Wanguo International Mining Group Limited

萬國國際礦業集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 3939

2013

Interim Report

Content

Corporate Information

DIRECTORS

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

Non-executive Directors:
Li Kwok Ping
Lee Hung Yuen
Wen Baolin

Independent non-executive Directors:
Lu Jian Zhong
Qi Yang
Shen Peng
Li Hongchang

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Shen Peng *(Chairman)*
Qi Yang
Gao Jinzhu

COMPANY SECRETARY

Wong Chi Wah (HKICPA, FCCA)

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Xinzhuang Township
Yifeng County
Jiangxi Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1, 28/F
Singga Commercial Centre
144–151 Connaught Road West
Hong Kong

REGISTERED OFFICE

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

AUDITORS

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

LEGAL ADVISER

Brandt Chan & Partners
in association with SNR Denton HK LLP
3201 Jardine House
1 Connaught Place
Central
Hong Kong

COMPLIANCE ADVISOR

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

INVESTOR AND MEDIA RELATIONS

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

PRINCIPAL BANKER

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

STOCK CODE

3939

COMPANY WEBSITE

www.wgmine.com

Management Discussion and Analysis

BUSINESS REVIEW

Our Group is principally engaged in the business of mining, ore processing and sale of concentrates products in the People's Republic of China (the "PRC").

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

EXPANSION PLAN

We continued to develop the Xinzhuang Mine through increase in both mining capacity and processing capacity at 500,000 tpa by the end of 2013 from 450,000 tpa in 2012.

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

EXPANSION IN SURROUNDING AREAS

On 20 November 2012, Yifeng Wanguo entered into an exploration agreement (the "Exploration Agreement") with the Bureau of Geology and Mineral Exploration of Jiangxi Province (江西省地質礦產勘查開發局) (the "Jiangxi Geology Bureau").

The exploration campaign anticipates a drilling depth of 9,650 m with 20 drilling holes. As at 30 June 2013, it has completed 4,149 m with 9 drilling holes. We expect the exploration campaign of drilling will finish in early 2014. Currently, the ores discovered are mainly magnetite ore of copper, as well as a small amount of lead-zinc ore.

FINANCIAL REVIEW

Revenue

The overall revenue decreased by 11.5% from approximately RMB146.8 million for the six months ended 30 June 2012 to RMB129.9 million for six months ended 30 June 2013. The decrease was primarily attributable to the decrease in the average prices of copper in copper concentrates. No sales of ore commodities incurred for the six months ended 30 June 2013 as the Group has ceased such business.

For the six months ended 30 June 2013, we sold 1,314 tonnes of copper in copper concentrates, 49,405 tonnes of iron concentrates and 51,166 tonnes of sulfur concentrates, compared to 1,535 tonnes, 45,633 tonnes and 51,816 tonnes, respectively, for the six months ended 30 June 2012, representing a decrease of approximately 14.4% and 1.3% for copper in copper concentrates and sulfur concentrates, respectively, and an increase of approximately 8.3% for iron concentrates. The decrease was principally attributable to the interruption of our production when we upgraded our production facilities.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates for the six months ended 30 June 2013 were approximately RMB40,543, RMB733 and RMB259 per tonne respectively, compared to approximately RMB42,514, RMB751 and RMB374 per tonne, respectively, for the six months ended 30 June 2012, representing a drop of approximately 4.6%, 2.4% and 30.7%, respectively. During the reporting period, the market prices of certain metals such as copper and iron were also on decreasing trends. Our Directors believe that the decrease was mainly due to instability of the global economy.

FINANCIAL REVIEW *(Continued)*

Cost of sales

Our cost of sales of concentrates decreased by approximately 6.8% from approximately RMB65.7 million for the six months ended 30 June 2012 to approximately RMB61.2 million for the six months ended 30 June 2013. Stricter control over the contracting fees resulted in the decrease in cost of sales.

Gross profit and gross profit margin

The overall gross profit of our Group for the six months ended 30 June 2013 was approximately RMB68.7 million, which represents a decrease of approximately 15.3% compared to approximately RMB81.1 million for the six months ended 30 June 2012. Our overall gross profit margin decreased from approximately 55.3% for the six months ended 30 June 2012 to approximately 52.9% for the six months ended 30 June 2013. Such decrease was mainly attributable to the decline in the selling prices of the concentrates.

Other income and other gains and losses

Our other income and other gains and losses decreased by approximately RMB3.7 million, which comprised mainly bank interest income of approximately RMB2.7 million, government grant to Yifeng Wanguo in relation to the tax refund of approximately RMB3.7 million and unrealised exchange loss of approximately RMB10.3 million as a result of depreciation of Australian dollars deposits against Renminbi as at 30 June 2013. The decrease was primarily attributable to the unrealised exchange loss derived from the depreciation of Australian dollars deposits.

Selling and distribution expenses

Our selling and distribution expenses were comparable in two reporting periods.

Administrative expenses

Our administrative expenses increased by approximately 7.3% from approximately RMB15.0 million for the six months ended 30 June 2012 to approximately RMB16.1 million for the six months ended 30 June 2013. The increase was principally attributable to the increase in staff costs incurred under the expansion of the Xinzhuang Mine and professional fees paid in connection with our continuing listing obligations.

Fair value gain on derivative financial instruments

During 2012, some of the temporarily unutilised net proceeds from the placing and public offer of shares in our Company were placed in interest-bearing deposits with a bank denominated in Australian dollars, a currency with a relatively higher interest rate. The Group has entered into certain forward foreign exchange contracts with a bank to hedge the fluctuation of exchange rate between Australian dollars and Renminbi in respect of such Australian dollars deposits. Due to the depreciation of Australian dollars, a fair value gain was derived from these forward contracts.

Finance costs

Our finance costs increased by approximately 107.1% from approximately RMB2.8 million for the six months ended 30 June 2012 to approximately RMB5.8 million for the six months ended 30 June 2013, primarily due to the imputed interest expenses on the consideration payable to a former non-controlling shareholder of a subsidiary, Yifeng Wanguo of approximately RMB5.2 million from the long-term payable to the Brigade of Geological Survey of West- Jiangxi of the Bureau of Geology and Mineral Exploration of Jiangxi Province ("West-Jiangxi Brigade") arising from the capital reduction of Yifeng Wanguo.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Income tax expense

Our income tax expense was approximately RMB16.7 million for the six months ended 30 June 2013, consisting of PRC corporate income tax payable of approximately RMB15.2 million, withholding tax payable of approximately RMB1.6 million less a deferred tax credit of approximately RMB0.1 million. Our income tax expense was approximately RMB16.8 million for the six months ended 30 June 2012, consisting of PRC corporate income tax payable of approximately RMB18.5 million, less a reversal of withholding tax payable of approximately RMB1.6 million and a deferred tax credit of approximately RMB0.1 million.

The decrease in our income tax expense for the six months ended 30 June 2013 was primarily due to a decrease in the PRC corporate income tax expenses as a result of decrease in operating profit.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation decreased by approximately 12.7%, or approximately RMB5.2 million, from approximately RMB40.8 million for the six months ended 30 June 2012 to approximately RMB35.6 million for the six months ended 30 June 2013. Our net profit margin decreased from approximately 27.8% for the six months ended 30 June 2012 to approximately 27.4% for the six months ended 30 June 2013 because of an increase in the imputed interest expenses on the consideration payable to a former non-controlling shareholder of a subsidiary, Yifeng Wanguo and decrease in revenue.

Profit attributable to owners of our Company

The profit attributable to the owners of our Company decreased by approximately 3.8% or approximately RMB1.4 million, from approximately RMB37.0 million for the six months ended 30 June 2012 to approximately RMB35.6 million for the six months ended 30 June 2013.

Liquidity and financial resources

During the six months ended 30 June 2013, the Group's net cash from operating activities was approximately RMB44.1 million (six months ended 30 June 2012: RMB69.0 million) and the Group's bank balances and cash was approximately RMB127.4 million (as at 31 December 2012: RMB192.0 million) as at 30 June 2013. Included in bank balances and cash, approximately RMB0.3 million and RMB60.6 million (as at 31 December 2012: RMB9.6million and RMB115.9 million) were denominated in Hong Kong dollars and Australian dollars respectively.

The Group had a gearing ratio of approximately 35.9% (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2013. The gearing ratio was approximately 37.1% as at 31 December 2012. The decrease in gearing ratio was mainly attributable to our repayment to West-Jiangxi Brigade and bank borrowings.

As at 30 June 2013, the Group's secured bank borrowings amounted to RMB31 million (31 December 2012: RMB36 million) and were all denominated in Renminbi with floating interest rate. The floating rate is determined based on the RMB Benchmark Loan Rates issued by the People's Bank of China. There were no change in the secured bank borrowings during the reporting period. Amounts of RMB4.0 million, RMB9.0 million and RMB18.0 million will be repayable within one year; after one year and within two years, and after two years respectively.

Capital expenditure

Capital expenditure mainly includes purchase of mining equipment, expansion of ore processing facilities, costs for constructing mining structures as well as office premises. For the six months ended 30 June 2013, capital expenditure of approximately RMB63.7 million has been incurred.

Contingent liabilities

As at 30 June 2013, the Group did not have any material contingent liabilities or guarantees.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Material acquisition and disposal

During the reporting period, the Group had no material acquisition and disposal of subsidiaries and associated companies.

Charge on group assets

As at 30 June 2013, the Group's mining rights with carrying value of approximately RMB8.8 million (31 December 2012: RMB9.0 million) were pledged to secure the Group's bank borrowings. Details have been set out in note 11 to the condensed consolidated financial statements.

Exposure to fluctuations in exchange rates

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

As most of our assets and liabilities were denominated in Renminbi, the Group had no material adverse exposure to foreign exchange fluctuations during the reporting period.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividends for the six months ended 30 June 2013.

SHARE OPTION SCHEME

During the reporting period, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the share option scheme.

HUMAN RESOURCES

As at 30 June 2013, the Group employed approximately 393 employees. Remuneration is determined and reviewed based on fair principles with reference to market conditions and individual performances.

The Group also provides other benefits to its employees including medical insurances and retirement benefits. The Group's employees in Hong Kong are also enrolled in the mandatory provident fund scheme.

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 will continue to increase in the near future with targeted mining capacity and processing capacity of 600,000 tpa both in 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.

Management Discussion and Analysis

PROSPECT *(Continued)*

Horizontal expansion through future acquisitions of new mines

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 our Shareholders.

During the first half of 2013, the recovery of global economy stagnated and market demand remained weak. On the other hand, the situation of global monetary policy was in a dilemma. International economic landscape exerted significant influence on the metal market and metal prices lingered at a low level. We anticipate the challenging environment to continue into the second half of the year. We will attach constant attention to the movement of metal prices, and the Company will take proactive measures and operating strategies to weather the operating pressure induced by such economic environment. We also expect that the gradual upturn of the U.S. economy will be advantageous to the real economies worldwide. Besides, the Chinese economy is expected to experience another boom upon the implementation of the new reforms and modern urbanization policies by the new Chinese government. This will essentially provide a turnaround force and new demand for the metal market, thus allowing metal prices to rebound to a reasonable level.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Mineral exploration

During the six months ended 30 June 2013, the Group incurred mineral exploration expenditure of approximately RMB3.5 million in respect of exploration campaign of drilling in Xinzhuang Mine surrounding areas.

Development

During the six months ended 30 June 2013, the Group incurred capital expenditure of approximately RMB63.7 million in respect of our expansion plan for 600,000 tpa as described in the Prospectus, mainly comprising construction of tailing storage, subsurface curtain grouting walls, three shafts projects, and new office premises and staff dormitories, installation of new electrical system and elevators as well as upgrading production machineries, etc.

Mining activities

During the first-half of 2013, we processed a total of 253,912 tonnes of ore at the Xinzhuang Mine. The volume of our concentrates products sold were 1,314 tonnes, 49,405 tonnes, 1,279 tonnes, 51,166 tonnes, 26 kg, 2,735 kg and 1,406 kg for copper in copper concentrates, iron concentrates, zinc in zinc concentrates, sulfur concentrates, gold in copper concentrates, silver in copper concentrates and silver in zinc concentrates, respectively.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company issued 150,000,000 ordinary new shares of HK$0.1 each at a subscription price of HK$1.99 per share pursuant to a public offering. The Company's shares including these new shares were listed on the main board of Hong Kong Stock Exchange Limited on 10 July 2012. Net proceeds received by the Company amounted to approximately RMB205.2 million, which are intended to be or have been applied in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The unutilised balance of the net proceeds has been placed in interest bearing deposits with banks. Some of which were denominated in Australian dollars, a currency with a relatively higher interest rate. We entered into certain forward foreign exchange contracts with a bank for the deposits denominated in Australian dollars to hedge against risk in exchange fluctuation upon maturity.

Corporate Governance Practices

The Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months under review except for the deviation from A.2.1 of the Code in respect of segregation of the roles of chairman and chief executive officer.

According to Code Provision A.2.1, 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. Mr. Gao Mingqing as one of the founders of the Group has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group's operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct (the "Code of Conduct") regarding directors' securities transactions under the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, all Directors have confirmed that they had complied with the Model Code and the required standard set out in the Code of Conduct during the six months ended 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the reporting period.

REVIEW OF ACCOUNTS BY THE AUDIT COMMITTEE

The audit committee comprises four independent non-executive directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jian Zhong 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 unaudited financial results of the Group for the reporting period and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

The unaudited financial results of the Group for the six months ended 30 June 2013 have been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2013, the interests or short positions of our Directors and chief executives in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) as notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded, pursuant to section 352 of the SFO, in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(a) Long positions in shares of the Company

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

Notes:

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

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

(b) Long positions in associated corporations

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

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

Other Information

SUBSTANTIAL SHAREHOLDERS' AND OTHER PARTIES' INTERESTS IN SECURITIES

As at 30 June 2013, the following persons, other than a director or chief executive of the Company, had interests or short positions in shares or underlying shares of the Company, being 5% or more of the issued share capital of the Company, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company

Name of shareholder	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of shareholding in the Company
Victor Soar Investments Limited	Beneficial owner	301,500,000[(1)]	50.25%
Ms. Lin Yinyin	Interest of spouse	301,500,000[(2)]	50.25%
Achieve Ample Investments Limited	Beneficial owner	148,500,000[(3)]	24.75%
Mr. Wang Weimian	Interest of spouse	148,500,000[(4)]	24.75%

Notes:

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

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

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

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

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

Hong Kong, 20 August 2013

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
WANGUO INTERNATIONAL MINING GROUP LIMITED
萬國國際礦業集團有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wanguo International Mining Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 12 to 34, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2013, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2012 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Revenue	3	**129,857**	146,776
Cost of sales		**(61,184)**	(65,682)
Gross profit		**68,673**	81,094
Other income and other gains and losses	4	**(3,002)**	722
Selling and distribution expenses		**(1,510)**	(1,465)
Administrative expenses		**(16,069)**	(15,022)
Listing expenses		**–**	(4,895)
Fair value gain on derivative financial instruments		**10,039**	–
Finance costs	5	**(5,814)**	(2,846)
Profit before tax		**52,317**	57,588
Income tax expense	6	**(16,743)**	(16,800)
Profit and total comprehensive income for the period	7	**35,574**	40,788
Attributable to:			
Owners of the Company		**35,574**	37,019
Non-controlling interests		**–**	3,769
		35,574	40,788
Earnings per share			
Basic (RMB cents)	9	**6**	8

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	30.06.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	267,040	198,722
Mining right	11	8,844	9,034
Evaluation and exploration assets	12	4,342	–
Prepaid lease payments		20,900	21,142
Deposit for acquisition of land use right	13	35,899	35,899
Deposit for purchase of property, plant and equipment		5,273	7,354
Deferred tax assets	14	2,218	2,204
Restricted bank balance	15	2,222	2,222
		346,738	276,577
CURRENT ASSETS			
Prepaid lease payments		484	484
Inventories		12,797	13,843
Trade and other receivables	16	13,687	13,373
Structured deposit		–	10,000
Derivative financial instruments	17	10,011	1,245
Pledged bank deposits	15	3,612	6,619
Bank balances and cash	15		
— cash and cash equivalent		51,755	68,314
— other bank deposits		75,600	123,710
		167,946	237,588
CURRENT LIABILITIES			
Trade and other payables	18	37,899	27,003
Tax payable		10,686	12,148
Consideration payable to a former non-controlling shareholder of a subsidiary	19	5,799	11,605
Derivative financial instrument	17	–	56
Secured bank borrowings		9,000	9,000
		63,384	59,812
NET CURRENT ASSETS		104,562	177,776
TOTAL ASSETS LESS CURRENT LIABILITIES		451,300	454,353

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	30.06.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Secured bank borrowings		22,000	27,000
Consideration payable to a former non-controlling shareholder of a subsidiary	19	147,956	142,915
Deferred income		16,396	16,653
Deferred tax liabilities	14	1,554	–
Provision		1,969	1,734
		189,875	188,302
CAPITAL AND RESERVES			
Share capital	20	48,955	48,955
Share premium and reserves		212,470	217,096
Equity attributable to owners of the Company		261,425	266,051
		451,300	454,353

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	**Share premium**	**Capital reserves**	**Statutory reserve**	**Retained profits (accumulated losses)**	**Total**		
	RMB'000	RMB'000	RMB'000	RMB'000 (note)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012 (audited)	–	–	71,005	23,434	58,469	152,908	14,614	167,522
Profit and total comprehensive income for the period	–	–	–	–	37,019	37,019	3,769	40,788
Dividend recognised as distribution (note 8)	–	–	–	–	(34,018)	(34,018)	(5,240)	(39,258)
Capital reduction of a subsidiary (note 19)	–	–	–	(23,434)	(117,007)	(140,441)	(13,143)	(153,584)
Issue of shares	4	–	–	–	–	4	–	4
At 30 June 2012 (unaudited)	4	–	71,005	–	(55,537)	15,472	–	15,472
At 1 January 2013 (audited)	48,955	178,418	71,005	–	(32,327)	266,051	–	266,051
Profit and total comprehensive income for the period	–	–	–	–	35,574	35,574	–	35,574
Dividend (note 8)	–	(40,200)	–	–	–	(40,200)	–	(40,200)
At 30 June 2013 (unaudited)	48,955	138,218	71,005	–	3,247	261,425	–	261,425

Note: The statutory reserve represents the appropriation of 10% of profit after taxation determined based on the relevant accounting rules and regulations of the People's Republic of China ("PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve can be applied either to set off accumulated losses or to increase capital. The entire balance of statutory reserve has been reduced as a result of the capital reduction transaction described in note 19.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	44,142	68,956
INVESTING ACTIVITIES		
Interest received	2,700	461
Proceeds from forward contracts	1,042	–
Proceeds from disposal of property, plant and equipment	132	–
Withdrawal of pledged bank deposits	3,007	–
Withdrawal of bank deposits with original maturity over three months	53,489	–
Redemption of structured deposits	294,011	–
Placement of structured deposits	(283,500)	–
Purchase of property, plant and equipment	(60,337)	(23,656)
Placement of bank deposits with original maturity over three months	(15,000)	–
Payments of exploration and evaluation assets	(3,342)	–
Placement of restricted bank balance	–	(626)
Deposit paid for acquisition of land use right	–	(4,093)
NET CASH USED IN INVESTING ACTIVITIES	(7,798)	(27,914)
FINANCING ACTIVITIES		
Dividend paid	(40,200)	–
Interest paid	(1,204)	(1,601)
Consideration paid for redemption of non-controlling interest	(6,000)	(6,000)
Repayment of bank borrowings	(5,000)	–
Payment for unpaid share capital	–	4
Repayment to a related company	–	(216)
Transaction cost attributable to issue of new shares	–	(1,295)
Dividend paid to a non-controlling shareholder of a subsidiary	–	(5,240)
Repayment to shareholders	–	(6,991)
NET CASH USED IN FINANCING ACTIVITIES	(52,404)	(21,339)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,060)	19,703
CASH AND CASH EQUIVALENTS AT 1 JANUARY	68,314	37,380
Effect of foreign exchange rate changes	(499)	–
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	51,755	57,083

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standard ("HKFRS") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

- HKFRS 10 *Consolidated Financial Statements*;
- HKFRS 11 *Joint Arrangements*;
- HKFRS 12 *Disclosure of Interests in Other Entities;*
- Amendments to HKFRS 10 *Consolidated Financial Statements* and HKFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance*;
- HKFRS 13 *Fair Value Measurement*;
- HKAS 19 (as revised in 2011) *Employee Benefits*;
- HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*;
- Amendments to HKFRS 7 *Disclosure — Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*;
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2009–2011 Cycle*; and
- HK(IFRIC)-Int 20 *Stripping Costs in the Production Phase of a Surface Mine.*

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements. The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 21.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and the condensed consolidated statement of other comprehensive income has been renamed to reflect changes.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

In addition, the following accounting policies are adopted and applied by the Group in the current interim period as they have become applicable to the Group.

Exploration and evaluation assets

All costs directly associated with exploration and evaluation are initially capitalised. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment loss. Exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not been determined. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine.

Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified to intangible assets or property, plant and equipment. These assets are assessed for impairment annually and before reclassification.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets *(Continued)*

Impairment of exploration and evaluation assets (Continued)

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

3. REVENUE AND SEGMENT INFORMATION

Segment revenue

Revenue represents revenue arising from sales of processed concentrates which comprise copper, iron and zinc concentrates. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of processed concentrates	**129,857**	146,776

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 is engaged in the following reportable and operating segment:

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and result

The accounting policies of reportable segments are the same as the Group's accounting policies except for the accounting policy of the mining right which is amortised over the license terms using straight-line method in preparing the internal report of mining operation segment. Segment profits represent the profit earned by each segment without allocation of other income and other gains and losses, fair value gain on derivative financial instruments, listing expenses, certain finance cost and certain administrative expenses. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment. Reconciliations from the segment profit to the profit before tax as stated in the condensed consolidated financial statements are as follows:

	For the six months ended 30 June 2013		
	Mining operation RMB'000 (Unaudited)	Trading operation RMB'000 (Unaudited) (note)	Total RMB'000 (Unaudited)
Revenue			
External sales	129,857	–	129,857
Segment profit	53,255	–	53,255
Other income and other gains and losses			(3,002)
Fair value gain on derivative financial instruments			10,039
Unallocated administrative expenses			(2,765)
Unallocated finance costs			(5,235)
Accounting difference on amortisation of mining right			25
Profit before tax			52,317
Amounts included in the measure of segment profit or loss			
Depreciation and amortisation	6,714	–	6,714
Gain on disposal of property, plant and equipment	86	–	86

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and result *(Continued)*

	For the six months ended 30 June 2012		
	Mining operation RMB'000 (Unaudited)	Trading operation RMB'000 (Unaudited) (note)	Total RMB'000 (Unaudited)
Revenue			
External sales	146,776	–	146,776
Segment profit (loss)	64,829	(317)	64,512
Other income and other gains and losses			722
Listing expenses			(4,895)
Unallocated administrative expenses			(965)
Unallocated finance costs			(1,734)
Accounting difference on amortisation of mining right			(52)
Profit before tax			57,588
Amounts included in the measure of segment profit or loss			
Depreciation and amortisation	6,288	–	6,288
Impairment loss recognised in respect of inventories	–	317	317

Note: No transaction arose from trading operation for the reporting period.

Segment assets and liabilities

	At 30 June 2013		
	Mining operation RMB'000 (Unaudited)	**Trading operation RMB'000 (Unaudited) (note)**	**Total RMB'000 (Unaudited)**
Segment assets	**434,939**	**–**	**434,939**
Unallocated assets			**79,379**
Accounting difference on amortisation of mining right			**366**
Consolidated assets			**514,684**
Segment liabilities	**97,889**	**–**	**97,889**
Unallocated liabilities			**155,370**
Consolidated liabilities			**253,259**

Note: No assets and liabilities are related to trading operation as at 30 June 2013.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	At 31 December 2012		
	Mining operation RMB'000 (Audited)	Trading operation RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	359,134	2,629	361,763
Unallocated assets			152,061
Accounting difference on amortization of mining right			341
Consolidated assets			514,165
Segment liabilities	76,798	–	76,798
Unallocated liabilities			171,316
Consolidated liabilities			248,114

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

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

— all liabilities are allocated to reportable segment other than consideration payable to a former non-controlling shareholder of a subsidiary, derivative financial instruments, deferred tax liabilities and certain other payables.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**2,700**	461
Investment income from structured deposits	**511**	–
Exchange loss	**(10,295)**	(4)
Government grant related to assets (note i)	**257**	255
Government subsidy (note ii)	**3,714**	–
Gain on disposal of property, plant and equipment	**86**	–
Others	**25**	10
	(3,002)	722

Notes:

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

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

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	**1,204**	1,601
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**5,235**	1,734
Total borrowing costs	**6,439**	3,335
Less: amount capitalised	**(625)**	(489)
	5,814	2,846

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**15,203**	18,547
Withholding tax on distribution of earnings of PRC subsidiary	**–**	1,922
	15,203	20,469
Deferred tax:		
Current period	**1,540**	(3,669)
	16,743	16,800

No provision for Hong Kong profits tax has been made as the Group had no assessable profit subject to Hong Kong profits tax during the reporting period.

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

The tax charge for the reporting period can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	**52,317**	57,588
Tax at the EIT rate of 25%	**13,079**	14,397
Tax effect of expenses not deductible for tax purpose	**4,911**	4,007
Tax effect of income not taxable for tax purpose	**(2,801)**	–
Withholding tax on distributable earnings of PRC subsidiary	**1,554**	(1,604)
Tax charge for the period	**16,743**	16,800

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

7. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' emoluments	**1,680**	1,198
Other staff costs	**12,093**	11,848
Retirement benefit scheme contributions, excluding those of directors	**423**	391
Total staff costs	**14,196**	13,437
Depreciation of property, plant and equipment	**6,257**	5,784
Amortisation of mining right	**190**	313
Release of prepaid lease payment	**242**	243
Total depreciation and amortisation	**6,689**	6,340
Impairment loss recognised in respect of inventories (included in cost of sales)	**–**	317
Cost of inventories recognised as an expense	**61,184**	65,365

8. DIVIDENDS

During the current interim period, a final dividend of RMB3.6 cents per share and a special dividend of RMB3.1 cents per share in respect of the year ended 31 December 2012, amounting to in aggregate approximately RMB40,200,000, were declared and paid to the shareholders of the Company whose names appeared on the register of members of the Company on 10 May 2013.

No interim dividend is recommended by the board of directors for the six months ended 30 June 2013.

For the six months ended 30 June 2012, special dividends of HK$2,000,000 (equivalent to approximately RMB1,618,000) (HK$40 per share) and RMB32,400,000 (RMB648 per share) has been declared and payable to the then shareholders of the Company prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 10 July 2012. In addition, Yifeng Wanguo declared and paid a final dividend of 2011 of RMB5,240,000 to West-Jiangxi of the bureau of Geology and Mineral Exploration of Jiangxi Province ("West-Jiangxi Bridge"), the former non-controlling shareholder of Yifeng Wanguo.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**35,574**	37,019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	450,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2012 has been retrospectively adjusted to reflect 50,000 shares in issue as at 30 June 2012 and 449,950,000 shares issued upon capitalisation on 10 July 2012.

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment and incurred construction costs of RMB74,621,000 (six months ended 30 June 2012: RMB24,428,000), which included interest capitalised of RMB625,000 (six months ended 30 June 2012: RMB489,000).

11. MINING RIGHT

	30.06.2013	31.12.2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
COST		
At the beginning and end of the period/year	**12,000**	12,000
AMORTISATION		
At the beginning of the period/year	**2,966**	2,479
Provided for the period/year	**190**	487
At the end of the period/year	**3,156**	2,966
CARRYING VALUES	**8,844**	9,034

11. MINING RIGHT *(Continued)*

The mining right is amortised using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mine within the terms of license.

As at 30 June 2013, the mining right of RMB8,844,000 (31 December 2012: RMB9,034,000) was pledged to a bank to secure banking facilities granted to the Group.

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 Xin Zhuang Town, Yifeng, Jiangxi Province, which is the principal place of business of Yifeng Wanguo. Exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not been determined. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine.

13. DEPOSIT FOR ACQUISITION OF LAND USE RIGHT

As at 30 June 2013 and 31 December 2012, the amount represents deposit paid for acquisition of land use right in accordance with three reallocation compensation agreements signed in 2011 and 2012.

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

14. DEFERRED TAXATION

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

	30.06.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
Deferred tax assets	**2,218**	2,204
Deferred tax liabilities	**(1,554)**	–
	664	2,204

14. DEFERRED TAXATION *(Continued)*

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

	Undistributed earnings of PRC subsidiary RMB'000	Impairment loss on inventories RMB'000	Restoration cost RMB'000	Government subsidy RMB'000	Total RMB'000
At 1 January 2012 (audited)	(3,526)	851	461	–	(2,214)
Credit to profit or loss	3,526	79	64	–	3,669
At 30 June 2012 (unaudited)	–	930	525	–	1,455
(Charge) credit to profit or loss	–	(930)	58	1,621	749
At 31 December 2012 (audited)	–	–	583	1,621	2,204
(Charge) credit to profit and loss	(1,554)	–	47	(33)	(1,540)
At 30 June 2013 (unaudited)	(1,554)	–	630	1,588	664

From 1 January 2008, pursuant to the EIT Law and its detailed implementation rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entity. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong, a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiary. Taylor Investment International Limited ("HK Taylor"), the immediate holding company of Yifeng Wanguo was incorporated in Hong Kong and enjoyed the preferential tax rate aforementioned. Accordingly deferred taxation has been provided for in the financial statements in respect of the expected dividend stream from Yifeng Wanguo with the applicable tax rate of 5%.

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

The restricted bank balance, pledged bank deposits and bank balances carry interest at market rates ranging from 0.35% to 3.5% per annum as at 30 June 2013.

The bank deposits of RMB75,600,000 (31 December 2012: RMB123,710,000) carry interest at market rates ranging from 3.08% to 5.21% per annum with original maturity more than three months.

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

16. TRADE AND OTHER RECEIVABLES

	30.06.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
Trade receivables	10,306	7,483
Notes receivable	–	1,817
Prepayments	409	1,521
Other receivables	2,972	2,552
	3,381	5,890
Total	13,687	13,373

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

	30.06.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
0–30 days	7,301	7,265
31–60 days	3,004	–
61–90 days	–	–
Over 90 days	1	218
	10,306	7,483

17. DERIVATIVE FINANCIAL INSTRUMENTS

	30.06.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
Derivatives not under hedge accounting:		
Fair value of foreign currency forward contracts		
— assets	10,011	1,245
— liabilities	–	(56)
	10,011	1,189

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

17. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Major terms of foreign currency forward contracts outstanding at 30 June 2013 are as follows:

Buy	Sell	Notional amount AUD	Maturity	Contracted exchange rate (per AUD1)
RMB	Australian Dollar ("AUD")	1,568,272	28.08.2012–02.08.2013	RMB6.5182
RMB	AUD	6,827,568	28.08.2012–03.09.2013	RMB6.5128
RMB	AUD	1,260,086	05.09.2012–11.09.2013	RMB6.4250
RMB	AUD	2,108,980	14.09.2012–23.09.2013	RMB6.6000

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

Buy	Sell	Notional amount AUD	Maturity	Contracted exchange rate (per AUD1)
RMB	AUD	4,080,300	28.08.2012–06.02.2013	RMB6.5542
RMB	AUD	2,055,520	28.08.2012–02.04.2013	RMB6.5498
RMB	AUD	1,554,458	28.08.2012–31.05.2013	RMB6.5312
RMB	AUD	1,568,272	28.08.2012–02.08.2013	RMB6.5182
RMB	AUD	6,827,568	28.08.2012–03.09.2013	RMB6.5128
RMB	AUD	1,260,086	05.09.2012–11.09.2013	RMB6.4250
RMB	AUD	2,108,980	14.09.2012–23.09.2013	RMB6.6000

Changes in the fair values of non-hedging foreign currency forward contacts amounting to gain of RMB10,039,000 (six months ended 30 June 2012: RMB1,189,000) have been recognised in profit or loss.

18. TRADE AND OTHER PAYABLES

	30.06.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
Trade payables	**11,868**	6,217
Prepayments from customers	**1,836**	3,180
Valued-added tax, resources tax and other tax payables	**6,626**	11,368
Accrued expenses	**3,267**	3,514
Other payables for construction in progress and property, plant and equipment	**14,302**	2,724
	26,031	20,786
	37,899	27,003

18. TRADE AND OTHER PAYABLES *(Continued)*

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

	30.06.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
0–30 days	**6,765**	5,281
31–60 days	**4,462**	393
61–90 days	**280**	235
91–180 days	**354**	169
Over 180 days	**7**	139
	11,868	6,217

19. CONSIDERATION PAYABLE TO A FORMER NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

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

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

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

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

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

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

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

19. CONSIDERATION PAYABLE TO A FORMER NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY *(Continued)*

At the end of the reporting period, the carrying amounts of consideration payable are repayable as below:

	30.06.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
— Within one year	**5,799**	11,605
— More than one year, but not exceeding two years	**18,057**	17,452
— More than two years, but not exceeding five years	**100,531**	97,165
— More than five years	**29,368**	28,298
	153,755	154,520
Less: amount due within one year shown current liabilities	**5,799**	11,605
Amount shown under non-current liabilities	**147,956**	142,915

Pursuant to the Capital Reduction Agreement, certain land use rights of the Group amounting to RMB2,058,000 shall be pledged to secure the consideration payable to West-Jiangxi Brigade, the former non-controlling shareholder of the subsidiary. As at 30 June 2013, the registration of the charge of the land use rights is in progress.

20. SHARE CAPITAL

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

	Number of shares '000	**Share capital** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2012	3,900	390
Increase on 12 June 2012 (note i)	996,100	99,610
At 30 June 2012 , 31 December 2012 and 30 June 2013	1,000,000	100,000
Issued:		
At 1 January 2012	–	–
Payment for unpaid share capital (note ii)	50	5
At 30 June 2012 (unaudited)	50	5
Issued during the period (note iii)	599,950	59,995
At 31 December 2012 and 30 June 2013	600,000	60,000
		RMB'000
Shown in the condensed consolidated statement of financial position		48,955

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

20. SHARE CAPITAL *(Continued)*

Notes:

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

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

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

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

All the shares issued during the year ended 31 December 2012 ranked pari passu in all respects with the then existing share in issue.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

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

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30.6.2013 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Forward contracts classified as financial assets and financial liability in the condensed consolidated statement of financial position	Assets 10,011	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

22. CAPITAL COMMITMENTS

	30.06.2013 RMB'000 (Unaudited)	31.12.2012 RMB'000 (Audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of acquisition of property, plant, and equipment	25,837	47,641

23. RELATED PARTY DISCLOSURES

During the reporting period, the remunerations of directors and other members of key management personnel were as follows:

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Salaries and other allowances	1,676	1,194
Retirement benefit scheme contributions	4	4
	1,680	1,198