Wanguo International Mining Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3939)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHT:

	Year ended 31 December		
	2014	2013	**Increase/**
	RMB'000	*RMB'000*	**(Decrease)**
Revenue	**219,163**	261,438	(16.1%)
Cost of sales	**(132,316)**	(128,939)	(2.6%)
Gross profit	**86,847**	132,499	(34.4%)
Gross profit margin	**39.6%**	50.7%	(11.1%)
Profit before tax	**39,178**	95,053	(58.8%)
Profit attributable to owners of the Company	**24,047**	66,321	(63.8%)

- Revenue decreased by 16.1% to approximately RMB219.2 million.
- Gross profit decreased by 34.4% to approximately RMB86.9 million.
- Gross profit margin decreased by 11.1% to 39.6%.
- Profit attributable to owners of the Company decreased by 63.8% to RMB24.0 million.
- Basic earnings per share was RMB4 cents (2013: RMB11 cents).
- The Board recommends a final dividend of RMB2.67 cents (2013: RMB4.2 cents) per share and a special dividend of Nil (2013: RMB3.1 cents) per share.

The board of directors (the "Board") of Wanguo International Mining Group Limited (the "Company") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014 together with comparative figures for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**219,163**	261,438
Cost of sales		**(132,316)**	(128,939)
Gross profit		**86,847**	132,499
Other income	*5*	**1,044**	9,309
Other gains and losses	*6*	**2,019**	(10,007)
Selling and distribution expenses		**(2,483)**	(2,859)
Administrative expenses		**(35,178)**	(32,684)
Fair value gain on forward contracts		**–**	10,818
Finance costs	*7*	**(13,071)**	(12,023)
Profit before tax		**39,178**	95,053
Income tax expense	*8*	**(15,131)**	(28,732)
Profit and total comprehensive income for the year	*9*	**24,047**	66,321
Earnings per share			
Basic (RMB cents)	*10*	**4**	11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**339,125**	290,465
Mining right		**8,176**	8,620
Exploration and evaluation assets		**11,329**	8,894
Prepaid lease payments		**27,970**	28,635
Deposit for acquisition of land use rights		**30,061**	29,891
Deposit for purchase of property, plant and equipment		**9,174**	10,931
Deposit for acquisition of a subsidiary		**9,600**	9,600
Deferred tax assets		**2,301**	2,242
Restricted bank balances		**2,421**	2,348
		440,157	391,626
CURRENT ASSETS			
Prepaid lease payments		**647**	629
Inventories		**21,589**	13,930
Trade and other receivables	*12*	**10,795**	10,887
Structured deposit		**33,692**	–
Bank balances and cash			
— cash and cash equivalents		**37,517**	133,447
— other bank deposits		**199**	–
		104,439	158,893
CURRENT LIABILITIES			
Trade and other payables	*13*	**33,947**	34,767
Tax payable		**8,520**	17,754
Consideration payable to a former non-controlling shareholder of a subsidiary		**55,671**	24,683
Secured bank borrowings	*14*	**40,318**	9,000
		138,456	86,204
NET CURRENT (LIABILITIES) ASSETS		**(34,017)**	72,689
TOTAL ASSETS LESS CURRENT LIABILITIES		**406,140**	464,315

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued
AT 31 DECEMBER 2014

	Notes	**2014** *RMB'000*	2013 *RMB'000*
NON-CURRENT LIABILITIES			
Secured bank borrowings	*14*	**9,000**	18,000
Consideration payable to a former non-controlling shareholder of a subsidiary		**104,105**	134,308
Deferred income		**15,623**	16,138
Deferred tax liabilities		**2,300**	1,500
Provision		**2,693**	2,197
		133,721	172,143
CAPITAL AND RESERVES			
Share capital	*15*	**48,955**	48,955
Reserves		**223,464**	243,217
Equity attributable to owners of the Company		**272,419**	292,172
		406,140	464,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The Company's principal subsidiary, Jiangxi Province Yifeng Wanguo Mining Company Ltd ("Yifeng Wanguo"), located in Jiangxi Province, PRC, is engaged in mining and processing of ores and sales of processed concentrates in the PRC.

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

The consolidated financial statements have been prepared on a going concern basis. As at 31 December 2014, the Group's current liabilities exceed its current assets by RMB34,017,000. In preparing the consolidated financial statements, the directors of the Company have reviewed the Group's financial and liquidity position, and taken into consideration the additional banking facilities of RMB600,000,000 obtained subsequent to 31 December 2014 and working capital expected to be generated from operating activities. The directors of the Company believe that the Group will be able to meet its full financial obligations as they fall due for the foreseeable future and accordingly, have prepared the consolidated financial statements on a going concern basis.

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

Amendments to HKFRSs and a new Interpretation that are mandatorily effective for the current year

The Group has applied the following amendments to the HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The adoption of the revised HKFRSs has had no material effect on the amounts reported in the consolidated financial statements or disclosures set out in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect the returns of the investee.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Basis of consolidation — continued

Consolidation of a subsidiary begins with the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

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.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. REVENUE AND SEGMENT INFORMATION

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

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

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. An analysis of the Group's revenue for the reporting period is as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Sales of processed concentrates		
— Copper concentrates	**87,973**	107,966
— Iron concentrates	**57,598**	75,144
— Zinc concentrates	**24,826**	23,850
— Sulfur concentrates	**24,953**	23,622
— Gold in copper concentrates	**11,994**	12,978
— Silver in copper and zinc concentrates	**11,819**	17,878
	219,163	261,438

4. REVENUE AND SEGMENT INFORMATION — continued

Information about major customers

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

	2014	2013
	RMB'000	*RMB'000*
Customer A[1]	**92,757**	127,559
Customer B[2]	**43,853**	–
Customer C[3]	**28,635**	47,388
Customer D[3]	**24,350**	27,755

1 Revenue for sales of copper, zinc, gold in copper concentrates and silver in copper and zinc concentrates

2 Revenue for sales of copper, gold in copper concentrates and silver in copper concentrates

3 Revenue for sales of iron concentrates

5. OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Bank interest income	**408**	3,956
Government grant related to assets *(note i)*	**515**	515
Government subsidy *(note ii)*	**100**	4,815
Others	**21**	23
	1,044	9,309

Notes:

(i) Government grant represents the amount granted by the local government to Jiangxi Province Yifeng Wanguo Mining Company Ltd ("Yifeng Wanguo"), a wholly-owned subsidiary of the Company, for mining technology improvement and is released to income over the expected useful lives of the relevant assets resulting from the mining technology improvement.

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

6. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Exchange loss	**(430)**	(11,742)
Investment income from structured deposits	**2,209**	1,631
Gain on disposal of property, plant and equipment	**240**	104
	2,019	(10,007)

7. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on bank borrowings wholly repayable within five years	**2,288**	2,182
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**10,785**	10,471
Total borrowing costs	**13,073**	12,653
Less: amount capitalised	**(2)**	(630)
	13,071	12,023

8. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**14,390**	27,270
Deferred tax		
Current year	**741**	1,462
	15,131	28,732

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

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

8. INCOME TAX EXPENSE — continued

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows.

	2014	2013
	RMB'000	*RMB'000*
Profit before tax	**39,178**	95,053
Tax at the EIT rate of 25%	**9,795**	23,763
Tax effect of expenses not deductible for tax purpose	**4,337**	7,037
Tax effect of income not taxable for tax purpose	**(135)**	(3,568)
Tax effect of tax losses not recognised	**334**	–
Withholding tax on distributable earnings of PRC subsidiary	**800**	1,500
Tax charge for the year	**15,131**	28,732

9. PROFIT FOR THE YEAR

	2014	2013
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**3,348**	3,364
Other staff costs	**23,777**	23,923
Retirement benefit scheme contributions, excluding those of directors	**1,288**	943
Total staff costs	**28,413**	28,230
Depreciation of property, plant and equipment	**17,768**	14,677
Amortisation of mining right	**444**	414
Release of prepaid lease payments	**647**	491
Total depreciation and amortisation	**18,859**	15,582
Auditor's remuneration	**1,285**	1,295
Minimum lease payments under operating leases in respect of properties	**185**	26
Cost of inventories recognised as an expense	**132,316**	128,939

10. EARNINGS PER SHARE

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

	2014	2013
	RMB'000	*RMB'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**24,047**	66,321
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	600,000

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

11. DIVIDEND

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

	2014	2013
	RMB'000	*RMB'000*
Final dividend for the year ended 31 December 2013 of RMB4.2 cents (2012: RMB3.6 cents) per share and a special dividend of RMB3.1 cents (2012: RMB3.1 cents) per share	**43,800**	40,200

A final dividend of HK$3.33 (RMB2.67) cents per share in respect of the year ended 31 December 2014, amounting to HK$19,980,000 (RMB16,000,000) in aggregate, 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.

12. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**7,361**	9,295
Prepayments	**2,005**	1,466
Other receivables	**1,429**	126
	3,434	1,592
Total	**10,795**	10,887

12. TRADE AND OTHER RECEIVABLES — continued

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, as follows:

	2014	2013
	RMB'000	*RMB'000*
0–30 days	**7,361**	9,295

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 customer. 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.

No trade receivables are past due as at the end of the reporting period.

The Group does not hold any collateral over these balances.

13. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**11,680**	6,878
Advance from customers	**442**	1,039
Value-added tax, resource tax and other tax payables	**12,068**	9,902
Accrued expenses	**3,889**	3,439
Other payables for construction in progress and property, plant and equipment	**5,677**	10,957
Other payables for evaluation and exploration assets	**191**	2,552
	22,267	27,889
	33,947	34,767

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

	2014	2013
	RMB'000	*RMB'000*
0–30 days	**7,111**	4,580
31–60 days	**2,566**	944
61–90 days	**678**	559
91–180 days	**493**	204
Over 180 days	**832**	591
	11,680	6,878

14. SECURED BANK BORROWINGS

	2014	2013
	RMB'000	*RMB'000*
Secured bank borrowings		
— Floating rate	**49,318**	27,000
Carrying amount repayable:		
— within one year	**40,318**	9,000
— more than one year, but not exceeding two years	**9,000**	18,000
	49,318	27,000
Less: amount due within one year shown under current liabilities	**40,318**	9,000
Amount shown under non-current liabilities	**9,000**	18,000

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:

	2014	2013
	%	*%*
Effective interest rate (per annum)	**2.57 to 6.65**	6.67

15. SHARE CAPITAL

Details of share capital of the Company are as follow:

	Number of shares	**Share capital**
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	1,000,000	100,000
Issued:		
At 1 January 2013, 31 December 2013 and 31 December 2014	600,000	60,000
		RMB'000
Shown in the consolidated statement of financial position as		48,955

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

For 2014, the commodity market faced various difficulties.

The increased oil supply in the Middle East, combined with weakening expectations for the global economy and world oil consumption, has pushed oil prices down in 2014. In addition, the fear of economy slowdown in China, made no sign of recovery in demand in metal market. Different metal markets in China experienced different level of price fluctuations in 2014. However, the overall demand in China was still increasing.

Copper

According to World Bureau of Metal Statistics (世界金屬統計局), between January and November 2014, world mine production was 16.83 million tonnes which was 0.84% higher than that in the same period in 2013. Global consumption between January and November 2014 was 21,054,000 tonnes compared to 21,040,000 tonnes for the whole year of 2013. Chinese apparent consumption in January to November 2014 rose by 1,345,000 tonnes to 10,249,000 tonnes which represented almost 49% of the global demand.

Iron

According to World Steel Association (世界鋼鐵協會), world crude steel production reached 1,662 million tonnes for the year 2014, increased by 1.2% compared to 2013.

China's crude steel production in 2014 reached 822.7 million tonnes, representing an increase of 0.9% from 2013. China's share of world crude steel production however, decreased slightly from 49.7% in 2013 to 49.5% in 2014.

Zinc

According to World Bureau of Metal Statistics (世界金屬統計局), from January to November 2014, there was a deficit of 232,000 tonnes in global zinc market compared to a surplus of 94,000 tonnes recorded in the whole year of 2013. London Metal Exchange ("LME") stocks, which represent 59% of the global total, fell by 252,000 tonnes in November 2014. Chinese demand for zinc rose by 5.8% compared with the previous year.

World demand for zinc was 600,000 tonnes higher than the same period in 2013 during the period from January to November 2014. China apparent demand for zinc was 5,825,000 tonnes which is over 46% of the global total.

Gold and Silver

In 2014, the international spot gold price opened at US$1,202.30 per ounce, and closed at US$1,183.90 per ounce as at 31 December 2014, representing a slight fall of 1.5%. According to World Gold Council, the scale of 2013's exceptional consumption overshadowed the market, dictating a 39% year-on-year decline in the third quarter of 2014. Demand, however, was broadly in line with the first three quarters in 2012.

With the outbreak of tension between Ukraine and Russia and worsen US economy indices in the beginning of 2014, it has given a favourable impact to the rise of gold price. The growth of US economy and stronger US dollar, as well as fear of rise in interest rate have resulted in the continuous decrease of gold price since August 2014.

According to Bloomberg, the price of silver raised to a peak at US$22.05 per ounce by end of February 2014 from US$19.37 per ounce at the beginning of 2014, and kept falling until early July at US$21.41 per ounce. It then continued to drop and closed at US$16.24 per ounce by end of 2014.

The weak economy in both China and Europe caused downturn pressure on silver price in 2014. The decline in demand of silver for industrial use also resulted in a drop in silver price.

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 have completed major upgrading projects in Xinzhuang Mine during the year. We had reached 600,000 tonnes per annum ("tpa") in both mining capacity and processing capacity by the end of 2014 from 500,000 tpa in 2013 in accordance with our expansion plan as disclosed in the prospectus of our Company dated 28 June 2012 (the "Prospectus"). 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"). By the end of 2013, Jiangxi Geology Bureau has completed the field exploration work. A Mineral Resources Verification Report (資源儲量核實報告) has been finished and approved by Jiangxi Province Land Resources Bureau in April 2014 and obtained registration in December 2014. The Board intends 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.

HORIZONTAL EXPANSION

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

On 16 May 2014, Yifeng Wanguo and Taylor Investment International Limited ("HK Taylor"), both being the wholly-owned subsidiaries of the Company, entered into two equity transfer agreements ("Acquisition Agreement(s)") with Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin (collectively referred as "Vendors") pursuant to which Yifeng Wanguo and HK Taylor have conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of 51% equity interests in Xizang Changdu County Dadi Mining Company Limited ("Xizang Changdu") in the consideration of RMB239.7 million in aggregate.

The exploration right of Xizang Changdu covers an area for exploration of approximately 21.87 sq. km. As of the date of Acquisition Agreements, it had completed advanced exploration stage. The following table shows the estimated resources of Xizang Changdu under JORC code.

2014 Mineral Resources estimate
Grade Tonnage Reported above a Cut-off Grade of 2.5% Pb

Category	Tonnes *(Mt)*	Grade *(Pb %)*	Ag *(g/t)*	Lead Metal *(1,000t)*	Silver Metal *(1,000Kg)*
Indicated	6.70	4.64	63.34	311	424
Inferred	10.62	4.15	45.32	440	481
Totals	**17.31**	**4.34**	**52.29**	**751**	**905**

As at the date of this announcement, Xizang Changdu has not yet commenced any production. Pursuant to pre-feasibility report performed by Geology and Mineral Resource Company of Jiangxi Province (江西省地礦資源勘察開發有限公司), an independent professional mining consulting firm, it is expected to complete processing plants and commence production at Xizang Changdu within three years.

Since Xizang Changdu has substantial reserves of lead and silver, it is expected to be further exploited, and processing plants built upon completion by the Company and to contribute sales revenue and profits to the Group. Please refer to the Company's circular dated 29 August 2014 for details.

The Vendors have not fulfilled the conditions precedent within the designated timeframe, and as such, the Group has the right to terminate the aforesaid acquisition. As at the date of this announcement, the Group is negotiating with the Vendors to resolve the situation.

EXPLORATION ACTIVITIES IN AUSTRALIA

On 24 October 2014, the Company had entered into a Farm In Agreement and a Minerals Royalty Deeds with Snow Peak Mining Pty Limited ("SPM"), a company incorporated in Australia as a limited liability company in December 2012, pursuant to which the Company will perform exploration activities in the Regional Project and the Near Mine Project respectively. Both Regional Project and Near Mine Project are owned by SPM.

For the Regional Project, the Company will undertake a minimum of 150,000 metres of exploration drilling within three years in return for a stake in the Regional Project up to a maximum 50%. SPM will enter into a 50/50 joint venture with the Company in respect of the Regional Project provided that the Company has (i) successfully reached an additional JORC Measured Resource of 20,000,000 tonnes at a minimum average grade of greater than 1% copper or greater than 10% zinc plus lead; or (ii) completed a minimum of 150,000 metres of exploration drilling at the Regional Project.

For the Near Mine Project, the Company will develop or upgrade a minimum of 200,000 tonnes per year to JORC Reserve category in return for a Net Smelter Return ("NSR") in respect of each separate deposit within the Near Mine Project in which a JORC Reserve is defined by the Company. The NSR payable to the Company will be 3% for the first 1,000,000 tonnes mined and processed from each deposit, and 1.5% thereafter.

The Board believed that the possible exploration activities will result in further cooperation with SPM and expansion of our mineral resources and ore reserves in Australia, aiming at further growing our business and maximising returns to our Shareholders.

As at 31 December 2014, the Group has finished preliminarily survey and exploration.

MINERAL RESOURCES AND RESERVES

The Xinzhuang Mine Mineral Resource Summary — as at 31 December 2014

Mineralization Type	JORC Mineral Resource Category	Tonnage	Grades Cu	Grades Pb	Grades Zn	Grades TFe	Grades mFe	Contained Metals Cu	Contained Metals Pb	Contained Metals Zn	Contained Metals TFe	Contained Metals mFe
		kt	%	%	%	%	%	kt	kt	kt	kt	kt
Cu-Fe	Measured	5,801	0.80	–	–	–	–	46.51	–	–	–	–
	Indicated	12,646	0.69	–	–	–	–	87.55	–	–	–	–
	Subtotal	18,447	0.73	–	–	–	–	134.06	–	–	–	–
	Inferred	900	0.46	–	–	–	–	4.16	–	–	–	–
	Total	19,347	0.71	–	–	–	–	138.22	–	–	–	–
Fe-Cu	Measured	2,246	0.20	–	–	43.45	31.03	4.51	–	–	976.00	696.89
	Indicated	3,913	0.34	–	–	39.94	26.28	13.49	–	–	1,562.92	1,028.47
	Subtotal	6,160	0.29	–	–	41.22	28.01	18.00	–	–	2,538.92	1,725.36
	Inferred	319	0.52	–	–	44.16	31.05	1.66	–	–	141.00	99.00
	Total	6,479	0.30	–	–	41.37	28.16	19.66	–	–	2,679.92	1,824.36
Cu-Pb-Zn	Measured	2,044	0.12	0.95	5.11	–	–	2.52	19.42	104.42	–	–
	Indicated	2,578	0.10	1.79	3.83	–	–	2.64	46.03	98.81	–	–
	Subtotal	4,622	0.11	1.42	4.40	–	–	5.16	65.45	203.23	–	–
	Inferred	358	0.15	0.39	4.33	–	–	0.52	1.41	15.52	–	–
	Total	4,980	0.13	1.34	4.39	–	–	5.68	66.86	218.75	–	–
Total	Measured	10,092	–	–	–	–	–	53.54	19.42	104.42	976.00	696.89
	Indicated	19,137	–	–	–	–	–	103.68	46.03	98.81	1,562.92	1,028.47
	Subtotal	29,229	–	–	–	–	–	157.22	65.45	203.23	2,538.92	1,725.36
	Inferred	1,577	–	–	–	–	–	6.34	1.41	15.52	141.00	99.00
	Total	30,806	–	–	–	–	–	163.56	66.86	218.75	2,679.92	1,824.36

Notes:

(1) 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.

(2) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 31 December 2011, as disclosed in the Appendix V of the Prospectus. Please refer to the same for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

(3) There was no material change in these estimates during the period from 31 December 2011 to 31 December 2014.

The Xinzhuang Mine Ore Reserve Summary — as at 31 December 2014

Mineralization Type	JORC Ore Reserve Category	Tonnage	Grades					Contained Metals				
			Cu	Pb	Zn	TFe	mFe	Cu	Pb	Zn	TFe	mFe
		kt	%	%	%	%	%	kt	kt	kt	kt	kt
Cu-Fe	Proved	4,360	0.77	–	–	–	–	33.59	–	–	–	–
	Probable	5,347	0.68	–	–	–	–	36.11	–	–	–	–
	Total	9,707	0.72	–	–	–	–	69.70	–	–	–	–
Fe-Cu	Proved	2,346	0.23	–	–	37.72	32.77	5.31	–	–	885.00	768.89
	Probable	2,342	0.33	–	–	28.76	24.21	7.80	–	–	673.79	567.01
	Total	4,689	0.28	–	–	33.25	28.49	13.11	–	–	1,558.79	1,335.90
Cu-Pb-Zn	Proved	1,481	0.10	0.88	4.82	–	–	1.42	13.03	71.34	–	–
	Probable	1,150	0.06	1.34	3.43	–	–	0.72	15.45	39.44	–	–
	Total	2,631	0.08	1.08	4.21	–	–	2.14	28.48	110.78	–	–
Total	Proved	8,188	–	–	–	–	–	40.32	13.03	71.34	885.00	768.89
	Probable	8,839	–	–	–	–	–	44.63	15.45	39.44	673.79	567.01
	Total	17,027	–	–	–	–	–	84.95	28.48	110.78	1,558.79	1,335.90

Notes:

(1) 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 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.

(2) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 31 December 2011, as disclosed in the Appendix V of the Prospectus. Please refer to the same for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

(3) There was no material change in these estimates during the period from 31 December 2011 to 31 December 2014.

FINANCIAL REVIEW

	Year ended 31 December 2014	2013
	RMB'000	*RMB'000*
Revenue	**219,163**	261,438
Cost of sales	**(132,316)**	(128,939)
Gross profit	**86,847**	132,499
Gross profit margin	**39.6%**	50.7%

Revenue

The Group's revenue decreased by 16.1% from approximately RMB261.4 million in 2013 to approximately RMB219.2 million in 2014. The decrease was primarily attributable to the decrease in the average prices of copper in copper concentrates, iron concentrates and sulfur concentrates under the slowdown of China's economy.

For the year ended 31 December 2014, we sold 2,540 tonnes of copper in copper concentrates, 103,490 tonnes of iron concentrates and 117,432 tonnes of sulfur concentrates, compared to 2,749 tonnes, 101,669 tonnes and 108,092 tonnes respectively for the year ended 31 December 2013, representing decrease of approximately 7.6%, increase of approximately 1.8% and 8.6%, for copper in copper concentrates, iron concentrates and sulfur concentrates, respectively. Decrease in volume of copper in copper concentrates was attributable to low grading of ores mined and recovery during ore processing. Completion of upgrading Concentrator No.1 system in September 2014 doubled up the production capacity and resulted in increase in iron concentrates and sulfur concentrates.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates in 2014 were RMB34,635, RMB557 and RMB212 per tonne respectively, compared to RMB39,265, RMB740 and RMB219 per tonne respectively in 2013, representing a decline of approximately 11.8%, 24.7% and 3.2% respectively. Most of the metals prices have been slipping downwards continuously. Our directors of the Company believe that such decrease was mainly due to the drop in demand caused by the pessimism in China's economy.

Cost of sales

Overall, our cost of sales increased by approximately 2.6% from approximately RMB128.9 million in 2013 to approximately RMB132.3 million in 2014. The increase was mainly due to the increase in subcontracting fee under expansion of our production scale.

Gross profit and gross profit margin

The overall gross profit of our Group for the year ended 31 December 2014 was approximately RMB86.9 million, which represented a decrease of approximately 34.4% compared to approximately RMB132.5 million for the year ended 31 December 2013. Our overall gross profit margin decreased from approximately 50.7% for the year ended 31 December 2013 to approximately 39.6% for the year ended 31 December 2014. Such decrease was mainly attributable to the decline in the selling prices of the concentrates and increase in costs of production.

Other income

Our other income comprised mainly bank interest income of approximately RMB0.4 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB0.6 million for the year ended 31 December 2014. Other income decreased by approximately RMB8.3 million compared with 2013, which was attributable to the decrease in bank balance and no income tax refund in relation to the incentive policy for foreign investment in Jiangxi Province.

Other gains and losses

Our other gains and losses increased by approximately RMB12.0 million, which comprised mainly gain on investment in structured deposits of approximately RMB2.2 million and unrealised exchange gain of approximately RMB0.4 million as a result of appreciation of Hong Kong dollars against Renminbi as at 31 December 2014. No unrealised exchange loss was incurred in 2014 as compared with an approximately RMB11.7 million of unrealised exchange loss arising from the depreciation of Australian dollars deposits against Renminbi incurred in 2013.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 13.8% from approximately RMB2.9 million for the year ended 31 December 2013 to approximately RMB2.5 million for the year ended 31 December 2014. The decrease was mainly attributable to the decrease in the railway and transportation fees as result of increase in the number of nearby customers.

Administrative expenses

Our administrative expenses increased by approximately 7.7% from approximately RMB32.7 million in 2013 to approximately RMB35.2 million in 2014. The increase was principally attributable to the increase in depreciation, as a result of completion of construction of new office building and mining and ore processing facilities during 2014.

Fair value gain on derivative financial instruments

By end of 2013, all the forward foreign exchange contracts in respect of Australian dollars time deposits were matured and settled. As a result, no fair value gain on derivative financial instruments was incurred in 2014.

Finance costs

Our finance costs increased by approximately 9.2% from approximately RMB12.0 million in 2013 to approximately RMB13.1 million in 2014, primarily due to the decrease in the capitalisation of interest expense resulting from the completion of construction of new staff quarter and increase in imputed interest expenses.

Income tax expense

Our income tax expense was approximately RMB15.1 million in 2014, consisting of PRC corporate income tax payable of approximately RMB14.3 million and withholding tax payable of approximately RMB0.8 million. Our income tax expense was approximately RMB28.7 million in 2013, consisting of PRC corporate income tax payable of approximately RMB27.2 million and withholding tax payable of approximately RMB1.5 million.

The decrease in our income tax expense in 2014 was primarily due to the decrease in the PRC corporate income tax expenses resulting from the decrease in operating profit.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation decreased by approximately 63.8%, or approximately RMB42.3 million, from approximately RMB66.3 million for the year ended 31 December 2013 to approximately RMB24.0 million for the year ended 31 December 2014. Our net profit margin decreased from approximately 25.4% for the year ended 31 December 2013 to approximately 11.0% for the year ended 31 December 2014 as a result of the decrease in revenue and drop in metal prices.

Analysis of property, plant and equipment and construction in progress

As at 31 December 2014, the Group's property, plant and equipment and construction in progress were approximately RMB339.1 million, representing an increase of RMB48.6 million or 16.7% over last year, mainly due to purchase of mining equipment, upgrading of ore processing facilities and construction of mining structures under our 600,000 tpa expansion project.

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 2014 and 2013, our inventories were approximately RMB21.6 million and approximately RMB13.9 million respectively. The increase in inventories was mainly due to the temporarily suspension of Concentrator No.1 system during the year, as a result of accumulation of unprocessed ores.

Analysis of trade receivables

Trade receivables represent receivables from the sale of concentrates. 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 2014 and 2013, our trade receivables were approximately RMB7.4 million and RMB9.3 million respectively. The decrease in trade receivables as at 31 December 2014 was mainly due to the decrease in revenue.

Analysis of trade payables

Trade payables mainly consist of payables in respect of (i) the purchase of forged steel grinding balls and cement; (ii) construction fee payable to our contractors under the expansion plan; 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 2014 and 2013, our trade payables were approximately RMB11.7 million and approximately RMB6.9 million respectively. The increase was mainly attributable to the amount payable to our contractors regarding the completion of construction work in our processing system.

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 2014 was 0.75 times as compared to 1.84 times as at 31 December 2013. It was mainly attributable to the increase in property, plant and equipment and bank loan.

Our Group had bank balances and cash of approximately RMB37.7 million as at 31 December 2014, compared to approximately RMB133.4 million as at 31 December 2013, of which approximately RMB1.0 million (2013: approximately RMB0.5 million) was denominated in Hong Kong dollars and Australian dollars. As at 31 December 2014, the Group recorded net assets and net current liabilities of approximately RMB272.4 million and approximately RMB34.0 million respectively. Such drop was attributable to drop in revenue resulted from decrease in revenue, coupled with the increase in investments in fixed assets for current expansion plan.

BORROWINGS

As at 31 December 2014, the Group had secured bank borrowings of RMB49.3 million in aggregate with maturity from one year to two years and effective interest rate of 6.67%.

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 38.4% (2013: 33.8%). The increase in gearing ratio was mainly attributable to the new bank borrowings of approximately RMB31.5 million for working capital purpose.

CAPITAL EXPENDITURES

The total capital expenditure of the Group decreased from approximately RMB110.2 million for the year ended 31 December 2013 to approximately RMB76.0 million for the year ended 31 December 2014, representing a decrease of approximately 31.0%. The capital expenditure in 2014 was primarily incurred from the purchase of mining equipment, upgrading of ore processing facilities and construction of mining structures under our 600,000 tpa expansion project at the Xinzhuang Mine.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENT

As at 31 December 2014, the Group has entered into a non-cancellable operating lease with future payable of approximately RMB0.2 million for certain of the Group's properties.

As at 31 December 2014, the Group's capital commitments amounted to approximately RMB230.1 million, which was attributable to the contingent consideration payable to the Vendors of Xizang Changdu. At the date of this announcement, conditions precedent for the aforesaid acquisition of Xizang Changdu has not yet been satisfied.

As at 31 December 2014, the Group has entered the following commitments in relation to the acquisition of land use right and exploration and development of Xinzhuang mine.

	RMB'000
Land use right	11,750
Exploration projects	504
Three new shafts projects	14,131
Upgrading the processing plants	3,803
Other civil work under 600,000 tpa projects	9,748
	39,936

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2014, the Group had no material acquisition and disposal of subsidiaries and associated companies.

CHARGE ON GROUP ASSETS

As at 31 December 2014, the Group's mining rights with carrying value of approximately RMB8.2 million (31 December 2013: approximately RMB8.6 million) and a structured deposit of approximately RMB33.7 million (31 December 2013: Nil) 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.

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.

FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, 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.

FINAL DIVIDEND

The Board recommends to declare a final dividend of RMB2.67 cents (equivalent to approximately HK$3.33 cents) per share for the year ended 31 December 2014, representing approximately 66.5% of the profit and total comprehensive income attributable to owners of the Company respectively, payable to the Shareholders whose names appear on the register of members of the Company on 2 June 2015. Based on the number of issued shares of the Company as at 31 December 2014, this represents a total distribution of approximately HK$20.0 million or RMB16.0 million. Subject to the approval of the payment of the final dividend by the Shareholders at the annual general meeting to be held on 22 May 2015, it is expected that the proposed final dividend will be paid on or before 31 July 2015.

CLOSURE OF REGISTER OF MEMBERS

The final dividend is payable to the Shareholders whose names appear on the register of members of the Company at close of business on 2 June 2015. For determination of entitlement to the final dividend, the register of members of the Company will be closed from Friday, 29 May 2015 to Tuesday, 2 June 2015, 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, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 28 May 2015.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, we had a total of 358 (2013: 375) full-time employees, excluding the independent third-party contractor which is responsible for underground mining work.

The remuneration of the employees of the Group is 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

For our current planned mining area, we have completed underground geological drilling of 13,063 m, with drill size of 60–90 mm for the year ended 31 December 2014. For the year ended 31 December 2014, we have also finished tunnel drilling of 1,709.5 m, resulted in total tunnel drilling of 7,330 m.

For outside planned mining area, the Group has conducted exploration work outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining licence held by the Group under the Exploration Agreement with Jiangxi Geology Bureau. By the end of 2014, a Mineral Resources Verification Report has been submitted to Jiangxi Province Land Resources Bureau (江西省國土資源廳) for approval and registration.

For the exploration projects in Australia, the Group finished the soil geochemical sampling and geological survey work of 2.8 km^2 and 23.4 km^2 at Balcooma District and Einasleigh District respectively. It has also completed induced polarization measurement of 3.22 km^2 and ground precision magnetic survey of 3.81 km^2 in Einasleigh. The Group has located the possible prospecting area and will perform geologic drilling for verification in the next step.

For the year ended 31 December 2014, the total expenditure of mineral exploration was approximately RMB4.8 million.

Development

During 2014, the Group incurred development expenditure of approximately RMB71.2 million in respect of our expansion plan for 600,000 tpa as described in the Prospectus, mainly comprising:

(1) Three new shafts' projects

Ventilation shaft system:	Completion and in use since April 2014
Main shaft system:	Completion of wellbore installation as well as construction of collar set at shaft mouth; Completion of ground work of shaft tower and starting the main shaft tower in 2015
Auxiliary shaft system:	Completion of wellbore, ground's winding engine project and headframe transport installation

(2) Civil work projects

We have completed main constructions and operation platform of grinding-floatation level. Large-scale ball-grinding mill and relevant flotation equipment have been installed as well as water supply and drainage system was properly installed.

(3) Upgrading of Concentrator No. 1 system

By end of March 2014, Yifeng Wanguo temporarily suspended the Concentrator No. 1 system which is one of our two concentrator systems in our processing plants at Xinzhuang Mine from April 2014 to August 2014 for the purpose of upgrading and expanding its capacity under our expansion plan. Upgraded Concentrator No. 1 system has already been fully operated before end of 2014.

Detailed breakdown of development expenditure for the year ended 31 December 2014 is as follows:

	RMB' (million)
Land use right	**0.2**
Mining structures	**51.7**
Office buildings	**2.2**
Machinery and electronic equipment for process plants	**16.9**
Motor vehicles	**0.2**
	71.2

Mining activities

During 2014, we processed a total of 544,893 tonnes of ore in the Xinzhuang Mine. The volume of our concentrates products sold were 2,540 tonnes, 103,490 tonnes, 2,783 tonnes, 117,432 tonnes, 60 kg, 4,390 kg and 1,170 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.

During 2014, the Group incurred expenditures for mining and processing activities of RMB88.8 million (2013: RMB74.9 million) and RMB40.4 million (2013: RMB40.9 million) respectively. The unit expenditures for mining and processing activities were RMB154.7/t (2013: RMB139.5/t) and RMB74.2/t (2013: RMB79.8/t) respectively.

PROSPECT

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

Growing production at our mine and outsourcing our mining works

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

Exploring additional mineral resources in our mine

According to the Independent Technical Expert's Report disclosed in Appendix V of the Prospectus, there is a potential to explore additional mineral resources at the Xinzhuang Mine. We plan to conduct exploration activities in the surrounding areas of the Xinzhuang Mine and to commercialise any mineral resources discovered as a result of our exploration activities.

Horizontal expansion through future acquisitions of new mines

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

We understand that the global economy is still weak, and expect that metal prices will continue to suffer short-term fluctuations and shocks in 2015. The Group will have a cautious optimistic attitude toward the trends in metal markets in 2015.

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 of Securities on the Stock Exchange (the "Listing Rules"). Except for the deviation from code provisions A.2.1, A.2.7 and A.6.7 of the CG Code as described below, the Company had complied with the CG Code for the year ended 31 December 2014.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Gao Mingqing, in addition to his duties as the Chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations as the Chief Executive Officer of the Company. This constitutes a deviation from code provision A.2.1 of the CG Code. Mr. Gao Mingqing as one of the founders of the Group has extensive experience and knowledge in the core business of the Group and his duties 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.

According to code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non- executive directors (including independent non-executive directors) without the executive directors present. During the year, the chairman of the Company did not hold any meeting with non-executive directors and independent non-executive directors of the Company without the executive directors present. Nevertheless, from time to time, non-executive directors and independent non-executive directors of the Company express their views directly to the Chairman via other means including correspondences and emails. The Company is of the view that there is efficient communication between non-executive directors (including independent non-executive directors) and the Chairman.

According to code provision A.6.7 of the CG code, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Shen Peng, Mr. Qi Yang and Mr. Li Hongchang, our independent non-executive directors, were unable to attend the annual general meeting of the Company held on 29 April 2014 due to conflict of their business schedules. Save as disclosed above, all directors of the Company were present at the annual general meeting of the Company held on 29 April 2014.

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 of the Company, has confirmed that all the directors of the Company have complied with the required standards of dealings as set out in the Model Code for the year and to the date of this announcement.

Purchase, Redemption or Sale of the Listed Securities of the Company

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Audit committee

The audit committee of the Company (the "Audit Committee") comprises four independent non-executive directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jianzhong and Mr. Li Hongchang. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process and internal control of the Group. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2014 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Publication of Annual Results and Annual Report

This annual results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.wgmine.com. The 2014 annual report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

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

Hong Kong, 18 March 2015

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