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 2017

FINANCIAL HIGHLIGHT:

	Year ended 31 December		
	2017	2016	
	RMB'000	*RMB'000*	**Increase**
Revenue	**348,494**	206,875	68.4%
Cost of sales	**(191,063)**	(129,639)	47.5%
Gross profit	**157,431**	77,236	103.9%
Gross profit margin	**45.2%**	37.3%	7.9%
Profit before tax	**102,819**	33,026	211.5%
Profit attributable to owners of the Company	**70,864**	21,972	222.3%

- Revenue increased by 68.4% to approximately RMB348.5 million.
- Gross profit increased by 103.9% to approximately RMB157.4 million.
- Gross profit margin increased by 7.9% to 45.2%.
- Profit attributable to owners of the Company increased by 222.3% to approximately RMB70.9 million.
- Basic earnings per share was RMB11.6 cents (2016: RMB3.7 cents).
- The Board recommended a final dividend of RMB3.89 cents (2016: Nil) per share.

The board (the "Board") of directors (the "Directors") 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 2017 together with comparative figures for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*4*	**348,494**	206,875
Cost of sales		**(191,063)**	(129,639)
Gross profit		**157,431**	77,236
Other income	*5*	**2,559**	1,586
Other gains and losses	*6*	**(7,915)**	178
Distribution and selling expenses		**(3,735)**	(2,865)
Administrative expenses		**(33,042)**	(30,402)
Finance costs	*7*	**(12,479)**	(12,707)
Profit before tax		**102,819**	33,026
Income tax expense	*8*	**(32,534)**	(11,054)
Profit and total comprehensive income for the year	*9*	**70,285**	21,972
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the company		**70,864**	21,972
Non-controlling interests		**(579)**	–
		70,285	21,972
Earnings per share			
Basic *(RMB cents)*	*10*	**11.6**	3.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**395,955**	387,856
Mining right		**15,822**	16,889
Exploration and evaluation assets	*12*	**187,139**	10,642
Other intangible asset	*13*	**319,288**	–
Prepaid lease payments		**59,729**	61,111
Deposit for purchase of property, plant and equipment		**6,376**	3,129
Deposits for acquisitions of subsidiaries		**35,393**	85,891
Deferred tax assets		**3,170**	2,960
Restricted bank balance		**7,615**	7,576
		1,030,487	576,054
CURRENT ASSETS			
Inventories		**9,302**	11,013
Trade and other receivables	*14*	**42,657**	18,910
Prepaid lease payments		**1,377**	1,377
Bank balances and cash			
– cash and cash equivalents		**108,639**	8,777
– restricted bank balance		**25,000**	32,750
		186,975	72,827
CURRENT LIABILITIES			
Trade and other payables	*15*	**79,671**	37,613
Tax payable		**26,214**	8,153
Amounts due to shareholders	*16*	**351**	6,120
Consideration payable for acquisition of a subsidiary	*13*	**113,610**	–
Consideration payable to a former non-controlling shareholder of a subsidiary		**72,378**	70,607
Secured bank borrowings	*17*	**122,411**	102,636
		414,635	225,129
NET CURRENT LIABILITIES		**(227,660)**	(152,302)
TOTAL ASSETS LESS CURRENT LIABILITIES		**802,827**	423,752

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 31 DECEMBER 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000*
NON-CURRENT LIABILITIES			
Consideration payable to a former non-controlling shareholder of a subsidiary		**35,356**	64,643
Secured bank borrowings	*17*	**23,293**	53,808
Deferred income		**12,565**	13,796
Deferred tax liabilities		**82,322**	750
Provisions		**4,399**	3,791
		157,935	136,788
CAPITAL AND RESERVES			
Share capital	*18*	**54,516**	48,955
Reserves		**403,641**	238,009
Equity attributable to owners of the company		**458,157**	286,964
Non-controlling interests		**186,735**	–
TOTAL EQUITY		**644,892**	286,964
		802,827	423,752

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 party is Mr. Gao Mingqing.

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

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, the 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 2017, the Group's current liabilities exceeded its current assets by RMB227,660,000. 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 proceeds from issue of new shares subsequent to the end of the reporting period of RMB81,214,000, any further fund raising activities should needs arise to finance its capital expenditures and potential acquisitions and working capital estimated to be generated from operating activities. The directors of the Company believe that the Group will be able to satisfy its existing liabilities as and when they fall due and the Group's future expansion 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 that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these 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 of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance ("HKCO").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis 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 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Lease", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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:

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 its returns.

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.

Consolidation of a subsidiary begins with the Group obtains control over the subsidiary and ceases when the Group 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 Group’s accounting policies.

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.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue represents revenue arising on sales of processed concentrates of various metals. An analysis of the Group's revenue from its major products for the reporting period is as follows:

	2017	2016
	RMB'000	*RMB'000*
Sales of processed concentrates		
– Copper concentrates	**122,971**	79,785
– Zinc concentrates	**82,575**	30,721
– Iron concentrates	**54,652**	39,410
– Lead concentrates	**15,743**	5,761
– Sulfur concentrates	**15,330**	14,191
– Gold in lead concentrates	**14,623**	7,086
– Gold in copper concentrates	**13,953**	13,267
– Silver in copper and zinc concentrates	**11,271**	10,087
– Silver in lead concentrates	**11,258**	5,384
– Copper in lead concentrates	**6,118**	1,183
	348,494	206,875

Information about major customers

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

	2017	2016
	RMB'000	*RMB'000*
Customer A[1]	**88,903**	69,354
Customer B[1]	**58,747**	33,283
Customer C[2]	**48,082**	N/A[4]
Customer D[3]	**47,742**	N/A[4]

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

2 Revenue for sales of zinc and silver in zinc concentrates

3 Revenue for sales of lead concentrates, gold, silver and copper in lead concentrates

4 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2016.

5. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Government grants:		
– Related to assets *(note i)*	**1,231**	1,228
– Others *(note ii)*	**600**	163
Bank interest income	**628**	104
Others	**100**	91
	2,559	1,586

Notes:

(i) Amount represents the amount granted by a municipal government in the PRC to Yifeng Wanguo for mining technology improvement and is released to profit or loss over the expected useful lives of the relevant assets resulting from the mining technology improvement.

(ii) Amount primarily represents incentives received from a local governmental authority by Yifeng Wanguo as immediate financial support for fulfilment of, among other conditions, certain retention criteria of local employees as required by the relevant governmental authority, where no future related cost is expected to be incurred nor related to any assets.

6. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Impairment loss in respect of exploration and evaluation assets	**(5,744)**	–
Loss on disposal of property, plant and equipment	**(289)**	(645)
Net foreign exchange (loss) gain	**(1,882)**	823
	(7,915)	178

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank borrowings	**7,995**	7,467
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**4,484**	5,240
	12,479	12,707

8. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax charge:		
PRC Enterprise Income Tax ("EIT")		
– Current year	**30,666**	10,806
– Underprovision in prior years	**78**	153
	30,744	10,959
Deferred tax charge		
– Current year	**1,790**	95
	32,534	11,054

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 subsidiaries established in the PRC was 25% during both years.

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.

	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**102,819**	33,026
Tax at the EIT rate of 25%	**25,705**	8,257
Tax effect of expenses not deductible for tax purpose	**2,814**	1,843
Underprovision in respect of prior years	**78**	153
Tax effect of tax losses not recognised	**501**	551
Tax effect of deductible temporary differences not recognised	**1,436**	–
Withholding tax on distributable earnings of a subsidiary established in the PRC	**2,000**	250
Tax charge for the year	**32,534**	11,054

9. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**3,000**	3,048
Other staff costs	**29,462**	22,007
Retirement benefit scheme contributions, excluding those of directors	**1,719**	1,743
Total staff costs	**34,181**	26,798
Depreciation of property, plant and equipment	**24,937**	23,249
Amortisation of mining right	**1,067**	1,067
Release of prepaid lease payments	**1,383**	1,375
Total depreciation and amortisation	**27,387**	25,691
Auditor's remuneration (including audit and non-audit services)	**1,345**	1,285
Minimum lease payments under operating leases in respect of properties	**356**	216
Cost of inventories recognised as an expense	**191,063**	129,639
Write-down of inventories (included in cost of sales)	**496**	–

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2017	2016
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share *(in RMB'000)*	**70,285**	21,972
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(in thousands)*	**606,871**	600,000

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

11. DIVIDENDS

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

	2017 *RMB'000*	2016 *RMB'000*
Interim dividend for the year ended 31 December 2017 of RMB0.5 cent (2016: nil) per share	**3,000**	–
Final dividend for the year ended 31 December 2016: nil (2016: final dividend for the year ended 31 December 2015 of RMB1.33 cents) per share	**–**	8,000
	3,000	8,000

The board of directors of the Company recommends final dividend for the year ended 31 December 2017 of RMB3.89 cents per share, approximately amounting to RMB28,000,000.

12. EXPLORATION AND EVALUATION ASSETS

The exploration and evaluation assets represent all costs directly associated with exploration and evaluation and are initially capitalised. The exploration and evaluation activities are in the area of (i) Yifeng, Jiangxi Province, the PRC, which is the principal place of business of Yifeng Wanguo; and (ii) the Balcooma District and the Einasleigh District, Australia, which are the principal places of business of a subsidiary incorporated in Australia. The exploration and evaluation assets in Yifeng have been reclassified as mining right during the year ended 31 December 2016. During the year ended 31 December 2017, the Company completed the acquisition of Xizang Changdu County Dadi Mining Company Limited ("Xizang Changdu") and the exploration and evaluation assets of the relevant mine owned thereby amounting to RMB182,139,000 is included in the balance at the end of the reporting period.

On 8 March 2018, Wanguo Australia International Group Pty Ltd. ("Wanguo Australia"), an indirect wholly owned subsidiary of the Company, entered into a Geological Data and Exploration Results Transfer Agreement with an independent third party, pursuant to which the Group has agreed to dispose of, and the independent third party has agreed to acquire, specific geological data, exploration results and interests in relation to the projects in Australia at a consideration of RMB5,000,000 ("Disposal"). The Group expects the carrying amount of the exploration and evaluation assets of the relevant projects be exceed of its recoverable amount, including the sales proceeds from the buyer upon Disposal and the refundable environmental deposit paid by the Group in prior years by RMB5,744,000 and such amount is recognised as an impairment loss of exploration and evaluation assets in profit or loss for the year ended 31 December 2017.

13. ACQUISITION OF A SUBSIDIARY

On 13 July 2017, the Group completed the acquisition of 51% equity interest in Xizang Changdu for a total consideration of RMB194,958,000. Since then, the Group obtained the majority voting power in the board of directors of Xizang Changdu, by which the relevant activities that significantly affect the return of Xizang Changdu is determined. Xizang Changdu is therefore accounted for as a subsidiary of the Company. Xizang Changdu owns the exploration right of a lead mine in Walege of the Changdu County, Tibet Autonomous Region, the PRC. As at the date of acquisition, Xizang Changdu had completed advanced exploration stage. The acquisition has been accounted for using the acquisition method.

The fair values of the assets acquired and liabilities assumed were determined based on the valuation performed by an independent qualified professional valuer not connected with the Group. The management of the Group works closely with the independent qualified professional valuer to establish, with reference to the Group's business plan, the appropriate valuation methodologies and inputs to the model including the growth rates, discount rate and expected future cash inflows/outflows of Xizang Changdu.

	RMB'000
Provisional fair value of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	920
Exploration and evaluation assets	178,842
Other intangible asset	319,288
Other receivables	4,776
Cash and cash equivalents	8
Amount due to the Group	(20,620)
Other payables	(21,120)
Deferred tax liabilities	(79,822)
Total identifiable net assets	382,272
Less: Non-controlling interests	(187,314)
	194,958

13. ACQUISITION OF A SUBSIDIARY *(Continued)*

The initial accounting for the acquisition has been determined provisionally for the items of exploration and evaluation assets and other intangible assets awaiting the receipt of professional valuation in relation to the respective fair values.

	RMB'000
Satisfied by:	
Cash paid in prior years	61,163
Cash paid during the year	20,185
Consideration payable (due within one year from the end of the reporting period)	113,610
	194,958
Net cash outflow arising in the acquisition during the year ended 31 December 2017:	
Cash consideration paid	20,185
Less: Bank balances and cash acquired	(8)
Net cash outflow in respect of the acquisition of a subsidiary	20,177

Other intangible asset represents, in the opinion of the directors, premium paid for the mining right license to be obtained by the Group pursuant to such acquisition to conduct mining activities in the lead mine in Walege of the Changdu County, Tibet Autonomous Region, the PRC owned by Xizang Changdu as stated above. The Group is in the process of applying the mining permit for the above mine with the relevant regulatory authorities and the directors of the Company expect the mining permit will be granted to the Group in the foreseeable future. The relevant mining permit, when granted to the Group, will allow the Group to mine up to a predetermined level of ore every year from the date of grant through the expiry of the mining license.

The non-controlling interests in Xizang Changdu recognised at the acquisition date were measured by reference to the fair value of the identifiable assets acquired and liabilities assumed and amounted to RMB187,314,000.

Acquisition-related costs amounting to RMB6,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses, in profit or loss.

Included in the profit of the Group for the year is loss of RMB1,182,000 attributable to Xizang Changdu. No revenue has been generated by Xizang Changdu during the year ended 31 December 2017.

13. ACQUISITION OF A SUBSIDIARY *(Continued)*

Had the acquisition been completed on 1 January 2017, the Group's profit for the year would have been RMB69,778,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma' profit of the Group had Xizang Changdu been acquired at the beginning of the current year, the directors have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

14. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade and bills receivables	**16,098**	2,609
Prepayments to suppliers	**23,116**	12,909
Other receivables	**3,443**	3,392
	26,559	16,301
Total	**42,657**	18,910

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 60 days for sales of certain products. For others, the Group generally requests for deposits in advance from customers (see note 15). The following is an aged analysis of trade and bills receivables presented based on the invoice dates at the end of the reporting period as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**16,098**	2,609
	16,098	2,609

14. TRADE AND OTHER RECEIVABLES *(Continued)*

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.

As at 31 December 2016, included in trade receivables was an amount of RMB104,000 due from a related party. No balance of trade receivables was due from any related party as at 31 December 2017.

15. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**16,013**	7,440
Receipts in advance from customers	**9,263**	4,495
Value-added tax, resource tax and other tax payables	**18,085**	9,912
Amounts due to non-controlling interests of a subsidiary *(note)*	**7,100**	–
Advance from a supplier	**10,330**	–
Payables for construction in progress and property, plant and equipment	**14,048**	12,330
Payables for evaluation and exploration assets	**115**	304
Accrued expenses and other payables	**4,717**	3,132
	63,658	30,173
	79,671	37,613

Note: The amounts are non-trade in nature, interest free and repayable on demand.

15. TRADE AND OTHER PAYABLES *(Continued)*

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

	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**10,962**	5,343
31 – 60 days	**2,397**	1,119
61 – 90 days	**613**	–
91 – 180 days	**1,234**	414
Over 180 days	**807**	564
	16,013	7,440

16. AMOUNTS DUE TO SHAREHOLDERS

	2017	2016
	RMB'000	*RMB'000*
Victor Soar Investments Limited ("Victor Soar") *(note i)*	**351**	3,365
Achieve Ample Investments Limited ("Achieve Ample") *(note ii)*	**–**	2,755
	351	6,120

All of the amounts above are denominated in HK$, non-trade in nature, interest free, unsecured and repayable on demand.

Notes:

(i) Victor Soar held approximately 45.27% (2016: 50.25%) of the issued share capital of the Company and is wholly owned and controlled by Mr. Gao Mingqing.

(ii) Achieve Ample held approximately 22.30% (2016: 24.75%) of the issued share capital of the Company and is wholly owned and controlled by Ms. Gao Jinzhu.

17. SECURED BANK BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Secured bank borrowings, at:		
– fixed rate	**64,758**	126,444
– floating rate	**80,946**	30,000
	145,704	156,444
The carrying amounts of the above borrowing are repayable:		
– within one year	**122,411**	102,636
– within a period of more than one year but not exceeding two years	**19,678**	32,100
– within a period of more than two years but not exceeding five years	**1,322**	21,708
– a period of more than five years	**2,293**	–
	145,704	156,444
Less: amount due within one year shown under current liabilities	**(122,411)**	(102,636)
Amount shown under non-current liabilities	**23,293**	53,808

The interest rates of the Group's floating rate borrowings are based on 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 are as follows:

	2017	2016
	%	*%*
Effective interest rate (per annum)	**2.22 to 6.50**	5.15 to 6.50

The secured bank borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2017	2016
	RMB'000	*RMB'000*
HK$	**4,446**	–

18. SHARE CAPITAL

Details 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 1 January 2016, 31 December 2016 and 31 December 2017	1,000,000	100,000
Issued:		
At 1 January 2016 and 31 December 2016	600,000	60,000
Issue of shares	66,000	6,600
At 31 December 2017	666,000	66,600

	2017 ***RMB'000***	2016 *RMB'000*
Shown in the consolidated statement of financial position	**54,516**	48,955

On 3 November 2017, the Company and an independent third party (the subscriber) entered into a subscription agreement under which the Company agreed to issue and allot and the subscriber agreed to subscribe for an aggregate of 120,000,000 subscription shares at the subscription price of HK$1.86 per subscription share. During the year ended 31 December 2017, the subscription for 66,000,000 shares in the Company, representing approximately 9.91% of the then issued share capital of the Company as enlarged by the issue of the 66,000,000 subscription shares, have been completed and the said shares have been issued and allotted to the subscriber. The gross and net proceeds from the subscription of the 66,000,000 shares amounted to approximately RMB103,443,000 and RMB103,329,000, respectively.

Subsequent to 31 December 2017, the subscription for the remaining 54,000,000 shares in the Company under the subscription agreement has been completed and 54,000,000 shares in the Company have been issued and allotted to the subscriber. Upon completion of the subscription, the shares held by the subscriber represent approximately 16.67% of the then issued share capital of the Company as enlarged by the issue of the 120,000,000 subscription shares. The gross and net proceeds from the subscription of the 54,000,000 shares amounted to approximately RMB81,214,000 and RMB81,136,000, respectively.

MARKET REVIEW

Copper

According to World Bureau of Metal Statistics, the copper market recorded a deficit of 118,700 tonnes in January to November 2017 which followed a deficit of 102,000 tonnes in the whole year of 2016. Reported stocks fell during November 2017 and closed at 127,000 tonnes lower than that at the end of December 2016. No allowance is made in the consumption calculation for unreported stock changes, particularly in the Chinese government stockpile.

World mine production in January to November 2017 was 18.6 million tonnes which was 0.4% lower than that for the same period in 2016. Global refined production for January to November 2017 was up 1.3% to 21.6 million tonnes compared with the previous year with a significant increase recorded in China (up 500,000 tonnes) and a reduction in Chile (down 182,000 tonnes).

Global consumption from January to November 2017 was 21.7 million tonnes compared with 21.5 million tonnes for the same period of 2016. Chinese apparent consumption in January to November 2017 rose by 187,000 tonnes to 10,780,000 tonnes compared to the same period of 2016 and represented just under 50% of global demand. The European Union production rose by 2.9% and demand was 3,081,000 tonnes, which was 1.8% below that for the period from January to November 2016 total.

Iron

According to the Ministry of Industry and Information Industry Department of Iron and Steel Division (工信部原材料工業司鋼鐵處), changes of iron ore prices followed the market logic. Overall, the iron ore price remained stable in 2017.

According to China Iron and Steel Association (中國鋼鐵業工業協會), the global pig iron production was 1,081 million tons during January to November 2017, representing an increase of 1.5%. The volume of pig iron production in the People's Republic of China ("China", or "PRC") was 656 million tonnes, representing an increase of 2.3%. China's output accounted for 60.8% of the world's total.

In 2017, China imported 1,075 million tonnes of iron ore, an increase of 5% over the same period of the previous year. In 2017, China imported iron ore consisted of 61% from Australia and 21% from Brazil.

Zinc

According to World Bureau of Metal Statistics, the zinc market was in deficit by 524,000 tonnes during January to November 2017 as compared with a deficit of 202,000 tonnes recorded in the whole of the previous year. London Metal Exchange stocks represented just over 30% of the global total. Chinese demand increased by 0.6% compared with the previous year.

Production of locally refined metal in China fell by 1.4% compared with 2016. Global refined production rose by 0.5% and consumption was 2.7% higher than the levels recorded one year earlier. World demand was 342,000 tonnes higher than for January to November 2016. Chinese apparent demand was 6,166,000 tonnes which is almost 47% of the global total. No allowance is made in the consumption calculation for unreported stock changes.

Lead

According to World Bureau of Metal Statistics, the lead market was in deficit by 378,000 tonnes in January to November 2017 which followed a deficit of 154,000 tonnes recorded in the whole of 2016. Total stocks at the end of November 2017 were 56,000 tonnes lower than that at the end of 2016. No allowance is made in the consumption calculation for unreported stock changes.

World refined production during January to November 2017 from both primary and secondary sources was 10,552,000 tonnes which was 6.3% higher than in the comparable months of 2016. Chinese demand was 587,000 tonnes above the comparable period in 2016 and represented just over 42% of the global total.

For the United States of America ("USA"), apparent demand has increased by 193,000 tonnes for January to November 2017 compared to the first eleven months of 2016.

Gold and Silver

The gold price in 2017 maintained a trend of narrowing fluctuation range. As a whole, it can be divided into two phases:

(i) from January until September 2017, the spot gold has been in the rising trend as the gold prices raised from US$1,145 per ounce all the way up to a year high of US$1,357 per ounce;

(ii) from September to end of 2017, gold started with the callback trend, the price of gold from the year high of US$1,357 per ounce all the way down to US$1,236 per ounce. After the Federal Reserve announced its third rate hike on 14 December 2017, gold price stumbled. As of 27 December 2017, gold price stabilised and rebound to US$1,280 per ounce.

In 2017, the international spot silver price opened at US$16.15 per ounce and closed at US$16.90 per ounce, representing a slight increase of approximately 6.3%. In 2017, global silver demand dropped by 4.9% as compared with the same period of last year. Silver shifted from a supply gap to an oversupply. The lack of demand coupled with the overall downturn in inflation contributed to the weaker performance of silver during the year.

In 2017, the demand for silver industry increased by 3.4% to 19 million ounces, compared with the same period of last year. However, silver coins and bullion investment fell by 36.7% from the same period of last year, which have plummeted for two consecutive years, indicated a sluggish demand for investment purpose.

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, lead concentrates as well as by-products of gold and silver.

On 13 July 2017, the Group completed acquisition of 51% attributable interest of Xizang Changdu, which owns the Walege Mine in which we may further exploit for open-pit and underground mining. The Walege Mine has a significant volume of mineral resources of lead and silver.

EXPANSION IN EXISTING MINE

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

Yifeng Wanguo entered into an agreement with China Nerin Engineering Co., Ltd (中國瑞林工程技術有限公司) for conducting a feasibility study on an expansion plan of our Xinzhuang Mine to 900,000 tpa. The Group expects to receive the report of feasibility study in first half of 2018 and thereby commencing such expansion plan thereafter, which will further increase the capacities of the Xinzhuang Mine.

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 exploration in the Xinzhuang Mine has increased the geological reserves of the Group and further proved the hydrogeology conditions in the mining area. Yifeng Wanguo has also appointed Changsha Mine Research Institute (長沙礦山研究院) to carry out mining experiments on the possibility to remove the waterproof pillars in the mining area. The Group received the report by end of June 2017. The report showed that a portion of the waterproof pillars can be removed, which will result in an increase of mineral resources of the Xinzhuang Mine by 2.6 million tonnes.

HORIZONTAL EXPANSION

Completion of acquisition of Xizang Changdu County Dadi Mining Company Limited

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 (the "Acquisition Agreement(s)") with Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin (collectively referred as the "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 at the consideration of RMB239.7 million in aggregate.

However, the Vendors have not yet fulfilled the conditions precedent of the Acquisition Agreements, i.e. obtaining proper consents and approvals of the transfer in various local government bureaus, before 30 September 2014 (being the latest date of payment by the Company as disclosed in the Company's circular dated 29 August 2014). The Company, having considered that the acquisition would further expand the Company's business and maximise returns to the shareholders of the Company (the "Shareholders"), has conditionally agreed with the Vendors' proposal to continue with the acquisition based on the amended terms of the Acquisition Agreements (the "Amended Terms"). Upon negotiations and mediation conducted by the Changsha Arbitration Commission (長沙仲裁委員會) on 8 October 2015, the amendments to the Acquisition Agreements as conditionally agreed among the Company and each of the Vendors include (i) reduction of the consideration to be settled and amending dates of payment, and (ii) enforcement on the proper consents and approval of the transfer in various local government bureaus.

The aggregate consideration for the two Acquisition Agreements under the Amended Terms has been reduced from RMB239.7 million to RMB195.0 million, representing a saving by the Group of RMB44.7 million or approximately 18.6% for the acquisition. On 13 July 2017, the aforesaid acquisition has been completed. Xizang Changdu becomes an indirect non-wholly owned subsidiary of the Company with 51% attributable interests owned by the Group. For details, please refer to the announcements of the Company dated 14 July 2017 and 8 November 2017 respectively. The Group has started the relevant application procedures for the purpose of converting the existing exploration license to mining license.

Establishment of a Joint Venture Company and Transfer of the Equity Interests

On 1 June 2017, Mega Harvest International Development Limited ("Mega Harvest"), an indirect wholly-owned subsidiary of the Company, entered into the joint venture agreement (the "Joint Venture Agreement") with Daye Runyang Mining Company Limited (大冶潤陽礦業有限公司) ("Daye Runyang") and Able Harvest International Development Limited ("Able Harvest") in relation to the establishment of Hubei Wanguo New Materials Technology Company Limited ("Hubei Wanguo") (湖北萬國新材料科技有限公司), located in Daye City, Hubei Province, the PRC with a registered capital of RMB10,000,000. Pursuant to the terms of the Joint Venture Agreement, Mega Harvest, Daye Runyang and Able Harvest will contribute RMB5,500,000, RMB4,200,000 and RMB300,000 respectively to the registered capital of the Hubei Wanguo which will be owned as to 55% by Mega Harvest, 42% by Daye Runyang and 3% by Able Harvest.

It was intended that Hubei Wanguo would be principally engaged in the business of mining, processing and sales of limestone products which the Directors believed it would diversify the existing business of the Group and to explore new markets with significant growth potential and thereby increasing the Group's revenue and profit. For details, please refer to the announcement of the Company dated 9 June 2017.

Hubei Wanguo has been duly established in June 2017 but the capital contribution by the Group has not yet been paid. After several months of due diligence review, the Group noted that there were lack of geological information and proper legal title in respect of the target limestone mine. As a result, the Group considers that it is too risky to continue with the development of the limestone mine. As such, the Group resolved to terminate the project accordingly. On 15 December 2017, Mega Harvest entered into an equity transfer agreement relating to the transfer of its 55% equity interest in Hubei Wanguo to an independent third party at nil consideration. The Group has ceased to hold any interest in Hubei Wanguo thereafter. For details, please refer to the announcement of the Company dated 29 December 2017.

Disposal of 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 (collectively referred as "Projects") respectively. Both Regional Project and Near Mine Project are owned by SPM.

By the end of 2016, the Group has finished preliminarily survey and exploration. The Group decided to utilise the resources in other directions and temporally suspended further exploration for the Regional Project and Near Mine Project during the year ended 31 December 2017 and up to the date of this announcement.

As at 31 December 2017, the total costs incurred for the exploration activities in the Projects were approximately RMB12.0 million, including a refundable environmental deposit of approximately RMB1.3 million.

On 8 March 2018, the Group entered into a Geological Data and Exploration Results Transfer Agreement (地質資料和勘探研究成果轉讓協議) (the "Agreement") with an independent third party, pursuant to which the Group sold specified geological data, exploration results and interests of the Projects at a consideration of RMB5.0 million (the "Disposal").

Upon completion of the Disposal, the Group is expected to record a loss on disposal of approximately RMB5.7 million in respect of the Projects after deducting the sales proceeds and refundable environmental deposit. Therefore, the Board considered a provision for impairment in respect of the Projects of approximately RMB5.7 million to reflect such unrecovered amount in the financial results for the year ended 31 December 2017.

The Board considers that the Disposal is in line with the development strategy of the Group to utilise the resources in other directions. For details, please refer to the Company's announcement dated 8 March 2018.

Proposed acquisition of majority shareholding of a gold mine in Solomon Islands

On 16 July 2017, the Company entered into the share sales and purchase agreement (the "S&P Agreement") with AXF Resources Pty Limited ("AXF Resources") pursuant to which the Company has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of, 611 shares out of 1,000 shares in AXF Gold Ridge Pty Limited ("AXF Gold Ridge") (representing 61.1% equity interest of AXF Gold Ridge) in consideration of AUD58.35 million. Pursuant to the terms of the S&P Agreement, the Company has agreed an estimated maximum commitment of AUD50 million for the Reconstruction Works and the AM Costs. Hence, the total amount of commitment by the Company for the acquisition as well as the Reconstruction Works and the AM Costs is AUD108.35 million.

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

Pursuant to the terms of the Deed, on the completion date, both parties shall sign the Put Option Agreement, pursuant to which AXF Resources will agree to pay AUD10 to the Company and the Company will grant AXF Resources an option (the "Put Option") to require the Company to purchase all of the remaining interest in AXF Gold Ridge held by AXF Resources (i.e. 22.28% equity interest of AXF Gold Ridge). The aforesaid consideration payable by the Company on exercise of the Put Option shall be AUD26.388 million plus any premium to be agreed by the parties. Hence, the total maximum amount of commitment of the Company for the acquisition (together with the Reconstruction Works) and the Put Option is approximately AUD118.751 million (subject to any premium to be added to the consideration on the exercise of the Put Option).

The Gold Ridge Project is a gold resource project located at lower northern slopes of Mount Chaunapaho in the central ranges of Guadalcanal Island. The Gold Ridge deposits are concentrations of low-sulphidation intrusion related epithermal gold mineralisation. It consists of five known mineralised deposits of Valehaichichi, Charivunga, Namachamata, Kupers and Dawsons.

The Gold Ridge Project consists of a mining lease (No. 1/1997) that covers an area of 30 km^2 and surrounding this is a prospecting license (SPL 194) that covers an area of 130 km^2. Set out below is the estimated resources of the Gold Ridge Mine under JORC code prepared by Independent Technical Expert.

Gold Ridge Mineral Resources (August 2016) at a cut-off grade of 0.5g/t Au

	Measured		**Indicated**		**Inferred**		**Total**	
Mine deposits	kt	Au g/t	kt	Au g/t	kt	Au g/t	Kt	Au g/t
Valehaichichi	434	1.26	3,118	1.28	867	1.48	4,419	1.32
Namachamata	166	2.03	457	1.66	146	1.36	769	1.68
Charivunga	–	–	8,437	1.51	16,905	2.06	25,342	1.88
Kupers	2,640	1.50	7,662	1.18	3,004	1.30	13,306	1.27
Dawsons	1,056	1.42	15,932	1.30	2,895	1.60	19,883	1.35
Total	**4,296**	**1.48**	**35,606**	**1.33**	**23,817**	**1.88**	**63,719**	**1.52**

At the date of this announcement, the conditions precedent of the proposed acquisition has not fulfilled. The Group is now in progress of conducting due diligences. Since the Gold Ridge Project has substantial reserves of gold, it is expected to be further exploited, and the processing plant will be renovated upon completion by the Group. The Gold Ridge Project would therefore contribute revenue and profits to the Group. Unlike most other commodities, gold has been a stable performer in recent years, which is expected to enhance the stability of the Group's income in the future under impact of economy fluctuation.

The Directors are of the view that the transactions contemplated under the Deed are on normal commercial terms that are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Please refer to the announcement of the Company dated 22 February 2018 for details.

Subscription of new shares under general mandate

On 3 November 2017, the Company entered into a subscription agreement with Cheng Tun Prime Shine Limited (formerly known as Prime Shine Limited)(the “Subscriber”), an indirectly wholly owned subsidiary of Cheng Tun Mining Group Co., Ltd. (盛屯礦業股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 600711), and is principally engaged in the business of mining and ore-processing of non-ferrous metals and providing value-added services in the metals industry. Pursuant to the subscription agreement, the Subscriber agreed to subscribe for an aggregate of 120,000,000 subscription shares, being the first subscription shares of 66,000,000 shares (the “First Subscription”) and the second subscription shares of 54,000,000 shares (the “Second Subscription”) at the subscription price of HK$1.86 per subscription share (the “Subscription”). Please refer to the Company’s announcement dated 3 November 2017 for details.

The net proceeds for the Subscription was intended to be used in the following:

a) payment of the consideration in relation to the acquisition of 35% equity interest of Xizang Changdu by the Group;

b) payment of the consideration in relation to the acquisition of majority shareholding of AXF Gold Ridge by the Group; and

c) funding of the project concerning the exploitation and operations of the gold mine located on the island of Guadalcanal, the central island of the Solomon Islands, approximately 30 kilometers south-east of the capital city Honiara in Solomon Islands.

On 24 November 2017, the First Subscription was completed where 66,000,000 shares at the subscription price of HK$1.86 per share has been allotted and issued to the Subscriber under the general mandate (the "General Mandate") granted to the Directors at the annual general meeting of the Company held on 9 June 2017. Net proceeds of the First Subscription was approximately HK$122.6 million. As at 31 December 2017, the utilisation of the net proceeds from the First Subscription was as follows:

	Net proceeds from the First Subscription utilized (up to 31 December 2017) *(HK$ million)*
Net proceeds from the First Subscription	122.6
Payment of the consideration in relation to the acquisition of 35% equity interest of Xizang Changdu by the Group;	(24.2)
Payment of the consideration in relation to the acquisition of majority shareholding of AXF Gold Ridge;	–
Funding of the project concerning the exploitation and operations of the gold mine located on the island of Guadalcanal, the central island of the Solomon Islands, approximately 30 kilometers south-east of the capital city Honiara in Solomon Islands.	(6.2)
Balance of the net proceeds	92.2

The unutilised balance of net proceeds from the First Subscription has been placed in a bank in Hong Kong.

On 28 February 2018, the Second Subscription was completed where 54,000,000 shares at the subscription price of HK$1.86 per share has been allotted and issued to the Subscriber under the General Mandate. Estimated net proceeds received was approximately HK$100.3 million.

MINERAL RESOURCES AND RESERVES

The Xinzhuang Mine Mineral Resource Summary – as at 31 December 2017

Mineralization Type	JORC Mineral Resource Category	Tonnage kt	Grades: Cu %	Pb %	Zn %	TFe %	mFe %	Contained Metals: Cu Kt	Pb kt	Zn kt	TFe kt	mFe kt
Cu-Fe	Measured	5,536	0.80	–	–	–	–	44.20	–	–	–	–
	Indicated	12,059	0.69	–	–	–	–	82.63	–	–	–	–
	Subtotal	**17,595**	**0.72**	**–**	**–**	**–**	**–**	**126.83**	**–**	**–**	**–**	**–**
	Inferred	845	0.47	–	–	–	–	3.93	–	–	–	–
	Total	**18,440**	**0.71**	**–**	**–**	**–**	**–**	**130.76**	**–**	**–**	**–**	**–**
Fe-Cu	Measured	2,018	0.18	–	–	43.94	30.94	3.54	–	–	886.72	624.35
	Indicated	3,463	0.34	–	–	39.74	25.29	11.90	–	–	1,376.35	875.66
	Subtotal	**5,481**	**0.28**	**–**	**–**	**41.29**	**27.37**	**15.44**	**–**	**–**	**2,263.07**	**1,500.01**
	Inferred	306	0.53	–	–	44.19	31.06	1.62	–	–	135.21	95.05
	Total	**5,787**	**0.29**	**–**	**–**	**41.44**	**27.56**	**17.06**	**–**	**–**	**2,398.28**	**1,595.06**
Cu-Pb-Zn	Measured	1,813	0.13	0.96	5.37	–	–	2.27	17.35	97.32	–	–
	Indicated	2,493	0.08	1.76	3.70	–	–	1.96	43.97	92.36	–	–
	Subtotal	**4,306**	**0.10**	**1.42**	**4.41**	**–**	**–**	**4.23**	**61.32**	**189.68**	**–**	**–**
	Inferred	340	0.13	0.39	4.44	–	–	0.43	1.34	15.08	–	–
	Total	**4,646**	**0.10**	**1.35**	**4.41**	**–**	**–**	**4.66**	**62.66**	**204.76**	**–**	**–**
Total	Measured	9,367	–	–	–	–	–	50.01	17.35	97.32	886.72	624.35
	Indicated	18,015	–	–	–	–	–	96.49	43.97	92.36	1,376.35	875.66
	Subtotal	**27,382**	**–**	**–**	**–**	**–**	**–**	**146.50**	**61.32**	**189.68**	**2,263.07**	**1,500.01**
	Inferred	1,491	–	–	–	–	–	5.98	1.34	15.08	135.21	95.05
	Total	**28,873**	**–**	**–**	**–**	**–**	**–**	**152.48**	**62.66**	**204.76**	**2,398.28**	**1,595.06**

Note: (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 2017.

Mineralization Type	JORC Ore Reserve Category	Tonnage kt	The Xinzhuang Mine Ore Reserve Summary – as at 31 December 2017 Grades					Contained Metals				
			Cu %	Pb %	Zn %	TFe %	mFe %	Cu kt	Pb kt	Zn kt	TFe kt	mFe kt
Cu-Fe	Proved	4,095	0.76	–	–	–	–	31.28	–	–	–	–
	Probable	4,760	0.66	–	–	–	–	31.19	–	–	–	–
	Total	**8,855**	**0.71**	**–**	**–**	**–**	**–**	**62.47**	**–**	**–**	**–**	**–**
Fe-Cu	Proved	2,118	0.20	–	–	37.57	32.88	4.34	–	–	795.72	696.35
	Probable	1,892	0.33	–	–	25.75	21.89	6.21	–	–	487.22	414.20
	Total	**4,010**	**0.26**	**–**	**–**	**31.99**	**27.69**	**10.55**	**–**	**–**	**1,282.94**	**1,110.55**
Cu-Pb-Zn	Proved	1,250	0.08	0.88	5.14	–	–	1.01	10.96	64.24	–	–
	Probable	1,065	0.03	1.26	3.10	–	–	0.32	13.39	32.99	–	–
	Total	**2,315**	**0.06**	**1.05**	**4.20**	**–**	**–**	**1.33**	**24.35**	**97.23**	**–**	**–**
Total	Proved	7,463	–	–	–	–	–	36.63	10.96	64.24	795.72	696.35
	Probable	7,717	–	–	–	–	–	37.72	13.39	32.99	487.22	414.20
	Total	**15,180**	**–**	**–**	**–**	**–**	**–**	**74.35**	**24.35**	**97.23**	**1,282.94**	**1,110.55**

Note: (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 2017.

The Walege Mine Mineral Resource Summary – as at 31 December 2017
Grade Tonnage Reported above a Cut-off Grade of 2.5% Pb

JORC Mineral Resource Category	Tonnes (Mt)	Grade (Pb%)	Ag (g/t)	Lead Metal (1,000t)	Silver Metal (1,000Kg)
Measured	5.84	5.07	59.55	295.94	347.87
Indicated	18.11	4.35	51.37	787.82	930.20
Inferred	11.24	4.41	55.41	495.26	622.52
Totals	35.19	4.49	55.02	1,579.02	1,900.59

Note:

(1) The mineral resource estimates ("MRE") is based on 208 diamond drill holes completed up until 2017. The wireframes were generated based on cross sectional widths of 50m-100m*100m-200m spacing. This was based on exploration drilling patterns. Mineralisation cut-off grades of 0.5% Pb combined with the geological logging were used to define the mineralised envelopes.

(2) The mineral resources have been classified and reported in accordance with the JORC Code. Resource classification is based on confidence in the mapping, geological interpretation, drill spacing and geostatistical measures. The current resource models provide robust global estimates of the in situ mineralisation of Pb and Ag. Mineral Resources have been reported above cut-off of 2.5% Pb.

(3) The MRE was based on 72 diamond drill holes completed up until 2013 and the wireframes were generated based on cross sectional widths of 100m – 100m spacing as disclosed in the Company's circular dated 2 December 2015. Save as disclosed above, there were no material changes in the MRE for the year ended 31 December 2017.

FINANCIAL REVIEW

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**348,494**	206,875
Cost of sales	**(191,063)**	(129,639)
Gross profit	**157,431**	77,236
Gross profit margin	**45.2%**	37.3%

Revenue

The Group's revenue increased by approximately 68.4% from approximately RMB206.9 million in 2016 to approximately RMB348.5 million in 2017. The increase was primarily attributable to increase in volumes of concentrates sold and respective selling prices during the year.

For the year ended 31 December 2017, we sold 3,490 tonnes of copper in copper concentrates, 127,594 tonnes of iron concentrates and 5,478 tonnes of zinc in zinc concentrates, compared to 2,989 tonnes, 116,531 tonnes and 3,059 tonnes respectively for the year ended 31 December 2016, representing increase of approximately 16.8%, 9.5% and 79.1%, for copper in copper concentrates, iron concentrates and zinc in zinc concentrates, respectively. The increase was principally attributable to the improvement in production technology and increase in production capacity under our expansion plan.

The average prices of copper in copper concentrates, iron concentrates and zinc in zinc concentrates in 2017 were RMB35,235, RMB428 and RMB15,074 per tonne respectively, compared to RMB26,693, RMB338 and RMB10,043 per tonne respectively in 2016, representing an increase of approximately 32.0%, 26.6% and 50.1% respectively. During 2017, most of the metals prices have increased continuously. Our Directors believe that such increase was mainly due to the shortage of supply and recovery of the industry.

Cost of sales

Overall, our cost of sales increased by approximately 47.5% from approximately RMB129.6 million in 2016 to approximately RMB191.1 million in 2017. The increase was mainly due to the increase in sales volume, cost of materials such as cement and forged steel grinding balls and safety production fee according to statutory requirement.

Gross profit and gross profit margin

The overall gross profit of our Group for the year ended 31 December 2017 was approximately RMB157.4 million, which represented an increase of approximately 103.9% compared to approximately RMB77.2 million for the year ended 31 December 2016. Our overall gross profit margin increased from approximately 37.3% for the year ended 31 December 2016 to approximately 45.2% for the year ended 31 December 2017. Such increase was mainly attributable to the growth in the selling price of the concentrates.

Other income

Our other income mainly comprised bank interest income of approximately RMB0.6 million, incentives received from a local governmental authority of approximately RMB0.6 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB1.2 million for the year ended 31 December 2017. Other income increased by approximately RMB1.0 million as compared with 2016, which was attributable to the increase in bank interest income and incentives received from a local governmental authority during 2017.

Other gains and losses

Our other gains and losses decreased by approximately RMB8.1 million, which comprised mainly impairment loss of approximately RMB5.7 million in respect of disposal of exploration activities in Australia as disclosed in the above paragraph headed "Disposal of exploration activities in Australia" and unrealised exchange loss of approximately RMB1.9 million as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi under depreciation of Australian dollars and Hong Kong dollars as at 31 December 2017. Unrealised exchange gain of approximately RMB0.8 million was incurred for the year ended 31 December 2016 from the appreciation of Australian dollars against Renminbi.

Distribution and selling expenses

Our selling and distribution expenses increased by approximately 27.6% from approximately RMB2.9 million in 2016 to approximately RMB3.7 million in 2017. The increase was mainly attributable to the increase in the transportation fee as result of increase in number of customers.

Administrative expenses

Our administrative expenses increased by approximately 8.6% from approximately RMB30.4 million in 2016 to approximately RMB33.0 million in 2017. The increase was principally attributable to the travelling expenses incurred in connection with the proposed acquisition of a gold mine company and increase in salary of our staff in the Xinzhuang Mine.

Finance costs

Our finance costs decreased by approximately 1.6% from approximately RMB12.7 million in 2016 to approximately RMB12.5 million in 2017, primarily due to the decrease in imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary.

Income tax expense

Our income tax expense was approximately RMB32.5 million in 2017, consisting of PRC corporate income tax payable of approximately RMB30.7 million, withholding tax payable of approximately RMB2.0 million and deferred tax credit of approximately RMB0.2 million. Our income tax expense was approximately RMB11.1 million in 2016, consisting of PRC corporate income tax payable of approximately RMB11.0 million, withholding tax payable of approximately RMB0.3 million and deferred tax credit of approximately RMB0.2 million.

The increase in our income tax expense for the year ended 31 December 2017 was primarily due to the increase in the PRC corporate income tax expense as a result of increase in operating profit and withholding tax payable for distribution of profit.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation increased by approximately 219.5%, or approximately RMB48.3 million, from approximately RMB22.0 million for the year ended 31 December 2016 to approximately RMB70.3 million for the year ended 31 December 2017. Our net profit margin increased from approximately 10.6% for the year ended 31 December 2016 to approximately 20.2% for the year ended 31 December 2017 mainly resulted from the increase in profit margin of concentrates sold.

Profit and total comprehensive income attributable to owners of our Company

The profit and total comprehensive income attributable to the owners of our Company increased by approximately 222.3% or approximately RMB48.9 million, from approximately RMB22.0 million for the year ended 31 December 2016 to approximately RMB70.9 million for the year ended 31 December 2017.

Analysis of property, plant and equipment and construction in progress

As at 31 December 2017, the Group's property, plant and equipment and construction in progress were approximately RMB396.0 million, representing an increase of RMB8.1 million or 2.1% over last year mainly due to purchase of mining equipment and construction of mining structures in the Xinzhuang Mine.

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 2017 and 2016, our inventories were approximately RMB9.3 million and approximately RMB11.0 million respectively. The decrease in inventories was mainly due to more products were sold during 2017, resulted from increase in market price of concentrates.

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 reputable customers, our Group grants a credit period up to 60 days. As at 31 December 2017 and 2016, our trade receivables were approximately RMB16.1 million and RMB2.6 million respectively. The increase in trade receivables as at 31 December 2017 was mainly due to no down payment received prior to delivery from a reputable customer.

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 2017 and 2016, our trade payables were approximately RMB16.0 million and approximately RMB7.4 million respectively. The increase was mainly attributable to rise in the price of forged steel grinding balls, cement and chemical products and increase in purchase of raw materials to cope with growth of production expansion.

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 bank borrowings and cash generated from operation.

The current ratio of the Group as at 31 December 2017 was 0.45 times as compared to 0.32 times as at 31 December 2016, which was mainly attributable to issue of new shares under the General Mandate incurred.

Our Group had cash and cash equivalents of approximately RMB108.6 million as at 31 December 2017, compared to approximately RMB8.8 million as at 31 December 2016, of which approximately RMB79.1 million (2016: approximately RMB0.7 million) was denominated in Hong Kong dollars and Australian dollars. As at 31 December 2017, the Group recorded net assets and net current liabilities of approximately RMB644.9 million (2016: RMB287.0 million) and approximately RMB227.7 million (2016: RMB152.3 million) respectively. The increase in net current liabilities was attributable to the increase in bank loan (current portion) and consideration payable to the Vendors in relation to the acquisition of Xizang Changdu.

BORROWINGS

As at 31 December 2017, the Group had secured bank borrowings of RMB145.7 million in aggregate with maturity from one year to ten years and effective interest rate of 5.67%.

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 20.8% (2016: 45.0%). The decrease in gearing ratio was mainly attributable to increase in total assets resulted from the completion of acquisition of 51% equity interest in Xizang Changdu.

CASH FLOWS

The following table sets out a condensed summary of our Group's consolidated statement of cash flows for the year ended 31 December 2017 and 2016:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net cash inflow from operating activities	**141,534**	64,936
Net cash outflow from investing activities	**(80,075)**	(133,469)
Net cash inflow from financing activities	**43,825**	64,942
Net increase/(decrease) in cash and cash equivalents	**105,284**	(3,591)
Effect of foreign exchange rate changes	**(5,422)**	72
Cash and cash equivalents at the beginning of the year	**8,777**	12,296
Cash and cash equivalents at the end of the year	**108,639**	8,777

Net cash flow from operating activities

For the year ended 31 December 2017, net cash inflow from operating activities amounted to approximately RMB141.5 million, which mainly comprised the profit before working capital changes of approximately RMB149.8 million, together with decrease in inventories of approximately RMB1.2 million, increase in trade and other payables of approximately RMB19.4 million and was offset by the increase in trade and other receivables of approximately RMB16.0 million and income tax paid of approximately RMB12.9 million.

Net cash flow from investing activities

Net cash outflow from investing activities amounted to approximately RMB80.1 million for the year ended 31 December 2017. It was primarily attributable to the purchase of property, plant and equipment of approximately RMB34.5 million, payment for evaluation and exploration assets of approximately RMB3.5 million, acquisition of a subsidiary of approximately RMB20.2 million, deposit paid for acquisition of a subsidiary of approximately RMB31.3 million and was offset by release of restricted bank balances of approximately RMB7.7 million, redemption of structured deposits of approximately RMB1.0 million and interest income of approximately RMB0.7 million.

Net cash flow from financing activities

Net cash inflow from financing activities amounted to approximately RMB43.8 million for the year ended 31 December 2017. This was principally due to new bank loan of approximately RMB105.9 million and net proceeds from issue of new shares of approximately RMB103.3 and was offset by repayment of bank loans and interests of approximately RMB124.7 million, repayment of non-interest bearing and unsecured advance from shareholders of approximately RMB5.7 million and dividend paid of approximately RMB3.0 million as well as redemption monies of approximately RMB32.0 million paid to a former non-controlling shareholder.

CAPITAL EXPENDITURES

The total capital expenditure of the Group decreased from approximately RMB95.7 million for the year ended 31 December 2016 to approximately RMB89.4 million for the year ended 31 December 2017, representing a decrease of approximately 6.6%. The capital expenditure in 2017 was primarily incurred from the purchase of mining equipment, construction of mining structures at the Xinzhuang Mine, acquisition of Xizang Changdu and deposit paid for acquisition of a subsidiary.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENT

As at 31 December 2017, the Group has entered into a non-cancellable operating lease with future payable of approximately RMB0.2 million for Director's quarter in Hong Kong and office in Australia.

As at 31 December 2017, the Group's capital commitments amounted to approximately RMB516.4 million was attributable to the acquisition of equity interest in and Reconstruction Works for the mining project of AXF Gold Ridge.

As at 31 December 2017, the Group has also entered the following commitments in relation to the development of the Xinzhuang Mine.

	RMB'000
Three new shafts projects	507
Upgrading the processing plants	1,881
Other civil work	4,449
	6,837

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2017, the Group has completed the acquisition of 51% equity interests of Xizang Changdu and it becomes an indirect non-wholly owned subsidiary of the Company. Details of which are set out in the above paragraph headed "Completion of acquisition of Xizang Changdu County Dadi Mining Company Limited" of this announcement.

Save as disclosed in this announcement, the Group had no significant investments nor were there any other material acquisition and disposal of subsidiaries, associates and joint venture during the year ended 31 December 2017.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group does not have any plan authorised by the Board for material investments or additions of capital assets as at the date of this announcement.

CHARGE ON GROUP ASSETS

As at 31 December 2017, the Group's prepaid lease payment, mining rights and buildings with carrying value of approximately RMB85.3 million (31 December 2016: RMB89.7 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.

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the year 2017, the Group had no material adverse exposure to foreign exchange fluctuations during the year 2017.

INTEREST RATE RISK

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

FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, bank balances and cash, restricted bank balance, trade and other payables, amounts due to the shareholders, consideration payable for acquisition of a subsidiary, consideration payable to a former non-controlling shareholder of a subsidiary and secured bank borrowings.

FINAL DIVIDEND

The Board recommended to declare a final dividend of RMB3.89 cents (equivalent to approximately HK$4.82 cents) per share for the year ended 31 December 2017 (2016: Nil), representing approximately 39.5% of the profit and total comprehensive income attributable to owners of the Company, payable to the Shareholders whose names appear on the register of members of the Company on Tuesday, 29 May 2018. Based on the number of issued shares of the Company as at the date of this announcement, this represents a total distribution of approximately RMB28.0 million. Subject to the approval of the payment of the final dividend by the Shareholders at the annual general meeting to be held on Friday, 18 May 2018, it is expected that the proposed final dividend will be paid on or before Friday, 31 August 2018.

ANNUAL GENERAL MEETING

The 2018 annual general meeting (the "AGM") of the Company will be held on Friday, 18 May 2018. A notice convening the AGM will be published and despatched to the Shareholders in accordance with the requirements of the articles of association of the Company and the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the 'Stock Exchange") in due course.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates 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, not later than 4:30 p.m. on Monday, 14 May 2018.

The final dividend is payable to the Shareholders whose names appear on the register of members of the Company at close of business on Tuesday, 29 May 2018. For determination of entitlement to the final dividend, the register of members of the Company will be closed from Friday, 25 May 2018 to Tuesday, 29 May 2018, 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, 24 May 2018.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, we had a total of 330 (2016: 313) 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

Xinzhuang Mine

Mineral exploration

During 2017, the exploration activities in the Xinzhuang Mine was within 4-23 exploration line. We have completed underground geological drilling of 13,707.41 m, with drill size of 60-90 mm for the year ended 31 December 2017. For the year ended 31 December 2017, we have also finished tunnel drilling of 1,346 m and completed adit mapping of 12,838 m.

For the year ended 31 December 2017, no expenditure of mineral exploration was incurred.

Development

During 2017, the Group incurred development expenditure of approximately RMB34.5 million. Our 600,000 tpa expansion plan has been completed and a safety acceptance for the completion of the 600,000 tpa expansion project was completed and approved by end of 2017.

Mining activities

Details breakdown of development expenditure is as follows:

	RMB' (million)
Mining structures	26.1
Office buildings	1.6
Machinery and electronic equipment for process plants	6.7
Motor vehicles	0.1
	34.5

During 2017, we processed a total of 743,245 tonnes of ore in the Xinzhuang Mine. The following table shows the volume of our concentrates products sold during 2017.

Type of concentrates sold	**Volume**
Copper in copper concentrates	3,490 tonnes
Iron concentrates	127,594 tonnes
Zinc in zinc concentrates	5,478 tonnes
Sulfur concentrates	145,191 tonnes
Lead in lead concentrates	1,228 tonnes
Gold in copper concentrates	63 kg
Silver in copper concentrates	4,427 kg
Silver in zinc concentrates	904 kg
Gold in lead concentrates	63 kg
Sliver in lead concentrates	3,905 kg
Copper in lead concentrates	357 kg

During 2017, the Group incurred expenditures for mining and processing activities were RMB109.7 million (2016: 68.6 million) and RMB57.6 million (2016: 40.8 million) respectively. The unit expenditures for mining and processing activities were RMB148.8/t (2016: RMB109.1/t) and RMB77.6/t (2016: RMB63.8/t) respectively.

Walege Mine

On 13 July 2017, the Group has completed acquisition of 51% equity interest of Xizang Changdu which in turn owns the Walege Mine in which the Group can conduct both open-pit and underground mining.

Mineral exploration

All the field exploration work has been completed before 2017. During 2017, the main activities were the license maintenance, including the renewal of the exploration license in June 2017.

Development

During 2017, the Group incurred the development expenditure of approximately RMB3.3 million in respect of preparation of geological prospecting report and feasibility study report as well as various trials and tests for the preparation work for the application of mining license.

Mining activities

Since Walege Mine is still in development stage, no mining activities has incurred for the year ended 31 December 2017.

PROSPECT

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

Growing production at our mine and outsourcing our mining works

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

Horizontal expansion through future acquisitions of new mines

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

After several years of downturn of non-ferrous market, there was a sign of recovery by end of 2016. In 2017, the non-ferrous metals market was a "bullish continuation." Thanks to the completion of our expansion project in our Xinzhuang Mine, the Group expects to enjoy the growth of market and volume increase in the upcoming year. In addition, the Group plans to apply for the mining license of Walege Mine and to complete of acquisition of gold mine in Solomon Islands.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Company has adopted the PRC laws relating to the mineral industry such as Mineral Resources Law of the PRC (中華人民共和國礦產資源法), the Rules for Implementation of the Mineral Resources Law (中華人民共和國礦產資源法實施細則), the Procedures for the Registration of Mining and Mineral Resources (礦產資源開採登記管理辦法) and other practices to ensure adherence to applicable legal and regulatory requirements and in particular, those that have a significant impact on the operations of the Group. The Board reviews and monitors regularly the Group's policies and practices on compliance with legal and regulatory requirements. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and senior management from time to time.

In addition, as a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company is subject to, among others, the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission, the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"). To the best knowledge of the Directors, the Company has complied with the relevant laws and regulations during the year ended 31 December 2017.

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance to protect the interests of the Shareholders. 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 (the "CG Code") contained in Appendix 14 to the Listing Rules. Except for the deviation from code provisions A.2.1 and A.2.7 of the CG Code, the Company had complied with the CG Code for the year ended 31 December 2017.

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, 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 Board (the "Chairman") did not hold any meeting with non-executive Directors and independent non-executive Directors without the executive Directors present. Nevertheless, from time to time, non-executive Directors and independent non-executive Directors 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.

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the Model Code and the required standards of dealings as set out in the code of conduct for the year ended 31 December 2017.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company for the year ended 31 December 2017.

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

For the year ended 31 December 2017, 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 comprises four independent non-executive Directors, namely Mr. Shen Peng *(chairman of the Audit Committee)*, Mr. Qi Yang, Dr. Lu Jian Zhong and Mr. Xiong Zeke. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process, risk management and internal control system of the Group. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2017 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 2017 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 2017 annual report of the Company containing all the information required by the Listing Rules will be despatched to its shareholders and published on the above websites in due course.

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

Hong Kong, 27 March 2018

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 Ms. Iu Ching as non-executive Directors; and Dr. Lu Jian Zhong, Mr. Qi Yang, Mr. Shen Peng and Mr. Xiong Zeke as independent non-executive Directors.