ingots increased from approximately RMB33.3 million in 2011 to approximately RMB35.5 million in 2012. All of the Group's inventory of ingots were sold during the year and the business of ingots trading has been ceased thereafter.

Cost of sales

Our cost of sales of concentrates increased by approximately 7.8% from approximately RMB109.6 million in 2011 to approximately RMB118.2 million in 2012. The increase in cost of sales of concentrates was mainly attributable to the increase in sales volume under the expansion of business.

The cost of sales of ingots held for trading increased by approximately 2.0% from approximately RMB35.5 million in 2011 to approximately RMB36.2 million in 2012.

Gross profit and gross profit margin

The overall gross profit of the Group for the year ended 31 December 2012 was approximately RMB139.2 million, which represents a decrease of approximately 8.2% compared to approximately RMB151.6 million for the year ended 31 December 2011. Our overall gross profit margin decreased from approximately 51.1% for the year ended 31 December 2011 to approximately 47.4% for the year ended 31 December 2012. Such decrease was mainly attributable to the decline in the selling prices of the concentrates.

Other gains and income

Our other gains and income decreased by approximately RMB1.0 million from approximately RMB4.4 million in 2011 to approximately RMB3.4 million in 2012. The higher other gains and income recorded in 2011 was primarily attributable to exchange gains arising mainly from the translation of Hong Kong dollars into Renminbi under appreciation of Renminbi in 2011.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 14.7% from approximately RMB3.4 million in 2011 to approximately RMB2.9 million in 2012, principally attributable to the decrease in the railway transportation of products to customers as a larger proportion of sales was made to nearby customers in 2012.

Administrative expenses

Our administrative expenses increased by approximately 33.8% from approximately RMB23.7 million in 2011 to approximately RMB31.7 million in 2012. The increase was principally attributable to increase in staff costs incurred under the expansion of the mine and professional fees paid in connection with the continuing listing obligations since our shares were listed on the Main Board of the Stock Exchange on 10 July 2012.

Listing expenses

Listing expenses represented professional fees paid to relevant parties in connection with the listing. An amount of approximately RMB14.0 million was recognised as one-off listing expenses for the year ended 31 December 2012.

Fair value gain/(loss) on derivative financial instruments

During the year ended 31 December 2012, some of the temporarily unutilised net proceeds from the placing and public offer of shares in our Company were placed in interest-bearing time deposits with a bank denominated in Australian dollars, a currency with a relatively higher interest rate. The Group has entered into forward foreign exchange contracts with a bank to hedge the fluctuation of exchange rate between Australian dollars and Renminbi in respect of such Australian dollars time deposits. During the year ended 31 December 2011, Yifeng Wanguo entered into a number of trading transactions of future contracts in respect of copper and zinc, which were traded in the Shanghai Future Exchange. Such future contracts were all settled during the year ended 31 December 2011.

Finance costs

Our finance costs increased by approximately 260.0% from approximately RMB2.5 million in 2011 to approximately RMB9.0 million in 2012, primarily due to the imputed interest expenses on the consideration payable to a former non-controlling shareholder of a subsidiary, Yifeng Wanguo, for its capital reduction (the "Redemption Monies Payable"), details of which can be found in the section headed "History and Development — Yifeng Wanguo — Capital Reduction Agreement" of the Prospectus.

Income tax expense

Our income tax expense was approximately RMB22.1 million in 2012, consisting of PRC corporate income tax payable of approximately RMB26.5 million less a reversal of withholding tax payable of approximately RMB3.5 million and a deferred tax credit of approximately RMB0.9 million. Our income tax expense was approximately RMB31.0 million in 2011, consisting of PRC corporate income tax payable of approximately RMB28.8 million and a deferred tax charge of approximately RMB2.2 million.

The decrease in our income tax expenses in 2012 was principally due to a decrease in taxable income for the year of our subsidiary, Yifeng Wanguo.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation decreased by approximately 21.7%, or approximately RMB17.7 million, from approximately RMB81.7 million for the year ended 31 December 2011 to approximately RMB64.0 million for the year ended 31 December 2012. Our net profit margin decreased from approximately 27.5% for the year ended 31 December 2011 to approximately 21.8% for the year ended 31 December 2012 as a result of the decrease in selling prices of our concentrates, increase in listing expenses and imputed interest expenses on the Redemption Monies Payable.

Profit attributable to owners of our Company

The profit attributable to the owners of our Company decreased by approximately 17.9% or approximately RMB13.1 million, from approximately RMB73.3 million for the year ended 31 December 2011 to approximately RMB60.2 million for the year ended 31 December 2012.

Analysis of property, plant and equipment and construction in progress

As at 31 December 2012, the Group's property, plant and equipment and construction in progress were approximately RMB198.7 million, representing an increase of RMB56.3 million or 39.5% over last year, mainly due to purchase of mining equipment, upgrading ore processing facilities and construction of mining structures under our 600,000tpa expansion project.

According to the property valuation report as set out in Appendix III to the Prospectus, the aggregated valuation amount of the Group's prepaid lease payments and buildings was approximately RMB81.8 million as at 31 March 2012, whereas the prepaid lease payments and buildings of the Group were stated at cost less accumulated depreciation or amortisation in the section headed "Financial Information" in the Prospectus with aggregated carrying values of approximately RMB71.4 million as at 31 March 2012. The additional aggregated depreciation and amortisation that would have been charged against the consolidated statement of comprehensive income for the year ended 31 December 2012 had the prepaid lease payments and buildings been stated at the valuation amount amounted to approximately RMB0.3 million.

Analysis of inventories

Inventories consist of raw materials, ore, concentrates and other ore commodities. Raw materials mainly include forged steel grinding balls, explosives, chemical products and diesel oil used for the production of concentrates. As at 31 December 2012 and 2011, our inventories were approximately RMB13.8 million and approximately RMB48.8 million respectively. The decrease in inventories was mainly due to the fact that all ingots inventory of approximately RMB36.1 million were sold in 2012.

Analysis of trade receivables

Trade receivables represent receivables from the sale of concentrates and trading of other ore commodities. Our Group generally requests our concentrates customers to make a certain amount of down payment prior to delivery. For trade customers, our Group grants a credit period up to 60 days. As at 31 December 2012 and 2011, our trade receivables were approximately RMB7.5 million and nil respectively. The low level of trade receivables as at 31 December 2011 was mainly due to the receipt of substantial sales settlement from customers near 31 December 2011 before the Chinese New Year.

Analysis of trade payables

Trade payables mainly consist of payables in respect of (i) the purchase of forged steel grinding balls; (ii) transportation expenses incurred for the delivery of our products to our customers; and (iii) fees payable to our third-party contractor, Wenzhou No.2 Well and Tunnel Construction Company, for our mining work. As at 31 December 2012 and 2011, our trade payables were approximately RMB6.2 million and approximately RMB8.6 million respectively. The decrease was mainly attributable to more purchase of raw materials on 31 December 2011, which were used for the production during the Chinese New Year in 2012.

Analysis of net current assets position

The net current assets were approximately RMB18.4 million and approximately RMB177.8 million as at 31 December 2011 and 2012, respectively. The increase was primarily attributable to net proceeds of approximately RMB205.2 million from the placing and public offer.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements relate to funding working capital, capital expenditures, acquisition of mining right and maintaining cash reserves, which are funded by a combination of listing proceeds, bank borrowings as well as cash generated from operation.

The current ratio of the Group as at 31 December 2012 was 3.97 times as compared to 1.25 times as at 31 December 2011. It was mainly resulted from the net proceeds from the placing and public offer of shares of the Company as well as the growth in the Group's business.

Our Group had bank balances and cash of approximately RMB192.0 million as at 31 December 2012, compared to approximately RMB37.4 million as at 31 December 2011, of which approximately RMB125.5 million (2011: approximately RMB1.0 million) was denominated in Hong Kong dollars and Australian dollars. As at 31 December 2012, the Group recorded net assets and net current assets of approximately RMB266.1 million and approximately RMB177.8 million respectively. Taking into account the Group's cash reserves and recurring cash flows from its operation, the Group's financial position is stable and healthy.

BORROWINGS

As at 31 December 2012, the Group had secured bank borrowings of RMB36 million in aggregate with maturity from three years to five years and effective interest rate of 5.94% to 7.10%.

GEARING RATIO

The Group's gearing ratio (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) amounted to 37.1% (2011: 15.1%).

CASH FLOW

The following table sets out a condensed summary of our Group's consolidated statements of cash flow for 2012 and 2011:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Net cash inflow from operating activities	**85,390**	113,258
Net cash outflow from investing activities	**(93,221)**	(56,942)
Net cash inflow/(outflow) from financing activities	**162,475**	(49,462)
Net increase in cash and cash equivalents	**154,644**	6,854
Cash and cash equivalents at the beginning of the year	**37,380**	30,526
Cash and cash equivalents at the end of the year	**192,024**	37,380

Net cash flow from operating activities

For the year ended 31 December 2012, net cash inflow from operating activities amounted to approximately RMB85.4 million, which mainly comprised the profit before working capital changes of approximately RMB104.9 million, together with decrease in inventories of approximately RMB34.9 million and was offset by increase in trade and other receivables of approximately RMB8.7 million, decrease in trade and other payables of approximately RMB15.8 million and income tax paid of approximately RMB29.9 million. Decrease in inventories was mainly because all ingots were sold.

Net cash flow from investment activities

Net cash outflow from investing activities amounted to approximately RMB93.2 million in the year ended 31 December 2012. It was primarily attributable to purchases of property, plant and equipment of approximately RMB70.6 million, structured deposits of approximately RMB9.9 million and payment of deposit paid for land use rights of approximately RMB6.4 million. Substantial capital expenditures incurred was mainly attributable to 600,000 tpa expansion project of Xinzhuang Mine.

Net cash flow from financing activities

Net cash inflow from financing activities amounted to approximately RMB162.5 million in the year ended 31 December 2012. This was principally due to net proceeds raised from the Listing of approximately RMB227.4 million and was offset by repayment of bank loans and interests of approximately RMB12.1 million, repayment to a shareholder of approximately RMB7.3 million before Listing, as well as the dividend paid to shareholders and a former non-controlling shareholder of a subsidiary of approximately RMB34.0 and RMB5.2 million respectively, before Listing.

CAPITAL EXPENDITURES

The total capital expenditure of the Group increased from approximately RMB68.8 million for the year ended 31 December 2011 to approximately RMB74.5 million for the year ended 31 December 2012, representing an increase of approximately 8.3%. The capital expenditure in 2012 was primarily incurred for the purchase of mining equipment, upgrading ore processing facilities and construction of mining structures under our 600,000 tpa expansion project at the Xinzhuang Mine.

We plan to incur further capital expenditures mainly for our expansion plan at the Xinzhuang Mine in the future.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities.

FINAL DIVIDEND

The Board recommends to declare a final dividend of RMB3.6 cents (equivalent to approximately HK$4.4 cent) per share and special dividend of RMB3.1 cents (equivalent to approximately HK$3.8 cents) per Share for the year ended 31 December 2012, representing 35.9% and 30.9% of the profit and total comprehensive income attributable to owners of the Company respectively, payable to shareholders whose names appear on the register of members of the Company on 10 May 2013. Based on the number of issued Shares as at 31 December 2012, this represents a total distribution of RMB40.2 million. Subject to the approval of the payment of the final dividend by shareholders at the annual general meeting on 2 May 2013, it is expected that the proposed final dividend will be paid on or before 24 May 2013.

CLOSURE OF REGISTER OF MEMBERS

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at close of business on 10 May 2013. For determination of entitlement to the final dividend, the register of member of the Company will be closed from Wednesday, 8 May 2013 to Friday, 10 May 2013, both days inclusive. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 May 2013.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2012, the Group had no significant acquisitions and disposals.

CHARGE ON GROUP ASSETS

As at 31 December 2012, the Group's mining rights with carrying value of approximately RMB9.0 million (31 December 2011: approximately RMB9.5 million) were pledged to secure the Group's bank borrowings.

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 the Group's certain bank balance and cash denominated in Hong Kong dollars and Australian dollars, the majority of the Group's assets and liabilities are denominated in Renminbi. In order to minimise the foreign exchange risk between Renminbi and Australian dollars upon the maturity of fixed deposits denominated in Australian dollars, the Group had entered into forward foreign exchange contracts with the bank.

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the year, the Group had no material adverse exposure to foreign exchange fluctuations during the year.

INTEREST RATE RISK

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

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENT

As at 31 December 2012, the Group has entered into a non-cancellable operating lease with future payable of approximately RMB392,000 for certain of the Group's properties.

As at 31 December 2012, the Group's capital commitments amounted to approximately RMB47.6 million, and increased by approximately RMB36.7 million as compared to approximately RMB10.9 million as at 31 December 2011, which was primarily due to the various construction contracts entered into for the Group's production expansion for 2013.

FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, structured deposit, derivative financial instrument(s), bank balances and cash, pledged bank deposits, restricted bank balance, trade and other payables, consideration payable to a former non-controlling shareholder of a subsidiary, amount(s) due to a related company/ shareholders and secured bank borrowings. Due to fixed bank deposits denominated in Australian dollars, the Group has entered into forward foreign exchange contracts with the bank to hedge the fluctuation in exchange rate between Australian dollars and Renminbi. As at 31 December 2012, all the forward foreign exchange contracts were stated at fair value.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, we had a total of 394 (2011: 263) full-time employees, excluding the independent third-party contractor which is responsible for underground mining work.

	Number
Underground technical and supporting mine workers	
— Safety supervision	17
— Mining and geological technical staff	12
— Mining record and surveying staff	10
— Geological drilling operators	17
— Ventilation and hauling facilities and water-pump operators and maintenance staff	96
— Backfilling team	26
Processing plant workers	109
Mine management and supporting staff	107
	394

The remuneration of the employees of the Group is determined based on their experience, qualifications and competence. Other employees' benefits include contributions to statutory mandatory provident funds for our Hong Kong employees, and social insurance together with housing provident funds for our PRC employees.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Mineral exploration

During 2012, the Group entered into the Exploration Agreement with Jiangxi Geology Bureau to conduct exploration work outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining licence held by the Group. An initial deposit of RMB1.0 million had been paid to Jiangxi Geology Bureau up to 31 December 2012.

Development

During 2012, the Group incurred capital expenditure of approximately RMB49.5 million in respect of our expansion plan for 600,000 tpa as described in the Prospectus, mainly comprising research and design fees, construction of tailing storage facilities, construction of subsurface curtain grouting walls in three wells, construction for shafts areas as well as high-voltage electrical wires and transformers, etc.

Mining activities

During 2012, we processed a total of 460,036 tonnes of ore in the Xinzhuang Mine. The volume of our concentrates products sold were 2,703 tonnes, 90,577 tonnes, 2,197 tonnes, 93,833 tonnes, 42 kg, 4,276 kg and 972 kg for copper in copper concentrates, iron concentrates, zinc in zinc concentrates, sulfur concentrates, gold in copper concentrates, silver in copper concentrates and silver in zinc concentrates, respectively.

USE OF NET PROCEEDS FROM THE LISTING

The Group was listed on the Stock Exchange on 10 July 2012 and raised net proceeds of approximately RMB205.2 million (equivalent to approximately HK$251.8 million) by issuing 150 million new shares at an issue price of HK$1.99 per share in a placing and public offer. The net proceeds raised from the Listing, as allocated according to the basis set out in the Prospectus, will be applied to fund the expansion project at the Xinzhuang Mine, exploration activities in the surrounding areas of the Xinzhuang Mine including commercialising any mineral resources discovered as a result of our exploration activities, miscellaneous technological improvement and renovation projects including improvement of our environmental protection facilities and control room technology, etc. and additional working capital and other general corporate purposes.

	Allocation basis	Available to utilise	Net proceeds from the Listing utilised (up to 31 December 2012)
	%	RMB million	RMB million
Expansion project at the Xinzhuang Mine	75%	153.9	35.9
Exploration activities in the surrounding areas of the Xinzhuang Mine	10%	20.5	1.0
Miscellaneous technological improvement and renovation projects	5%	10.3	1.1
Additional working capital and other general corporate purposes	10%	20.5	11.9
	100%	205.2	49.9

The remaining balance of the net proceeds has been placed in interest bearing deposits with banks. Some of which were denominated in Australian dollars, a currency with a relatively higher interest rate. We entered into forward foreign exchange contracts with a bank for the deposits denominated in Australian dollars to hedge against risk in exchange fluctuation upon maturity.

EXECUTIVE DIRECTORS

Mr. GAO Mingqing (高明清), aged 60, is our chairman, chief executive officer and executive Director. He has been the general manager of Yifeng Wanguo since November 2003. Mr. Gao was appointed as our executive Director on 13 May 2011. Mr. Gao has approximately 12 years of experience in the mining industry. He is primarily responsible for our business strategies planning, management and supervision of overall operations including production, business development and financing and investment activities of our Group. In January 2012, Mr. Gao received a second class China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) from the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) in respect of the Integrated Technology for Complicated Hard-to-mine Heavy Water Deposits Safety Mining of the Xinzhuang Mine (新莊銅鋅礦複雜難採大水礦床安全開採綜合技術). Mr. Gao was recognised by the People's Government of Yichun Municipal (宜春市人民政府) as an Excellent Entrepreneur (優秀企業家) in 2007 and an Outstanding Individual in New Business Establishment (全民創業標兵) in 2007, 2008 and 2010. Mr. Gao is a cousin of Mr. Li Kwok Ping, our non-executive Director. Mr. Gao is also a director of Victor Soar Investments Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. GAO Jinzhu (高金珠), aged 53, is an executive Director and has been the deputy general manager of Yifeng Wanguo since January 2004. Ms. Gao was appointed as our executive Director on 13 May 2011. Ms. Gao has approximately 12 years of experience in the mining industry. She is primarily responsible for the human resources management of our Group. Ms. Gao completed the Business Administration Advance Research Program of the School of Continuing Education, Tsinghua University in July 2009. Ms. Gao is also a director of Achieve Ample Investments Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. XIE Yaolin (謝要林), aged 49, an executive Director, has been our chief engineer and the mine manager of our Xinzhuang Mine since he joined our Group in July 2008. Mr. Xie was appointed as our executive Director on 12 June 2012. He is primarily responsible for the technical side of our mining operations, including supervising and managing production, operational safety and the development and planning of new mines. Mr. Xie has more than 30 years of experience in the mining industry, especially in the area of construction and design of mines and mining operations and management. He worked for Hunan Shuikoushan Non-Ferrous Metal Group Limited (湖南水口山有色金屬集團公司), previously known as Hunan Shuikou Mining Bureau (湖南水口山礦務局), from 1981 to 2008 where he was responsible for the general operations and management of mines including production management, construction management and mining technology implementation. In Hunan Shuikoushan Non-Ferrous Metal Group Limited, he last served as the chief engineer and deputy mine manager of Kangjiawan Mine (康家灣礦), a lead, zinc and gold mine in Hunan province. In January 2012, Mr. Xie received a second class China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) from the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) in respect of the Integrated Technology for Complicated Hard-to-mine Heavy Water Deposits Safety Mining of the Xinzhuang Mine (新莊銅鋅礦複雜難採大水礦床安全開採綜合技術). Mr. Xie has been a committee member of the Mining Research and Development (礦業研究與開發), a magazine jointly published by the China Non-Ferrous Metal Association (中國有色金屬學會) and the Changsha Mining Research Institute (長沙礦山研究院), since September 2010. Mr. Xie was recognised as a senior engineer in geological investigation and mining exploration by Human Resources Office of Hunan Province (湖南省人事廳) in September 2001. He graduated from the China University of Geosciences (中國地質大學) with a bachelor's degree in hydrogeology in June 1989.

Mr. LIU Zhichun (劉志純), aged 45, an executive Director, has been the deputy general manager of Yifeng Wanguo since he joined our Group in January 2008. Mr. Liu was appointed as an executive Director on 12 June 2012. He is primarily responsible for the marketing and sale of our products. Mr. Liu has approximately 14 years of experience in general marketing and sales of mining products. Prior to joining us in 2008, Mr. Liu worked in Hunan Province Chejiang Copper Mine (湖南省車江銅礦) from 1991 to 1997 where he last served as the deputy manager of the business department. Mr. Liu received a bachelor's degree in history from the Hunan Science and Technology University (湖南科技大學), previously known as the Xiangtan Normal University (湘潭師範學院), in June 1991.

NON-EXECUTIVE DIRECTORS

Mr. LI Kwok Ping (李國平), aged 50, was appointed as our non-executive Director on 12 June 2012. He is primarily responsible for advising on marketing activities and expansion of client network and has been a director of Yifeng Wanguo since November 2007. Mr. Li has approximately 17 years of experiences in cross-border trading. He has been a director of Corbest Development Limited (高柏斯發展有限公司), a company engaged in the manufacture and trading of electronic products, since October 2000. Mr. Li is a cousin of Mr. Gao Mingqing, our chairman, chief executive officer and executive Director.

Mr. LEE Hung Yuen (李鴻淵), aged 42, was appointed as our non-executive Director on 12 June 2012. He is primarily responsible for advising on investment strategies and office administration. Mr. Lee has been a director of Yifeng Wanguo since November 2007 and has been the company secretary for HK Taylor since August 2010. Mr. Lee has approximately 17 years of experiences in business development and investment in China. He has been engaged in the manufacture and sale of electronic and light-emitting diode lighting products since 1995.

Mr. WEN Baolin (文保林), aged 53, has been appointed as our technical adviser of Yifeng Wanguo on a part-time basis since December 2007. Mr. Wen was appointed as our non-executive Director on 12 June 2012. He is primarily responsible for advising on the geological exploration and mine design. Mr. Wen has approximately 30 years of experience in the mining industry, especially in the area of exploration and design of mines. Prior to joining our Group, Mr. Wen worked for Hunan Shuikoushan Non-Ferrous Metal Group Limited (湖南水口山有色金屬集團公司), previously known as Hunan Shuikou Mining Bureau (湖南水口山礦務局), from 1982 to 2005 where he last served as the senior exploration engineer. He was recognised as a senior engineer in non-ferrous mine exploration by Human Resources Office of Hunan Province (湖南省人事廳) in 1993. Mr. Wen received a bachelor's degree in mining exploration from the Central South University (中南大學), previously known as the Central South Mining College (中南礦冶學院), in July 1982.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LU Jian Zhong (呂建中), aged 51, is our independent non-executive Director. Dr. Lu has approximately 12 years of experience in corporate senior management. He currently acts as of the vice president corporate affairs at Sateri Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1768). Dr. Lu previously held various positions in BHP Billiton Limited, an international resources company listed on the London Stock Exchange (Stock Code: BLT) and Australian Securities Exchange (Stock Code: BHP), from March 2000 to July 2007. Dr. Lu was an expert in the United Nations from December 1994 to May 1997. Dr. Lu is a member of the Australian Institute of Management and a fellow of the World Academy of Productivity Science (WAPS). He graduated from Zhejiang University (浙江大學) with a bachelor's degree in engineering in July 1983. Dr. Lu was awarded a postgraduate degree in engineering of technological innovation from the Ecole Centrale Paris in 1990 and a doctor's degree in philosophy from the Royal Melbourne Institute of Technology in May 2000.

Mr. QI Yang (祁楊), aged 45, is our independent non-executive Director. Mr. Qi has joined Hunan Nonferrous Metals Holding Group Co., Ltd. (湖南有色金屬控股集團有限公司) ("HNG"), the parent company of Hunan Nonferrous Metals Corporation Limited (湖南有色金屬股份有限公司) ("HNL") whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2626), since November 2006 and acted as the head of its legal affairs department. He currently acts as the head of office of the board of directors and a member of its investment audit committee of HNG. Mr. Qi has also been a supervisor of HNL since March 2009. He was awarded the "Pioneering Individual in Provincial Legal Affairs in Corporate Supervision" (省屬監管企業法律事務工作先進個人) in 2008 by the State-Owned Assets Supervision and Administration Commission of Hunan Provincial People's Government (湖南省人民政府國有資產管理監督管理委員會). Mr. Qi was qualified as a lawyer in the PRC in 1994. He graduated from the Zhongnan Institute of Politics and Law (中南政法學院) with a bachelor's degree in law in July 1991 and graduated as a research student in economic law from the Hunan University (湖南大學) in December 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. SHEN Peng (沈鵬), aged 37, is our independent non-executive Director. Mr. Shen currently acts as the chief financial officer of Yancoal Australia Limited, whose shares are listed on the Australian Securities Exchange (Stock Code: YAL), and he has more than 10 years of experience in accounting and financial management. Prior to joining Yancoal Australia Limited, Mr. Shen served the Shenhua Group Corporation Limited (神華集團有限責任公司), the parent company of China Shenhua Energy Company Limited (中國神華能源股份有限公司) ("China Shenhua") whose shares are dually listed on the Stock Exchange (Stock Code: 01088) and the Shanghai Stock Exchange (Stock Code: 601088), from 2004 to 2010 where he participated in the preparation for the listing of China Shenhua and held various positions in respect of financial management and analysis, investor relations and business restructuring. Mr. Shen worked in Deloitte Touche Tohmatsu CPA Ltd. Beijing Branch from 1998 to 2001, where he last held the position of senior auditor. He graduated from the Central University of Finance and Economics (中央財經大學) with a bachelor's degree in economics in July 1998 and the University of Melbourne with a master's degree in applied finance in December 2003.

Mr. LI Hongchang (李洪昌), aged 65, is our independent non-executive Director. Mr. Li has over 40 years of experience in the mining and mineral resources industry. He has been an executive vice president (常務副會長) of Jiangxi Mining Council (江西省礦業聯合會) since September 2009. Prior to joining the Jiangxi Mining Council, Mr. Li held senior positions, such as inspector (巡視員) and deputy head (副廳長), in the Department of Land and Resources of Jiangxi Province (江西省國土資源廳) from 2000 to 2008. From 1968 to 2000, Mr. Li worked at the Bureau of Geology and Mineral Exploration of Jiangxi Province (江西省地質礦產勘查開發局) where he last served as deputy head of bureau (副局長). Mr. Li graduated from Beijing Geological Management Institute (北京地質管理幹部學院) in 1987.

SENIOR MANAGEMENT

Mr. WONG Chi Wah (王志華), *FCCA, HKICPA*, aged 38, is our chief financial officer and company secretary. He was appointed as chief financial officer and company secretary in July 2011 and May 2012 respectively. Mr. Wong is responsible for the management of our Group's financial matters. He has approximately 17 years of experience in auditing and accounting fields. Prior to joining our Group, Mr. Wong was the chief financial controller and company secretary of China Automotive Interior Decoration Holdings Limited (Stock Code: 8321), a company listed on the Growth Enterprise Market of the Stock Exchange from February 2010 to June 2011. Mr. Wong received a bachelor degree in accountancy from the Hong Kong Polytechnic University in 1996. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company's corporate governance practices are based on principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Rules Governing the Listing Securities on the Stock Exchange (the "Listing Rules"). Except for the deviation from code A.2.1 of the CG Code as described below, the Company had complied with the CG Code since the date of listing of its shares on the Main Board of the Stock Exchange on 10 July 2012 ("Listing Date") and up to 31 December 2012.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors from the Listing Date to 31 December 2012.

BOARD OF DIRECTORS

As at the date of this report, the Board comprised four executive Directors, three non-executive Directors and four independent non-executive Directors as follows:

Executive Directors

Mr. Gao Mingqing (Chairman)
Ms. Gao Jinzhu
Mr. Liu Zhichun
Mr. Xie Yaolin

Non-executive Directors

Mr. Li Kwong Ping
Mr. Lee Hung Yuen
Mr. Wen Baolin

Independent non-executive Directors

Mr. Shen Peng
Mr. Qi Yang
Dr. Lu Jianzhong
Mr. Li Hongchang (appointed on 28 December 2012)

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The biographical details of the Directors and the relationship among the members of the Board are set out in the "Biographical Information of Directors and Senior Management" on pages 18 to 20 of this report.

Generally, the responsibilities of the Board include:

- Formulation of overall strategic development of the Group;
- Monitoring the financial performance and internal control of the Group's business operations;
- Material acquisitions, investments, disposal of assets or any significant capital expenditure;
- Appointment, removal or reappointment of Board members and auditors;
- Remuneration of Directors; and
- Recommendation and declaration of any interim and final dividends.

BOARD OF DIRECTORS *(Continued)*

As at 31 December 2012, the Board complies with the requirement of the Listing Rules relating to the appointment of at least three independent non-executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive Directors is at least one-third of the Board of Directors. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

The Company held three Board meetings since the Listing Date and up to 31 December 2012, in which two Board meetings were held regularly for reviewing and approving the financial and operating performance and considering the overall strategies and policies of the Group, and one Board meeting was held for reviewing and approving the Exploration Agreement.

The following table shows the number of attendance of individual Directors at the meeting held during the year:

Members	No. of Attendance
Executive Directors	
Mr. Gao Mingqing	2/3
Ms. Gao Jinzhu	2/3
Mr. Liu Zhichun	2/3
Mr. Xie Yaolin	2/3
Non-executive Directors	
Mr. Li Kwong Ping	3/3
Mr. Lee Hung Yuen	3/3
Mr. Wen Baolin	3/3
Independent non-executive Directors	
Mr. Shen Peng	3/3
Mr. Qi Yang	1/3
Dr. Lu Jianzhong	2/3
Mr. Li Hongchang*	0/0

* Mr. Li Hongchang was appointed with effective on 28 December 2012.

The Board currently has three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. Copy of the current full terms of reference of each Committee is available on the Investor Relations section of the Company's website. The Board delegates its powers and authorities from time to time to Committees in order to ensure operational efficiency and specific issues are being handled by relevant expertise. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior board authority to do so.

The Directors will receive details of agenda and minutes of committee meetings in advance of and after each Board meeting respectively. The company secretary will distribute relevant documents to the Directors in a timely manner to enable the Directors to make informed decisions on matters to be raised at the Board meetings. All Directors have access to the advice and services of the company secretary who is responsible for ensuring the procedures of the Board meetings are complied with, and in consultation with the compliance adviser and legal adviser of the Company, advising the Board on compliance matters.

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

BOARD OF DIRECTORS *(Continued)*

Moreover, the company secretary prepares minutes of the Board meetings and keeps records of matters discussed and decisions resolved at all Board meetings. The company secretary also keeps the minutes of the Board meetings, which are open for inspection at any reasonable time on reasonable notice by any Director.

On 5 January 2013, Company's legal adviser provided a training in respect of updates of Listing Rules, corporate governance and duties of Directors to all Directors and senior management in order to develop and refresh their knowledge and skills.

All the Directors were present at the above training.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to Code 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 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 of 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.

DIRECTORS

Every Director (including executive Directors, non-executive Directors and independent non-executive Directors) has been appointed for a term of three years with automatic renewal, subject to termination by either party giving the other not less than three months' prior written notice.

According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting so that every Director shall be subject to retirement by rotation at least once in every three years.

NOMINATION COMMITTEE

According to Code A.4.4 of the CG Code, listed issuers are recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors. The Company established a nomination committee on 12 June 2012 with written terms of reference in compliance with the CG Code. The nomination committee is mainly responsible for making recommendations to the Board regarding appointment and removal of Directors. The nomination committee comprises one executive Director, namely Ms. Gao Jinzhu, and two independent non-executive Directors, namely Mr. Shen Peng and Mr. Qi Yang. Mr. Shen Peng has been appointed as the chairman of the nomination committee.

During the year, the Nomination Committee considered the selection and appointment of a new independent non-executive Director, Mr. Li Hongchang. The appointment was recommended to the Board based on merit and objective criteria.

The Committee reviewed the appointment of each Director prior to that Director seeking re-election at the forthcoming Annual General Meeting and was pleased to recommend the re-election of all the five eligible Directors to the Board.

During the period from the Listing Date to 31 December 2012, one meeting was held by the nomination committee. The following table shows the number of attendance of individual members at the meeting held during the year:

Members	No. of Attendance
Mr. Shen Peng (Chairman)	1/1
Mr. Qi Yang	0/1
Ms. Gao Jinzhu	1/1

REMUNERATION COMMITTEE

The Company established a remuneration committee on 12 June 2012 with written terms of reference in compliance with Code B1 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee include developing remuneration policies of the Directors, evaluating the performance, making recommendations on the remuneration package of our Directors and senior management and evaluating and making recommendations on employee benefit arrangements. The remuneration committee comprises one executive Director, namely Mr. Liu Zhichun, and two independent non-executive Directors, namely Mr. Qi Yang and Dr. Lu Jianzhong. Mr. Qi Yang has been appointed as the chairman of the remuneration committee.

The Remuneration Committee made recommendations to the board on the remuneration packages of individual executive directors and senior management for 2013.

During the period from the Listing Date to 31 December 2012, one meeting was held by the remuneration committee. The following table shows the number of attendance of individual members at the meeting held during the year:

Members	**No. of Attendance**
Mr. Qi Yang (Chairman)	1/1
Dr. Lu Jianzhong	0/1
Mr. Liu Zhichun	1/1

AUDIT COMMITTEE

The Company established an audit committee on 12 June 2012 in compliance with Rules 3.21 of the Listing Rules. Written terms of reference in compliance with Code C.3 of the CG Code have been adopted. The primary duties of the audit committee are, among other things, to provide independent view of our financial reporting process, internal control and risk management system, oversee the audit process and perform other duties and responsibilities as assigned by the Board. The audit committee comprises four independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jianzhong and Mr. Li Hongchang. Mr. Shen Peng has been appointed as the chairman of the audit committee.

During the period from the Listing Date to 31 December 2012, two meeting was held by the audit committee. The following table shows the number of attendance of individual members at the meeting held during the year:

Members	**No. of Attendance**
Mr. Shen Peng (Chairman)	2/2
Mr. Qi Yang	1/2
Dr. Lu Jianzhong	2/2
Mr. Li Hongchang*	0/0

* Mr. Li Hongchang was appointed with effective on 28 December 2012.

The audit committee reviews the interim and annual reports as well as results announcements before submission to the Board. The audit committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in respect of the Company's interim and annual reports as well as result announcements.

AUDITOR'S REMUNERATION

For the year ended 31 December 2012, apart from the provisions of interim review and annual audit services, the Group's external auditor, Deloitte Touche Tohmatsu, was also the reporting accountant of the Company in relation to the Listing. For the year ended 31 December 2012, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditor is set out below:

	Fees paid/payable
	RMB'000
Audit services	
Annual audit services	1,243
Reporting accountant in relation to the Listing	4,411
Non-audit services	
Interim review services	180
Internal control review in relation to the Listing	332
Total:	6,166

The audit committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by shareholders.

COMPANY SECRETARY

The Company Secretary already attended more than 15 hours of continuing professional development training arranged by several professional bodies during the year.

INTERNAL CONTROL

The internal control system has been designed to safeguard the assets of the Group, maintain proper accounting records, execute with appropriate authority and comply with the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. They have carried out an annual review of the implemented system and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board is responsible for implementing the internal control system and reviewing its effectiveness. For the year ended 31 December 2012, the Board considered that the Company's internal control system is adequate and effective and the Company has complied with the CG Code provision.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The auditor of the Company is responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

SHAREHOLDERS' RIGHTS

Pursuant to Articles 58 of the Company's Articles of Association, an extraordinary general meetings shall be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such members shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Regarding proposing a person for election as a Director, please refer to the procedures available on the websites of the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at Flat D-E, 7/F., Big Star Centre, 8 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include the publication of interim and annual reports, notices, announcements and circulars, the Company's website at www.wgmine.com and meetings with investors and analysts.

The Company encourages all shareholders to attend the annual general meetings to stay informed of the Group's strategy and goals. It provides an opportunity for direct communication between the Board and its shareholders. The chairman of the meeting explains the detailed procedures for conducting a poll and then answers any questions from shareholders. The poll results are published on the websites of the Company and the Stock Exchange.

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

1. PRINCIPAL ACTIVITIES

The Group is principally engaged in the business of mining, ore processing and sale of the concentrates products in the PRC.

2. RESULTS AND FINANCIAL POSITION

The Group's results for the year are set out in the consolidated statement of comprehensive income on page 35.

The state of affairs of the Group and of the Company at 31 December 2012 are set out in the consolidated statement of financial position on pages 36 to 37 and statement of financial position of the Company on page 79 respectively.

3. USE OF PROCEEDS FROM THE PLACING AND PUBLIC OFFER

With the shares of the Company listed on the Stock Exchange on 10 July 2012, the net proceeds from the placing and public offer, after deducting the relevant costs of the placing and public offer, were approximately RMB205.2 million. As at the date of this annual report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

4. SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 30 to the consolidated financial statements.

5. SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 38 to the consolidated financial statements.

6. SUMMARY OF FINANCIAL INFORMATION

A summary of financial results and of the assets and liabilities of the Group for the last four financial years are set out in the section headed "Summary of Financial Information" on page 80 in this report.

7. RESERVES

The movements in the reserves of the Group during the year are set out in the consolidated statement of comprehensive income and consolidated statement of changes in equity. The movements in the reserves of the Company during the year are set out in Note 39 to the consolidated financial statements.

8. DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserve available for distribution to owners of the Company comprising share premium account amounted to approximately RMB169.3 million (2011: Nil).

9. DIVIDENDS

On 18 April 2012 and 21 June 2012, the Board declared dividends of HK$2,000,000 and RMB32,400,000 respectively to the then shareholders of the Company.

The Directors recommend to declare a final dividend of RMB3.6 cents per Share (equivalent to approximately HK$4.4 cents per Share) and a special dividend of RMB3.1 cents per share (equivalent to approximately HK$3.8 cents per share) for the year ended 31 December 2012, payable to shareholders whose names appear on the register of members of the Company on 10 May 2013. Based on the number of issued Shares as at 31 December 2012, this represents a total distribution of approximately RMB40.2 million. Subject to the approval by shareholders at the annual general meeting on 2 May 2013, it is expected that the final dividend will be paid on or before 24 May 2013.

10. PROPERTY, PLANT, AND EQUIPMENT

Additions to the property, plant and equipment of the Group was approximately RMB68.1 million for the year ended 31 December 2012. Details of the movements during the year in the Group's property, plant and equipment are set out in note 14 to the consolidated financial statements in this annual report.

11. DONATIONS

Donations made by the Group during the year amounted to approximately RMB1,231,000.

12. MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers in aggregate accounted for approximately 79.3% (2011: 80.3%) of the total sales for the year and sales to the largest customer accounted for approximately 48.2% (2011: 37.9%) of total sales.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 62.9% (2011: 53.3%) of the total purchases for the year and purchases from the largest supplier accounted for approximately 35.7% (2011: 27.6%) of total purchases.

None of the Directors, their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers during the year.

13. MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

14. DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Gao Mingqing	(Appointed on 13 May 2011)
Ms. Gao Jinzhu	(Appointed on 13 May 2011)
Mr. Xie Yaolin	(Appointed on 12 June 2012)
Mr. Liu Zhichun	(Appointed on 12 June 2012)

Non-executive Directors:

Mr. Li Kwok Ping	(Appointed on 12 June 2012)
Mr. Lee Hung Yuen	(Appointed on 12 June 2012)
Mr. Wen Baolin	(Appointed on 12 June 2012)

Independent non-executive Directors:

Mr. Shen Peng	(Appointed on 12 June 2012)
Mr. Qi Yang	(Appointed on 12 June 2012)
Mr. Lu Jianzhong	(Appointed on 12 June 2012)
Mr. Li Hongchang	(Appointed on 28 December 2012)

In accordance with the Company's articles of association, all Directors are subject to retirement by rotation at least once every three years. Mr. Gao Mingqing, Ms. Gao Jinzhu, Mr. Li Kwok Ping and Mr. Shen Peng will retire by rotation at the forthcoming annual general meeting, being eligible, offer themselves for re-election. Mr. Li Hongchang, who was appointed as the Independent non-executive Director on 28 December 2012 will retire and, being eligible, offer himself for re-election.

15. DIRECTORS' AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 18 to 20 of this report.

16. DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service agreement with the Company for an initial term of three years renewable for subsequent periods of three years, unless terminated by at least three month's written notice served by either party at any time during the then existing term.

None of the Directors, including those proposed for re-election at the forthcoming annual general meeting, has a service agreement which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

17. EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of their experience, qualifications and competence.

The emoluments of the Directors of the Company are reviewed by the remuneration committee of the Company and approved by the Board, having regard to the relevant Director's experience, responsibility, workload and the time devoted to the Group; the Company's operating results and comparable market statistics.

The Company has adopted a share option scheme (the "Scheme") on 12 June 2012 to which the Directors and eligible employees, among others are entitled to participate in. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of the Scheme are set out in paragraph 33 below.

18. INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors has presented an annual confirmation letter to confirm their consistence with the independence under Rule 3.13 of the Listing Rules. The Company believes that all the independent non-executive directors are independent in accordance with the guidelines set out in Rule 3.13 the Listing Rules.

19. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals in the Group are set out in note 11 to the consolidated financial statements.

20. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. The Company, having made specific enquiries to all Directors, has confirmed that all the Directors have complied with the required standards of dealings as set out in the Model Code throughout the period from the Listing Date of the Company to the date of this annual report.

21. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2012, 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 for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(a) Long positions in shares of the Company

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

Notes:

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

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

(b) Long positions in associated corporations

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

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

Save as disclosed above, as at 31 December 2012, 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 Hong Kong Stock Exchange.

22. SUBSTANTIAL SHAREHOLDERS' AND OTHER PARTIES' INTERESTS IN SECURITIES

As at 31 December 2012, 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 of the Company

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	301,500,000[1]	50.25%
Ms. Lin yinyin	Interest of spouse	301,500,000[2]	50.25%
Achieve Ample Investments Limited	Beneficial owner	148,500,000[3]	24.75%
Mr. Wang Weimian	Interest of spouse	148,500,000[4]	24.75%

Notes:

1. Victor Soar Investments Limited is wholly owned and controlled by Mr. Gao Mingqing.

2. Ms. Lin Yinyin is the wife of Mr. Gao Mingqing and is deemed to be interested in the 301,500,000 shares of the Company held by Victor Soar Investments Limited, a company controlled by Mr. Gao Mingqing.

3. Achieve Ample Investments Limited is wholly owned and controlled by Ms. Gao Jinzhu.

4. Mr. Wang Weimian is the husband of Ms. Gao Jinzhu and is deemed to be interested in the 148,500,000 shares of the Company held by Achieve Ample Investments Limited, a company controlled by Ms. Gao Jinzhu.

Other than as disclosed above, as at 31 December 2012, the directors of 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.

23. DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in paragraph 24 below, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at the end of the year or at any time during the year.

24. CONNECTED TRANSACTION

On 12 December 2012, Yifeng Wanguo, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Fujian Province Jianyang Wanguo Electrical Appliance Limited (福建省建陽萬國電器有限公司) ("Jianyang Electrical"), pursuant to which Yifeng Wanguo agreed to sell its lead ingots of approximately 183 tonnes to Jianyang Electrical for a total consideration of approximately RMB2.8 million (inclusive of VAT).

Jianyang Electrical is beneficially owned as to 98.86% by Mr. Gao. Accordingly, Jianyang Electrical is a connected person of the Company under Chapter 14A of the Listing Rules and the transaction under the sale and purchase agreement constituted a connected transaction of the Company.

The Directors consider that the transaction under the aforesaid sales and purchase agreement was one-off, and has been entered into in the ordinary and usual course of business of the Company, was conducted on normal commercial terms, and is fair, reasonable and in the interests of the Company and shareholders as a whole.

25. DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in paragraph 21 above, at no time during the year was the Company, or its subsidiaries, or its fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate.

26. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to issue of this report, the Company has maintained the sufficient public float under the Listing Rules.

27. COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group from the Listing Date to 31 December 2012.

28. RELATED PARTY TRANSACTIONS

During the year, except for those disclosed in note 35 to the consolidated financial statements, the Group had no transactions with its related parties.

29. PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Since the Listing Date and up to 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

30. BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2012 are set out in note 27 to the consolidated financial statements.

31. RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in note 34 to the consolidated financial statements.

32. PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

33. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 12 June 2012 which will remain in force for a period of 10 years from the effective date of the Scheme until 11 June 2022.

Under the Scheme, the Directors may at their 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 the Company or any of its Subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its Subsidiaries.

33. SHARE OPTION SCHEME *(Continued)*

The maximum number of shares in respect to which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. 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 Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

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

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.

During the year, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

34. CORPORATE GOVERNANCE

The Company has complied with all code provisions stipulated in the CG Code set out in Appendix 14 to the Listing Rules since the Listing Date to 31 December 2012 except for the deviation from code A.2.1 of the CG Code. A report on the corporate governance practice adopted by the Group is set out in page 21 to page 26 of this report.

35. EVENTS AFTER THE REPORTING PERIOD

At the date of this report, the Group did not have any significant events after the reporting period.

36. AUDITOR

A resolution to re-appoint the retiring auditor, Deloitte Touche Tohmatsu, will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Gao Mingqing
Director

Hong Kong, 15 March 2013

Deloitte.
德勤

TO THE MEMBERS OF
WANGUO INTERNATIONAL MINGING GROUP LIMITED
(萬國國際礦業集團有限公司)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Wanguo International Mining Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 79, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Company Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Revenue	5	**293,634**	296,737
Cost of sales		**(154,454)**	(145,130)
Gross profit		**139,180**	151,607
Other gains and income	6	**3,390**	4,373
Selling and distribution expenses		**(2,949)**	(3,446)
Administrative expenses		**(31,693)**	(23,726)
Listing expenses		**(14,015)**	(6,746)
Fair value gain (loss) on derivative financial instruments	7	**1,189**	(6,877)
Finance costs	8	**(8,959)**	(2,487)
Profit before tax		**86,143**	112,698
Income tax expense	9	**(22,145)**	(31,004)
Profit and total comprehensive income for the year	10	**63,998**	81,694
Attributable to			
Owners of the Company		**60,229**	73,258
Non-controlling interests		**3,769**	8,436
		63,998	81,694
Earnings per share			
Basic (RMB cents)	12	**12**	16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**198,722**	142,441
Mining right	15	**9,034**	9,521
Prepaid lease payments	16	**21,142**	21,626
Deposits for acquisition of land use rights	17	**35,899**	29,547
Deposit for purchase of property, plant and equipment		**7,354**	1,055
Deferred tax assets	18	**2,204**	1,312
Restricted bank balance	21	**2,222**	1,596
		276,577	207,098
CURRENT ASSETS			
Prepaid lease payments	16	**484**	484
Inventories	19	**13,843**	48,803
Trade and other receivables	20	**13,373**	3,779
Structured deposit	25	**10,000**	–
Derivative financial instruments	26	**1,245**	–
Pledged bank deposits	21	**6,619**	–
Bank balances and cash	21	**192,024**	37,380
		237,588	90,446
CURRENT LIABILITIES			
Trade and other payables	22	**27,003**	40,113
Tax payable		**12,148**	15,459
Amount due to a related company	23(a)	**–**	216
Amounts due to shareholders	23(b)	**–**	7,297
Consideration payable to a former non-controlling shareholder of a subsidiary	24	**11,605**	–
Derivative financial instrument	26	**56**	–
Secured bank borrowings	27	**9,000**	9,000
		59,812	72,085
NET CURRENT ASSETS		**177,776**	18,361
TOTAL ASSETS LESS CURRENT LIABILITIES		**454,353**	225,459

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Secured bank borrowings	27	**27,000**	36,000
Consideration payable to a former non-controlling shareholder of a subsidiary	24	**142,915**	–
Deferred tax liabilities	18	**–**	3,526
Deferred income	28	**16,653**	17,166
Provision	29	**1,734**	1,245
		188,302	57,937
CAPITAL AND RESERVES			
Share capital	30	**48,955**	–
Reserves		**217,096**	152,908
Equity attributable to owners of the Company		**266,051**	152,908
Non-controlling interests		**–**	14,614
		266,051	167,522
		454,353	225,459

The consolidated financial statements on pages 35 to 79 were approved and authorised for issue by the board of directors on 15 March 2013 and are signed on its behalf by:

Gao Mingqing
Director

Gao Jinzhu
Director

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserve RMB'000 (note i)	Retained profits (Accumulated loss) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011	370	–	–	12,517	16,651	29,538	6,178	35,716
Profit and total comprehensive income for the year	–	–	–	–	73,258	73,258	8,436	81,694
Deemed distribution a shareholder (note ii)	–	–	–	–	(20,523)	(20,523)	–	(20,523)
Release of amount due an owner of the Company (note iii)	–	–	70,635	–	–	70,635	–	70,635
Transfers on reorganisation	(370)	–	370	–	–	–	–	–
Transfers	–	–	–	10,917	(10,917)	–	–	–
At 31 December 2011	–	–	71,005	23,434	58,469	152,908	14,614	167,522
Profit and total comprehensive income for the year	–	–	–	–	60,229	60,229	3,769	63,998
Dividend recognised as distribution	–	–	–	–	(34,018)	(34,018)	(5,240)	(39,258)
Issue of new shares	12,228	231,033	–	–	–	243,261	–	243,261
Issue of shares by capitalisation of share premium account	36,727	(36,727)	–	–	–	–	–	–
Transaction costs attributable to issue of new shares	–	(15,888)	–	–	–	(15,888)	–	(15,888)
Capital reduction of a subsidiary (note 24)	–	–	–	(23,434)	(117,007)	(140,441)	(13,143)	(153,584)
At 31 December 2012	48,955	178,418	71,005	–	(32,327)	266,051	–	266,051

Notes:

(i) The statutory reserve represents the appropriation of 10% of profit after taxation determined based on the relevant accounting rules and regulations of the People's Republic of China ("PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve can be applied either to set off accumulated losses or to increase capital. The entire balance of statutory reserve has been reduced as a result of the capital reduction transaction described in note 24.

(ii) On 31 March 2011, Taylor Investment International Limited ("HK Taylor"), a subsidiary of the Company, acquired the 13% equity interest in Jiangxi Province Yifeng Wanguo Mining Company Ltd ("Yifeng Wanguo"), a PRC subsidiary of the Group, from Quanzhou Wanguo Development Company Limited ("Quanzhou Wanguo"), which was wholly owned by Mr. Gao Mingqing and Ms. Gao Jinzhu (the ultimate controlling parties of the Company), for a consideration of RMB20,523,000. The consideration is deemed as a distribution paid to the owners of the Company.

(iii) On 22 December 2011, Mr. Gao Mingqing, HK Taylor and Multinational International Holdings Limited ("MIH"), a subsidiary of the Company entered into a deed of assignment pursuant to which Mr. Gao Mingqing assigned his interest in an amount due from HK Taylor of Hong Kong dollars ("HK$") 86,890,000 (equivalent to approximately RMB70,635,000) unconditionally to MIH. HK Taylor issued and allotted 86,890,000 shares of HK$1.00 each to MIH and settled the amount due to MIH. Accordingly, the amount of HK$86,890,000 (equivalent to approximately RMB70,635,000) due to Mr. Gao Mingqing was released and accounted for as a shareholder's contribution.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**86,143**	112,698
Adjustments for:		
Depreciation of property, plant and equipment	**11,599**	11,845
Amortisation of mining right	**487**	692
Release of prepaid lease payments	**484**	439
Provision for restoration cost	**489**	317
Impairment loss recognised in respective of inventories	**–**	3,403
Finance costs	**8,959**	2,487
Interest income	**(2,634)**	(781)
Investment income of structured deposits	**(97)**	–
Loss on disposal of property, plant and equipment	**–**	(80)
Release of deferred income	**(513)**	(450)
Gain on fair value changes of derivative financial instruments	**(1,189)**	–
Exchange loss (gain)	**1,123**	(3,055)
Operating cash flows before movements in working capital	**104,851**	127,515
Decrease in inventories	**34,960**	7,963
(Increase) decrease in trade and other receivables	**(8,713)**	3,614
(Decrease) increase in trade and other payables	**(15,834)**	1,058
Cash generated from operations	**115,264**	140,150
PRC Enterprise Income Tax paid	**(29,874)**	(26,892)
NET CASH FROM OPERATING ACTIVITIES	**85,390**	113,258
INVESTING ACTIVITIES		
Interest received	**630**	781
Proceeds from disposal of property, plant and equipment	**257**	82
Redemption of structured deposits	**54,097**	–
Government grant received related to assets	**–**	12,450
Prepaid lease payments	**–**	(12,467)
Repayment from a shareholder	**–**	175
Purchase of property, plant and equipment	**(70,608)**	(26,820)
Purchase of structured deposits	**(64,000)**	–
Placement of pledged bank deposits	**(6,619)**	–
Deposit paid for acquisition of land use right	**(6,352)**	(29,547)
Placement of restricted bank balance	**(626)**	(1,596)
NET CASH USED IN INVESTING ACTIVITIES	**(93,221)**	(56,942)

	2012 RMB'000	2011 RMB'000
FINANCING ACTIVITIES		
Dividend paid to shareholders	**(34,018)**	–
Dividend paid to a former non-controlling shareholder of a subsidiary	**(5,240)**	(3,030)
Interest paid	**(3,127)**	(3,116)
Repayment to shareholders	**(7,297)**	(6,453)
Repayment to a related company	**(216)**	(4,362)
Repayment of bank borrowings	**(9,000)**	(9,000)
Repayment to a former non-controlling shareholder of a subsidiary	**(6,000)**	(2,978)
Deemed distribution to the owner of the Company	**–**	(20,523)
Proceeds from issue of new shares	**243,261**	–
Expenses on issue of new shares	**(15,888)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**162,475**	(49,462)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**154,644**	6,854
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**37,380**	30,526
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**192,024**	37,380

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate controlling parties are Mr. Gao Ming Qing and Ms. Gao Jinzhu.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activity of the Company is investment holding. The Company's principal subsidiary, Yifeng Wanguo, located in Jiangxi Province, PRC, is engaged in mining and processing of ores and sales of processed concentrates in the PRC. Details of the Company's subsidiaries are set out in note 38.

In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent the group reorganisation (the "Reorganisation") to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the Group on 25 July 2011. Details of the Group Reorganisation are more fully explained in the section headed "History and Development — Reorganisation" of the prospectus of the Company dated 28 June 2012 (the "Prospectus"). The Group resulting from the Reorganisation is regarded as a continuing entity. The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the Group for the year ended 31 December 2011 have been prepared on the basis as if the group structure upon completion of the Reorganisation has been in existence throughout the year.

The shares of the Company were listed on the Stock Exchange on 10 July 2012.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

The application of the above amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKFRS 19 (as revised in 2011)	Employee Benefits[1]
HKFRS 27 (as revised in 2011)	Separate Financial Statements[1]
HKFRS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of good is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy and standard, the price is fixed or determinable, and collectability is reasonable assured. This is generally when title passes and the goods have been delivered to a contractually agreed location and after inspection.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments made to the Mandatory Provident Fund schemes in Hong Kong and PRC state-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Inventories

Inventories are stated at the lower of costs and net realisable value. Costs of inventories are calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings and mining structures in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects, if the amount of capital expenditures and the time involved to complete the construction are significant. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Deprecation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining right

Mining right with definite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided using the unit of production method based the actual production volume over the estimated total proven and probable reserves of the ore mine within the terms of license.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include those financial assets designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in other gains and income line item in the consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted bank balance, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a related party, amounts due to shareholders, consideration payable to a former non-controlling shareholder of a subsidiary and secured bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises in associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provision for restoration cost

The Group is required to make payments for restoration of the land after the underground sites have been mined. Provision for restoration cost is recognised when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured in accordance with the relevant rules and regulations applicable in the PRC at the end of the reporting period, and using the cash flows forecast to estimate the present obligation, and is discounted to their present value where the effect is material.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Amortisation of mining right

Mining right is amortised using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mine within the license term of twenty-six years (2011: twenty years). The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgements and decision based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from on-going development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The directors exercise their judgement in estimating the total proven and probable reserves of the ore mine.

As at 31 December 2012, the carrying amount of the mining right is RMB9,034,000 (31 December 2011: RMB9,521,000). Details of the mining right are disclosed in note 15.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Provision for restoration cost

The provision for restoration cost has been estimated by the management based on current regulatory requirements and is discounted to their present value where the effect is material. However, significant changes in the regulation in relation to the restoration requirement will result in changes to provision from period to period. As at 31 December 2012, the carrying amount of the provision for restoration cost is RMB1,734,000 (31 December 2011: RMB1,245,000). Details of the provision for restoration cost are disclosed in note 29.

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. The depreciation charge will increase where useful lives are less than previously estimated. The carrying amounts of property, plant and equipment at 31 December 2012 were RMB198,722,000 (31 December 2011: RMB142,441,000). Details of the useful lives of property, plant and equipment are disclosed in note 14.

5. REVENUE AND SEGMENT INFORMATION

Segment revenue

Revenue represents revenue arising on sales of processed concentrates which comprise copper, iron, zinc, sulfur, gold in copper concentrates, silver in copper and zinc concentrates, and sales of other ore commodities such as ingots of lead, zinc and aluminium. An analysis of the Group's revenue for the year is as follows:

	2012	2011
	RMB'000	RMB'000
Sales of processed concentrates	**258,135**	263,408
Sales of other ore commodities	**35,499**	33,329
	293,634	296,737

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. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group is engaged in the following reportable and operating segment:

— mining and processing of ores, and sales of processed concentrates ("Mining operation")

— sales of other ore commodities ("Trading operation")

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and result

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 3 except for the accounting policy of the mining right which is amortised over twenty-six years (2011: twenty years) using straight-line method in preparing the internal report of mining operation segment. Segment profits represent the profit earned by each segment without allocation of other gains and income, fair value gain (loss) on derivative financial instruments, listing expenses, certain administrative expenses and certain finance costs. This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment. Reconciliations from the segment profit to the profit before tax as stated in the consolidated statement of comprehensive income are as follows:

For the year ended 31 December 2012

	Mining operation RMB'000	Trading operation RMB'000	Total RMB'000
Revenue			
External sales	258,135	35,499	293,634
Segment profit (loss)	107,126	(675)	106,451
Other gains and income			3,390
Listing expenses			(14,015)
Fair value gain on derivative financial instruments			1,189
Unallocated administrative expenses			(3,931)
Unallocated finance costs			(6,936)
Accounting difference on amortisation of mining right			(5)
Profit before tax			86,143

Amounts included in measure of segment profit or loss

	Mining operation RMB'000	Trading operation RMB'000	Total RMB'000
Depreciation and amortisation	12,565	–	12,565

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and result *(Continued)*

For the year ended 31 December 2011

	Mining operation RMB'000	Trading operation RMB'000	Total RMB'000
Revenue			
External sales	263,408	33,329	296,737
Segment profit (loss)	125,211	(2,200)	123,011
Other gains and income			4,373
Listing expenses			(6,746)
Fair value loss on derivative financial instruments			(6,877)
Unallocated administrative expenses			(971)
Accounting difference on amortisation of mining right			(92)
Profit before tax			112,698

Amounts included in measure of segment profit or loss

	Mining operation RMB'000	Trading operation RMB'000	Total RMB'000
Depreciation and amortisation	12,884	–	12,884
Impairment loss recognised in respect of inventories	–	3,403	3,403

The Group operates within one geographical location because its revenue is generated in the PRC and all of its assets are located in the PRC. Accordingly, no geographical segment information is presented.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

As at 31 December 2012

	Mining operation RMB'000	Trading operation RMB'000	Total RMB'000
Segment assets	**359,134**	**2,629**	**361,763**
Unallocated assets			**152,061**
Accounting difference on amortisation of mining right			**341**
Consolidated assets			**514,165**
Segment liabilities	**76,798**	**–**	**76,798**
Unallocated liabilities			**171,316**
Consolidated liabilities			**248,114**

As at 31 December 2011

	Mining operation RMB'000	Trading operation RMB'000	Total RMB'000
Segment assets	220,399	36,121	256,520
Unallocated assets			40,678
Accounting difference on amortisation of mining right			346
Consolidated assets			297,544
Segment liabilities	101,453	364	101,817
Unallocated liabilities			28,205
Consolidated liabilities			130,022

For the purposes of assessing segment performance and allocating resources between segments:

— all assets are allocated to reportable segment other than derivative financial instruments, deferred tax assets, certain bank balances and cash and certain other receivables.

— all liabilities are allocated to reportable segment other than consideration payable to a former non-controlling shareholder of a subsidiary, derivative financial instrument, amount(s) due to a related company/shareholders, deferred income, deferred tax liabilities and certain other payables.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about products

Revenues from each group of similar products within the reportable segments are as follows:

	2012 RMB'000	2011 RMB'000
Sales of processed concentrates		
— Copper concentrates	114,707	114,937
— Iron concentrates	63,467	68,453
— Zinc concentrates	18,871	21,307
— Sulfur concentrates	32,562	28,897
— Gold in copper concentrates	11,287	12,503
— Silver in copper and zinc concentrates	17,241	17,311
Sub-total	258,135	263,408
Sales of other ore commodities		
— Lead ingots	2,390	22,106
— Zinc ingots	33,109	8,809
— Aluminium ingots	–	2,414
Sub-total	35,499	33,329
	293,634	296,737

Information about major customers

Revenues from customers of the reporting periods contributing over 10% of the total sales of the Group are as follows:

	2012 RMB'000	2011 RMB'000
Customer A[1]	141,443	112,560
Customer B[2]	33,109	N/A[5]
Customer C[3]	N/A[5]	53,498
Customer D[4]	N/A[5]	29,934

1 Revenue for sales of copper, zinc, gold in copper, and silver in copper and zinc concentrates
2 Revenue for sales of zinc ingots
3 Revenue for sales of copper and zinc concentrates
4 Revenue for sales of iron concentrates
5 The corresponding revenue did not contribute over 10% of the total sales of the Group in the relevant year.

6. OTHER GAINS AND INCOME

	2012 RMB'000	2011 RMB'000
Bank interest income	**2,634**	781
Investment income from structured deposits	**97**	–
Exchange gain	**–**	3,055
Government grant related to assets (note i)	**513**	450
Government subsidy (note ii)	**107**	–
Gain on disposal of property, plant and equipment	**–**	80
Others	**39**	7
	3,390	4,373

Notes:

(i) Government grant represents the amount granted from the local government to Yifeng Wanguo for mining technology improvement and is released to income over the expected useful life of the relevant assets resulting from the mining technology improvement (note 28).

(ii) Government subsidy represents mineral resource fee refunded from Bureau of Finance of Jiangxi Province to Yifeng Wanguo in relation to the incentive policy for foreign investment in Jiangxi Province.

7. FAIR VALUE GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

	2012 RMB'000	2011 RMB'000
Fair value gain on forward contracts (note 26)	**1,189**	–
Fair value loss on future contracts (note)	**–**	(6,877)
	1,189	(6,877)

Note: During the year ended 31 December 2011, Yifeng Wanguo entered into future contracts in respect of copper and zinc, which are traded in Shanghai Future Exchange. Fair value loss of RMB6,877,000 was recognised. All the contracts have been settled in 2011.

8. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest on bank borrowings wholly repayable within five years	**3,127**	3,116
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**6,936**	–
Total borrowing costs	**10,063**	3,116
Less: amount capitalised	**(1,104)**	(629)
	8,959	2,487

Borrowing costs capitalised during the year are calculated by applying following capitalisation rate per annum to the expenditure on qualifying assets:

	2012 %	2011 %
Capitalisation rate	**5.49**	6.42

9. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**24,599**	28,839
— withholding tax on distribution of earnings of a PRC subsidiary	**1,964**	–
Deferred tax (note 18)		
Current year	**(4,418)**	2,165
	22,145	31,004

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

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

9. INCOME TAX EXPENSE *(Continued)*

The tax charge for the year can be reconciled to the profit before tax per the consolidated statements of comprehensive income as follows.

	2012 RMB'000	2011 RMB'000
Profit before tax	**86,143**	112,698
Tax at the EIT rate of 25%	**21,536**	28,175
Tax effect of expenses not deductible for tax purpose	**2,685**	500
Tax effect of income not taxable for tax purpose	**(514)**	(766)
Withholding tax on distributable earnings of a PRC subsidiary	**(1,562)**	3,095
Tax charge for the year	**22,145**	31,004

10. PROFIT FOR THE YEAR

	2012 RMB'000	2011 RMB'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 11)	**2,739**	1,863
Other staff costs	**23,661**	15,384
Retirement benefit scheme contributions, excluding those of directors	**797**	668
Total staff costs	**27,197**	17,915
Depreciation of property, plant and equipment	**11,599**	11,845
Amortisation of mining right	**487**	692
Release of prepaid lease payment	**484**	439
Total depreciation and amortisation	**12,570**	12,976
Auditor's remuneration	**1,423**	13
Exchange (gain) loss	**1,123**	(3,055)
Minimum lease payments under operating leases in respect of properties	**217**	74
Impairment loss recognised in respect of inventories (included in cost of sales)	**–**	3,403
Cost of inventories recognised as an expense	**154,454**	141,727

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

Details of the emoluments paid or payable to the directors of the Company during the year are as follows:

For the year ended 31 December 2012

Name of directors	Fee RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments mainly salaries and allowance RMB'000	Total RMB'000
Executive directors:				
Mr. Gao Mingqing	–	–	618	618
Ms. Gao Jinzhu	–	–	368	368
Mr. Xie Yaolin	–	8	550	558
Mr. Liu Zhichun	–	8	350	358
Non-executive directors:				
Mr. Li Kwok Ping	–	–	179	179
Mr. Lee Hung Yuen	–	–	179	179
Mr. Wen Baolin	–	–	240	240
Independent directors:				
Dr. Lu Jian Zhong	72	–	–	72
Mr. Qi Yang	72	–	–	72
Mr. Shen Peng	95	–	–	95
Mr. Li Hongchang	–	–	–	–
	239	16	2,484	2,739

For the year ended 31 December 2011

Name of directors	Fee RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments mainly salaries and allowance RMB'000	Total RMB'000
Executive directors:				
Mr. Gao Mingqing	–	–	600	600
Ms. Gao Jinzhu	–	–	200	200
Mr. Xie Yaolin	–	6	501	507
Mr. Liu Zhichun	–	6	200	206
Non-executive directors:				
Mr. Li Kwok Ping	–	–	100	100
Mr. Lee Hung Yuen	–	–	100	100
Mr. Wen Baolin	–	–	150	150
	–	12	1,851	1,863

Mr. Gao Mingqing is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees

Of the five individuals with the highest emoluments in the Group, four (2011: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining one (2011: three) individual(s) were as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other allowances	**720**	849
Retirement benefit scheme contributions	**11**	13
	731	862

Each of their emoluments during the year was within HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

12. EARNINGS PER SHARE

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

	2012 RMB'000	2011 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**60,229**	73,258
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**521,721**	450,000

The calculation of the weighted average number of ordinary shares for the purpose of basic earnings per share has taken into account the shares issued and outstanding during the year and on the assumption that the Reorganisation (note 1) and capitalisation issue (note 30) have been effective on 1 January 2011.

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

13. DIVIDEND

An interim dividend of HK$2,000,000 (HK$40 per share) (equivalent to approximately RMB1,618,000) and RMB32,400,000 (RMB648 per share) has been declared and paid to the then shareholders of the Company prior to the listing of the Company's shares on the Stock Exchange on 10 July 2012.

During the year, Yifeng Wanguo, declared a final dividend of 2011 of RMB43,667,000, of which RMB5,240,000 was paid to West-Jiangxi of the Bureau of Geology and Mineral Exploration of Jiangxi Province ("West-Jiangxi Brigade"), the former non-controlling shareholder of Yifeng Wanguo and RMB38,427,000 was paid to HK Taylor and was eliminated upon consolidation.

A final dividend of RMB3.6 cents per share and a special dividend of RMB3.1 cents per share in respect of the year ended 31 December 2012, amounting to, in aggregate approximately RMB40,200,000, has been proposed by the board of directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. PROPERTY, PLANT AND EQUIPMENT

	Mining structures RMB'000	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2011	71,681	40,450	32,091	2,695	598	9,679	157,194
Additions	2,159	399	2,094	217	688	21,865	27,422
Transfer	2,247	1,596	208	773	–	(4,824)	–
Disposals	–	–	–	(220)	(17)	–	(237)
At 31 December 2011	76,087	42,445	34,393	3,465	1,269	26,720	184,379
Additions	3,242	493	660	1,068	1,076	61,598	68,137
Transfer	2,847	125	4,170	93	198	(7,433)	–
Disposals	–	(314)	(767)	(7)	(14)	–	(1,102)
At 31 December 2012	**82,176**	**42,749**	**38,456**	**4,619**	**2,529**	**80,885**	**251,414**
DEPRECIATION							
At 1 January 2011	13,510	3,876	11,548	1,128	266	–	30,328
Provided for the year	4,473	1,597	4,803	717	255	–	11,845
Eliminated on disposals	–	–	–	(220)	(15)	–	(235)
At 31 December 2011	17,983	5,473	16,351	1,625	506	–	41,938
Provided for the year	4,823	1,609	3,979	744	444	–	11,599
Eliminated on disposals	–	(60)	(767)	(5)	(13)	–	(845)
At 31 December 2012	**22,806**	**7,022**	**19,563**	**2,364**	**937**	**–**	**52,692**
CARRYING VALUES							
At 31 December 2011	58,104	36,972	18,042	1,840	763	26,720	142,441
At 31 December 2012	**59,370**	**35,727**	**18,893**	**2,255**	**1,592**	**80,885**	**198,722**

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following estimated useful life:

Mining structures	8 years to 20 years
Buildings	20 years to 30 years
Machinery	5 years to 10 years
Motor vehicles	4 years to 5 years
Electronic equipment	3 years to 5 years

15. MINING RIGHT

The Group's mining right for reporting purposes are as follow:

	2012 RMB'000	2011 RMB'000
COST		
At the beginning and end of the year	**12,000**	12,000
AMORTISATION		
At the beginning of the year	**2,479**	1,787
Provided for the year	**487**	692
At the end of the year	**2,966**	2,479
CARRYING VALUES	**9,034**	9,521

As at 31 December 2012 and 2011, the mining right was pledged to the bank to secure banking facilities granted to the Group.

The mining right represents the right to conduct mining activity in Jiangxi Province in the PRC, and has legal lives of twenty-six years (2011: twenty years).

With effect from 20 April 2012, the license term of mining rights is revised with an extended period from October 2026 to April 2032. Annual production limit increased from 300,000 tonne to 600,000 tonne has been approved by relevant PRC government authorities.

The mining right is amortised using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mine within the terms of license. The extension of the mining period and the enlargement of the annual production limit as mentioned above caused the change on total proven and probable reserves of the ore mine over the terms of licenses.

16. PREPAID LEASE PAYMENTS

The prepaid lease payments represent land use rights in the PRC held under medium-term leases of 50 years and are analysed for reporting purposes as follows:

	2012 RMB'000	2011 RMB'000
Current portion	**484**	484
Non-current portion	**21,142**	21,626
	21,626	22,110

17. DEPOSITS FOR ACQUISITION OF LAND USE RIGHTS

During the year, the Group paid additional deposit of RMB6,352,000 (2011: RMB29,547,000) for acquisition of land use rights in accordance with the three reallocation compensation agreements signed in 2011 and 2012.

The Group has been granted with the relevant short-term land use rights for the term of two years for such land until April 2014. The Group is expected to obtain the land use right, after the status of land has been converted into state-owned land, signing of the land use right agreement with the local government authority and the consideration is fully paid.

18. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012 **RMB'000**	2011 RMB'000
Deferred tax assets	**2,204**	1,312
Deferred tax liabilities	**–**	(3,526)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Undistributed earnings of PRC subsidiary RMB'000	**Impairment loss on inventories** RMB'000	**Restoration cost** RMB'000	**Government subsidy** RMB'000	**Total** RMB'000
At 1 January 2011	(431)	–	382	–	(49)
(Charge) credit to profit or loss	(3,095)	851	79	–	(2,165)
At 1 December 2011	(3,526)	851	461	–	(2,214)
(Charge) credit to profit or loss	3,526	(851)	122	1,621	4,418
At 31 December 2012	–	–	583	1,621	2,204

From 1 January 2008, pursuant to the EIT Law and its details implementation rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entity. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong, a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiary. HK Taylor, the immediate holding company of Yifeng Wanguo, was incorporated in Hong Kong and enjoyed the preferential tax rate aforementioned. Accordingly, as at 31 December 2011, deferred taxation has been provided for in the consolidated financial statements in respect of the expected dividend stream from Yifeng Wanguo with the applicable tax rate of 5%. As at 31 December 2012, no deferred tax has been provided for undistributed earnings, as the relevant PRC subsidiary has no accumulated profit, with the capital reduction completed during the year (note 24).

19. INVENTORIES

	2012 RMB'000	2011 RMB'000
Mining products		
— Raw materials	**6,907**	7,045
— Work-in-progress	**1,040**	458
— Finished goods	**5,896**	5,179
Metal ingots held for resale	**–**	39,524
	13,843	52,206
Less: impairment loss (note)	**–**	(3,403)
	13,843	48,803

Note: As at 31 December 2011, net realisable value of metal ingots was lower than costs, the management of the Company decided to make the impairment accordingly.

20. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	**7,483**	–
Notes receivable	**1,817**	–
Prepayments	**1,521**	3,324
Other receivables	**2,552**	455
	5,890	3,779
Total	**13,373**	3,779

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

	2012 RMB'000	2011 RMB'000
0–30 days	**7,265**	–
31–60 days	**–**	–
61–90 days	**–**	–
Over 90 days	**218**	–
	7,483	–

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on the findings from background search of the customers. The trade receivables that are neither past due nor impaired are mainly due from those customers who have long-term relationship with the Group and good payment history.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the Group's trade receivables are receivables with the following carrying amounts which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

Aging of trade receivables which are past due but not impaired

	2012	2011
	RMB'000	RMB'000
Over 90 days	**218**	–

The Group does not hold any collateral over these balances.

21. RESTRICTED BANK BALANCE/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The restricted bank balance, pledged bank deposits and bank balances carry interest at market rates as follows:

	2012	2011
	%	%
Range of interest rates (per annum)	**0.36~5.21**	0.36~3.87

The restricted bank balance represented the guarantee deposits in specified accounts which are restricted for the usage for restoration of the land upon closure of mines. The pledged bank deposits represented the guarantee deposits for derivative financial instruments.

The bank balances and cash and pledged bank deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2012	2011
	RMB'000	RMB'000
Bank balances and cash:		
HK$	**9,565**	981
AUD	**115,931**	–
Pledged bank deposits:		
HK$	**261**	–
AUD	**6,358**	–

22. TRADE AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Trade payables	**6,217**	8,591
Advance from customers	**3,180**	19,335
Valued-added tax, resource tax and other tax payables	**11,368**	10,763
Accrued expenses	**3,514**	1,424
Other payables for construction in progress and property, plant and equipment	**2,724**	–
	20,786	31,522
	27,003	40,113

The average credit period on purchase of goods is 90 days throughout the year.

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

	2012 RMB'000	2011 RMB'000
0–30 days	**5,281**	5,859
31–60 days	**393**	1,999
61–90 days	**235**	233
90–180 days	**169**	209
Over 180 days	**139**	291
	6,217	8,591

23. AMOUNTS DUE TO RELATED PARTIES

(a) Amount due to a related company

	2012 RMB'000	2011 RMB'000
Quanzhou Wanguo	**–**	216

The amount was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was settled during the year.

23. AMOUNTS DUE TO RELATED PARTIES *(Continued)*

(b) Amounts due to shareholders

	2012 **RMB'000**	2011 RMB'000
Mr. Gao Mingqing (note)	–	6,479
Ms. Gao Jinzhu (note)	–	818
	–	7,297

Note: The amounts represented dividend payable to Mr. Gao Mingqing and Ms. Gao Jinzhu directly or through Quanzhou Wanguo indirectly.

The amounts were non-trade in nature, unsecured, interest-free and repayable on demand.

The above amounts were settled during the year.

24. CONSIDERATION PAYABLE TO A FORMER NON-CONTROLLING SHAREHOLDER

On 3 March 2012, Yifeng Wanguo, West-Jiangxi Brigade and HK Taylor entered into a capital reduction agreement (the "Capital Reduction Agreement") pursuant to which, among other things, West-Jiangxi Brigade shall redeem all of its 12% equity investment in Yifeng Wanguo for a consideration of RMB207,872,000. The consideration shall be payable by Yifeng Wanguo to West-Jiangxi Brigade by instalments as set out below:

(i) RMB6,000,000 within five working days after the completion of the Capital Reduction Agreement;

(ii) RMB6,000,000 in December of the year in which the completion of the Capital Reduction Agreement took place and the year thereafter, respectively;

(iii) RMB20,000,000 in December of the second year after the year in which the completion of the Capital Reduction Agreement took place; and

(iv) approximately RMB42,468,000 in December of each of the third year to the sixth year after the year in which the completion of the Capital Reduction Agreement took place.

The Capital Reduction Agreement is approved by the relevant PRC government authorities on 23 April 2012. Upon the approval of the Capital Reduction Agreement and the completion of registration with the relevant authorities in the PRC, Yifeng Wanguo became wholly-owned subsidiary of the Company on 27 April 2012.

As a result, the Group has recorded a liability of RMB153,584,000 which is the present value of the total consideration discounted at 7.05% payable by Yifeng Wanguo to West-Jiangxi Brigade as at the date of the completion of the transaction. The excess of the fair value of the consideration to the carrying value of the non-controlling interest as at the completion date was debited to equity by charging to statutory reserve and retained profits of the subsidiary which caused accumulated loss of the subsidiary. Accordingly the total equity of the Group reduced by approximately RMB153,584,000.

24. CONSIDERATION PAYABLE TO A FORMER NON-CONTROLLING SHAREHOLDER *(Continued)*

As at 31 December 2012, the carrying amounts of consideration payable are repayable as below:

	2012 RMB'000	2011 RMB'000
— Within one year	11,605	–
— More than one year, but not exceed two years	17,452	–
— More than two years, but not exceed five years	97,165	–
— More than five years	28,298	–
	154,520	–
Less: amount due within one year shown current liabilities	11,605	–
Amount shown under non-current liabilities	142,915	–

The second payment amounted to RMB6,000,000 due on 31 December 2012 has been settled on February 2013.

Pursuant to the Capital Reduction Agreement, certain land use rights of the Group shall be pledged to secure the consideration payable to West-Jiangxi Brigade, a former non-controlling of the subsidiary. As at 31 December 2012, the registration of the charge of the land use rights is in progress.

25. STRUCTURED DEPOSIT

As at 31 December 2012, the structured deposit represented financial product amounted to RMB10,000,000 issued by China Merchants Bank in the PRC, with an expected but not guaranteed return of 4% per annum, depending on the market price of underlying financial instruments, including listed shares and debentures. The financial product is designated at FVTPL on initial recognition as it contains embedded derivatives that are not closely related to the host contract. The directors consider the fair value of the financial product, approximate to its principal amount as at 31 December 2012, and the fair value of the embedded derivatives is insignificant.

The structured deposit is settled in January 2013 at the principal amount together with returns which approximated the expected return.

26. DERIVATIVE FINANCIAL INSTRUMENT(S)

	2012 RMB'000	2011 RMB'000
Derivatives not under hedge accounting:		
Fair value of foreign currency forward contracts		
— assets	1,245	–
— liabilities	(56)	–
	1,189	–

At the end of the reporting period, the fair values of the Group's outstanding foreign currency forward contracts are measured using prevailing forward exchange rates matching the remaining maturities of the contracts.

26. DERIVATIVE FINANCIAL INSTRUMENT(S) *(Continued)*

Major terms of foreign currency forward contracts outstanding at 31 December 2012 are as follows:

Buy	Sell	Notional amount AUD	Maturity	Contracted exchange rate (per AUD$1)
RMB	Australian Dollar ("AUD")	4,080,300	28.08.2012–06.02.2013	RMB6.5542
RMB	AUD	2,055,520	28.08.2012–02.04.2013	RMB6.5498
RMB	AUD	1,554,458	28.08.2012–31.05.2013	RMB6.5312
RMB	AUD	1,568,272	28.08.2012–02.08.2013	RMB6.5182
RMB	AUD	6,827,568	28.08.2012–03.09.2013	RMB6.5128
RMB	AUD	1,260,086	05.09.2012–11.09.2013	RMB6.4250
RMB	AUD	2,108,980	14.09.2012–23.09.2013	RMB6.6000

Changes in the fair values of non-hedging foreign currency forward contacts amounting to gain of RMB1,189,000 (31.12.2011: Nil) have been recognised in profit or loss.

27. SECURED BANK BORROWINGS

	2012 RMB'000	2011 RMB'000
Secured bank borrowings		
— Floating rate	**36,000**	45,000
Carrying amount repayable:		
— within one year	**9,000**	9,000
— more than one year, but not exceed two years	**9,000**	9,000
— more than two year, but not exceed five years	**18,000**	27,000
	36,000	45,000
Less: amount due within one year shown under current liabilities	**9,000**	9,000
Amount shown under non-current liabilities	**27,000**	36,000

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

	2012 %	2011 %
Effective interest rate (per annum)	**5.94 to 7.10**	5.94 to 7.10

28. DEFERRED INCOME

Deferred income represents government grants received by Yifeng Wanguo from Yifeng Finance Bureau for mining technology improvement.

The deferred income is released to income over the expected useful life of the relevant assets resulting from the mining technology improvement. Movements of deferred income during the year are as follows:

	2012 RMB'000	2011 RMB'000
Government grant related to assets:		
At the beginning of the year	17,166	5,166
Additions	–	12,450
Released to profit or loss	(513)	(450)
At the end of the year	16,653	17,166

29. PROVISION

	2012 RMB'000	2011 RMB'000
At the beginning of the year	1,245	928
Provision	489	317
At the end of the year	1,734	1,245

In accordance with relevant PRC rules and regulations, the Group is obliged to restore the land upon closure of the mine. The Group provided the cost for restoration for its present obligation.

The provision for restoration costs has been determined by the directors based on their best estimates. The directors estimated this liability for restoration upon the closure of the mine based on detailed calculations of the amount and timing of future cash flows spending for a third party to perform the required work of restoration, including material cost and labour cost, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation.

30. SHARE CAPITAL

Details of movements of share capital of the Company are as follow:

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 13 May 2011 (date of incorporation) and at 31 December 2011 (note i)	3,900	390
Increase on 12 June 2012 (note ii)	996,100	99,610
At 31 December 2012	1,000,000	100,000
Issued:		
On date of incorporation	50	5
Unpaid share capital	(50)	(5)
At 31 December 2011	–	–
Payment for unpaid share capital (note iii)	50	5
Issued during the year (note iv)	599,950	59,995
At 31 December 2012	600,000	60,000

	RMB'000
Shown in the statements of financial position as	48,955

Notes:

(i) The Company was incorporated in Cayman Islands on 13 May 2011 as an exempted company with an authorised capital of HK$390,000, divided into 3,900,000 shares of HK$0.1 each. On the date of incorporation, 33,500 shares representing 67% of the issued share capital of the Company were allotted and issued to Victor Soar Investments Limited, which is wholly owned by Mr. Gao Mingqing and 16,500 shares representing 33% of the issued share capital of the Company were allotted and issued to Achieve Ample Investments Limited, which is wholly owned by Ms. Gao Jinzhu.

(ii) Pursuant to the resolutions passed by the shareholders of the Company on 12 June 2012, the authorised share capital of the Company was increased from HK$390,000 to HK$100,000,000 by the creation of additional 996,100,000 ordinary shares of HK$0.10 each.

(iii) On 30 June 2012, the Company was paid for 50,000 ordinary shares of HK$0.10 each.

(iv) On 10 July 2012, the Company issued a total of 150,000,000 ordinary shares of HK$0.10 each at the HK$1.99 by way of placing and public offer.

On 10 July 2012, the Company allotted and issued 449,950,000 ordinary shares of HK$0.10 each credited as fully paid to the shareholders by the capitalisation of an amount of HK$44,950,000 in the share premium account of the Company at par.

All the shares issued during the period from 13 May 2011 (date of incorporation) to 31 December 2012 and the year ended 31 December 2012 ranked pari passu in all respects with the then existing shares in issue.

31. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to a bank for banking facilities granted to the Group:

	2012 RMB'000	2011 RMB'000
Mining right	**9,034**	9,521

32. CAPITAL COMMITMENTS

	2012 RMB'000	2011 RMB'000
Capital expenditure contracted for but not provided for in consolidated financial statements in respect of acquisition of property plant, and equipment	**47,641**	10,893

33. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**178**	174
In the second to fifth years	**214**	102
	392	276

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years and rentals are fixed an average of two years.

34. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (with a cap of HK$1,250 per month starting from 1 June 2012 and HK$1,000 prior to 1 June 2012) to the scheme, which contribution is matched by employees.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, range from 12% to 20%, of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

35. RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

Related party and nature of transactions

	2012 RMB'000	2011 RMB'000
Entity owned and controlled by Mr. Gao Mingqing		
Sales of lead ingots		
Fujian Province Jianyang Wanguo Electrical Appliance Limited (福建省建陽萬國電器有限公司)	**2,390**	–

In the opinion of the directors, the related party transactions are conducted based on the terms mutually determined and agreed by the respective parties.

Other Transactions

On 31 March 2011, HK Taylor acquired the 13% equity interest in Yifeng Wanguo from Quanzhou Wanguo, which is of the same ultimate shareholders of the Company, for a consideration of RMB20,523,000. The consideration is deemed as a distribution paid to the owners of the Company.

On 8 September 2009, Quanzhou Wanguo entered into an agreement pursuant to which Quanzhou Wanguo agreed to provide guarantee to Yifeng Wanguo for a banking facility amounted at RMB78,000,000. The guarantee was released on 28 July 2011.

No guarantee fee was charged to the Group during the year.

(b) Related party balances

Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in note 23.

(c) Compensation of key management personnel

The remuneration of key management personnel which represent the directors of the Company during the year were as follows:

	2012 RMB'000	2011 RMB'000
Salaries and other allowances	**2,723**	1,851
Retirement benefit scheme contributions	**16**	12
	2,739	1,863

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

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to owners through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, in which include secured bank borrowings and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issue and the issue of new debt or the repayment of existing debt.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012	2011
	RMB'000	RMB'000
Financial assets		
Derivatives	**1,245**	–
Designated at FVTPL — structured deposit	**10,000**	–
Loans and receivables		
(including cash and cash equivalents)	**212,717**	39,431
Financial liabilities		
Amortised cost	**199,461**	61,104
Derivatives	**56**	–

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, structured deposit, derivative financial instrument(s), bank balances and cash, pledged bank deposits, restricted bank balance, trade and other payables, consideration payable to a former non-controlling shareholder of a subsidiary, amount(s) due to a related company/shareholders and secured bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The functional currency of the Company and its subsidiaries is RMB since all of the Group's revenue is derived from operations in the PRC and denominated in RMB.

The Group's exposure to foreign currency risk related primarily to certain pledged bank deposits and bank balances maintained in HK$ and AUD, and certain other receivables maintained in HK$.

During the year ended 31 December 2012, the Group placed AUD deposits in bank. And the Group entered into forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged with maturities spread over the months from 2012 to 2013. Details of the outstanding forward foreign exchange contracts are listed in note 26.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

The carrying amounts of the Group's foreign currencies denominated monetary assets and liabilities (excluding forward foreign exchange contracts) at the end of the reporting period are as follows:

Assets

	2012 RMB'000	2011 RMB'000
HK$	11,911	981
AUD	122,289	–

Liabilities

	2012 RMB'000	2011 RMB'000
HK$	–	304

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2011: 5%) increase or decrease in RMB against HK$ or AUD without considering the effect of forward currency exchange contracts. 5% (2011: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% (2011: 5%) change in foreign currency rates.

	2012 RMB'000	2011 RMB'000
HK$ impact:		
5% increase in the value of the functional currency RMB		
Decrease in post-tax profit for the year	(447)	(31)
5% decrease in the value of the functional currency RMB		
Increase in post-tax profit for the year	447	31
AUD impact:		
5% increase in the value of the functional currency RMB		
Decrease in post-tax profit for the year	(4,586)	–
5% decrease in the value of the functional currency RMB		
Increase in post-tax profit for the year	4,586	–

In management's opinion, the sensitivity analysis is not necessarily representative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 21) and secured bank borrowings (note 27).

The Group's cash flow interest rate risk on its bank balances is limited because these balances carry interest at prevailing rates and they are of short maturity.

The Group's exposures to interest rates on secured bank borrowings are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China RMB Benchmark Loan Rates arising from the Group's RMB denominated borrowings.

The Group currently does not have an interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposure on an on-going basis and will consider hedging the interest rate should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for bank balances and secured bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points increase or 50 basis points decrease (2011: 50 basis points increase or decrease) represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 would increase by RMB633,000/decrease by RMB633,000 (2011: decrease by RMB135,000/increase by RMB135,000).

Other price risk

The Group's other price risk is mainly concentrated on forward contracts. Details are set out in note 26.

For the outstanding forward contracts, if the market forward exchange rate of AUD against RMB had been 1% (2011: Nil) higher/lower, profit before taxation for the year ended 31 December 2012 would decrease/increase by RMB1,247,000 (2011: Nil) as a result of the changes in the market foreign currency forward exchange rate of AUD against RMB.

In management's opinion, the sensitivity analyses are unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of derivatives involves multiple variables and certain variables are interdependent.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk in respect of trade receivables with 76% of total trade receivables as at 31 December 2012 (31 December 2011: Nil) which was due from one customer.

In order to minimise the credit risk, the Group's current credit practices include assessment and evaluation of customers' credit reliability and periodically review of their financial status to determine credit limited to be granted. The Group has explored new customers in order to reduce the concentration of credit risk.

The credit risk of the Group on the deposit paid for acquisition of property, plant and equipment and land use right are limited because the majority of the counterparties are the local government authorities.

The credit risk of the Group on liquid funds is limited because the majority of the counterparties are international banks and state owned banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the terms of borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, which is also the agreed repayment date, on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

	Weighted Average Effective Interest rate %	On demand/ less than 3 months RMB'000	3 months to 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2012							
Non-derivative financial liabilities							
Trade and other payables		8,941	–	–	–	8,941	8,941
Consideration payable to a former non-controlling shareholder of a subsidiary	7.05	6,000	6,000	147,404	42,468	201,872	154,520
Secured bank borrowings — floating rate	6.67	–	11,279	30,515	–	41,794	36,000
		14,941	17,279	177,919	42,468	252,607	199,461
Derivative — net settlement							
Foreign exchange forward contract		–	56	–	–	56	56

	Weighted Average Effective Interest rate %	On demand/ less than 3 months RMB'000	3 months to 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2011							
Non-derivative financial liabilities							
Trade and other payables		8,591	–	–	–	8,591	8,591
Amount due to a related company		216	–	–	–	216	216
Amounts due to shareholders		7,297	–	–	–	7,297	7,297
Secured bank borrowings — floating rate	6.67	–	11,828	41,794	–	53,622	45,000
		16,104	11,828	41,794	–	69,726	61,104

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting periods.

37. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of the forward foreign exchange contracts have been arrived at using the forward rates of similar instruments as at the end of the reporting period; and

- the fair values of other financial assets and financial liabilities (excluding derivative financial instruments and structured deposit) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Management of the Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 2 based on the degree to which the fair value is observable.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	2012 Level 2 RMB'000	2011 Level 2 RMB'000
Derivative financial instruments — asset	**1,245**	–
Derivative financial instrument — liability	**(56)**	–

38. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2012 are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid Share capital/ Registered capital	Equity interest attributable to the Group At 31 December 2012	2011	Principal activities
Directly owned					
MIH	BVI	US$50,000	**100%**	100%	Investment holding
Indirectly owned					
HK Taylor	Hong Kong	HK$86,900,000	**100%**	100%	Investment holding
Yifeng Wanguo [(#)]	The PRC	RMB268,990,000	**100%**	88%	Mining and processing of ores and sales of processed

[#] It was a sino-foreign equity joint venture enterprise with limited liability, and became a wholly foreign owned enterprise since 27 April 2012

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 RMB'000	2011 RMB'000
Non-current Assets		
Interest in a subsidiary	**1**	–
Amount due from a subsidiary	**216,521**	–
	216,522	–
Current Assets		
Other receivables and prepayments	**231**	–
Bank balances and cash	**1,491**	–
	1,722	–
Net Current Assets	**1,722**	–
Total Assets less Current Liabilities	**218,244**	–
Capital and Reserves		
Share capital	**48,955**	–
Reserves	**169,289**	–
Total equity	**218,244**	–

Movement in reserves

	Share premium RMB'000	**Accumulated loss** RMB'000	**Total** RMB'000
At 13 May 2011 (date of incorporation) and 31 December 2011	–	–	–
Profit and total comprehensive income for the year	–	24,889	24,889
Dividend recognised as distribution	–	(34,018)	(34,018)
Issue of new shares	231,033	–	231,033
Issue of shares by capitalisation of share premium account	(36,727)	–	(36,727)
Transaction costs attributable to issue of new shares	(15,888)	–	(15,888)
At 31 December 2012	**178,418**	**(9,129)**	**169,289**

RESULTS

	For the year ended 31 December			
	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**293,634**	296,737	204,428	86,515
Profit before tax	**86,143**	112,698	73,219	19,168
Income tax expense	**(22,145)**	(31,004)	(19,392)	(5,346)
Profit and total comprehensive income for the year	**63,998**	81,694	53,827	13,822

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December			
	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**276,577**	207,098	148,354	129,215
Current assets	**237,588**	90,446	98,480	48,243
Current liabilities	**(59,812)**	(72,085)	(159,593)	(140,042)
Total assets less current liabilities	**454,353**	225,459	87,241	37,416
Non-current liabilities	**(188,302)**	(57,937)	(51,525)	(42,961)
Non-controlling interests	**–**	(14,614)	(6,178)	(6,910)
Equity attributable to owners of the Company	**266,051**	152,908	29,538	(12,455)