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

INTERIM REPORT 2014

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Corporate Information

DIRECTORS

Executive Directors:

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

Non-executive Directors:

Li Kwok Ping
Lee Hung Yuen
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 BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
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 Dentons HK LLP
3201 Jardine House
1 Connaught Place
Central
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

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

Currently, we, through our wholly-owned subsidiaries, own the entire equity interest in Jiangxi Province Yifeng Wanguo Mining Company Limited ("Yifeng Wanguo") which in turn owns the Xinzhuang Copper, Lead, Zinc Mine (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 expect to complete our three-year development plan in the Xinzhuang Mine by increase in both mining capacity and processing capacity at 600,000 tonnes per annum ("tpa") by the end of 2014 from 500,000 tpa in 2013.

According to the Independent Technical Expert's Report in the prospectus of the Company dated 28 June 2012 (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") for the execution of exploration activities outside the planned mining area covered by current Xinzhuang Mine mining license.

The exploration campaign of drilling has been finished in end of 2013. It is expected that relevant exploration report will be available by end of 2014.

FINANCIAL REVIEW

Revenue

The overall revenue decreased by 35.3% from approximately RMB129.9 million for the six months ended 30 June 2013 to RMB84.0 million for the six months ended 30 June 2014. The decrease was primarily attributable to the decrease in the average prices of our products as well as decrease in volume of concentrates produced.

For the six months ended 30 June 2014, we sold 913 tonnes of copper in copper concentrates, 37,684 tonnes of iron concentrates and 42,184 tonnes of sulfur concentrates, compared to 1,314 tonnes, 49,405 tonnes and 51,166 tonnes, respectively, for the six months ended 30 June 2013, representing a decrease of approximately 30.5%, 23.7% and 17.6% for copper in copper concentrates, iron concentrates and sulfur concentrates, respectively. The decrease was principally attributable to the decrease in production volume during the reporting period resulting from the temporary suspension of Concentrator No. 1 system since April 2014 for the purpose of upgrading and expanding its capacity under our expansion plan.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates for the six months ended 30 June 2014 were approximately RMB34,762, RMB661 and RMB190 per tonne respectively, compared to approximately RMB40,543, RMB733 and RMB259 per tonne, respectively, for the six months ended 30 June 2013, representing a drop of approximately 14.3%, 9.8% and 26.6%, respectively. During the reporting period, the market prices of certain metals such as copper and iron were also on downward trend. The directors of the Company (the "Directors") believe that such decrease was mainly due to the economic slowdown in the PRC.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Cost of sales

Our cost of sales of concentrates decreased by approximately 18.8% from approximately RMB61.2 million for the six months ended 30 June 2013 to approximately RMB49.7 million for the six months ended 30 June 2014. Decrease in sales volume 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 2014 was approximately RMB34.3 million, which represents a decrease of approximately 50.1% compared to approximately RMB68.7 million for the six months ended 30 June 2013. Our overall gross profit margin decreased from approximately 52.9% for the six months ended 30 June 2013 to approximately 40.8% for the six months ended 30 June 2014. Such decrease was mainly attributable to the decline in the selling prices of the concentrates.

Other income

Our other income comprised mainly bank interest income of approximately RMB0.4 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB0.4 million for the six months ended 30 June 2014. Other income decreased by approximately RMB5.9 million compared with the corresponding period in 2013, which was attributable to the decrease in government grant and subsidy during the reporting period.

Other gains and losses

Our other gains and losses increased by approximately RMB11.7 million, which comprised mainly gain on investment in structured deposits of approximately RMB1.1 million and unrealised exchange gain of approximately RMB0.8 million as a result of appreciation of Hong Kong dollars against Renminbi as at 30 June 2014. No unrealised exchange loss was incurred for the six months ended 30 June 2014 compared with an approximately RMB10.3 million of unrealised exchange loss arising from Australian dollars deposits against Renminbi incurred in the corresponding period last year.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 20.0% from approximately RMB1.5 million for the six months ended 30 June 2013 to approximately RMB1.2 million for the six months ended 30 June 2014. The decrease was mainly attributable to the decrease in the railway and transportation fees of products to customers as a result of drop in the sales volume.

Administrative expenses

Our administrative expenses increased by approximately 7.5% from approximately RMB16.1 million for the six months ended 30 June 2013 to approximately RMB17.3 million for the six months ended 30 June 2014. The increase was principally attributable to the increase in depreciation, which was resulted from the completion of construction of new office building since the second half of 2013.

Fair value gain on derivative financial instruments

By end of 2013, all the forward foreign exchange contracts in respect of Australian dollars time deposits were matured and settled. As a result, no fair value gain on derivative financial instruments was incurred during the six months ended 30 June 2014.

Finance costs

Our finance costs increased by approximately 10.3% from approximately RMB5.8 million for the six months ended 30 June 2013 to approximately RMB6.4 million for the six months ended 30 June 2014, primarily due to the decreased in the capitalisation of interest expense resulting from the completion of construction of new staff quarter.

FINANCIAL REVIEW *(Continued)*

Income tax expense

Our income tax expense was approximately RMB5.6 million for the six months ended 30 June 2014, consisting of PRC corporate income tax payable of approximately RMB5.1 million and withholding tax payable of approximately RMB0.5 million. 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 and less a deferred tax credit of approximately RMB0.1 million.

The decrease in our income tax expense for the six months ended 30 June 2014 was primarily due to the 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 81.2%, or approximately RMB28.9 million, from approximately RMB35.6 million for the six months ended 30 June 2013 to approximately RMB6.7 million for the six months ended 30 June 2014. Our net profit margin decreased from approximately 27.4% for the six months ended 30 June 2013 to approximately 8.0% for the six months ended 30 June 2014 mainly due to the decrease in revenue.

Liquidity and financial resources

During the six months ended 30 June 2014, the Group's net cash used in operating activities was approximately RMB16.2 million (net cash from operating activities for the six months ended 30 June 2013: RMB44.1 million) and the Group's bank balances and cash was approximately RMB3.7 million as at 30 June 2014 (as at 31 December 2013: RMB133.4 million). Included in bank balances and cash, approximately RMB0.8 million (as at 31 December 2013: RMB0.5 million) were denominated in Hong Kong dollars and Australian dollars. Such drop was attributable to drop in revenue resulted from decrease in both selling prices and volumes of products sold, coupled with the increase in investments in fixed assets for current expansion plan.

The Group had a gearing ratio of approximately 41.8% (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) as at 30 June 2014. The gearing ratio was approximately 33.8% as at 31 December 2013. The increase in gearing ratio was mainly attributable to the new bank borrowings of approximately RMB31.5 million for working capital purpose.

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 2014, capital expenditure of approximately RMB51.6 million has been incurred (for the six months ended 30 June 2013: RMB63.7 million).

Contractual obligations and capital commitment

As at 30 June 2014, the Group has entered into a non-cancellable operating lease with lease payable of approximately RMB0.3 million for certain of the Group's properties.

As at 30 June 2014, the Group's capital commitments amounted to approximately RMB248.3 million, and increased by approximately RMB227.5 million as compared to approximately RMB20.8 million as at 31 December 2013, which was primarily due to the contingent consideration payable to the vendors of Xizang Changdu County Dadi Mining Company Limited ("Xizang Changdu").

Contingent liabilities

As at 30 June 2014, 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 2014, the Group's mining rights with carrying value of approximately RMB8.4 million (31 December 2013: RMB8.6 million) were pledged to secure the Group's bank borrowings. Details have been set out in note 13 to the condensed consolidated financial statements.

Exposure to fluctuations in exchange rates

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

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

INTERIM DIVIDENDS

The board of Directors (the "Board") did not recommend the payment of any interim dividends for the six months ended 30 June 2014.

SHARE OPTION SCHEME

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

HUMAN RESOURCES

As at 30 June 2014, the Group employed approximately 369 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 in the PRC 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 both reaching 600,000 tpa by end of 2014. To minimise costs, we will continue to outsource our underground mining works to third-party contractors.

By end of March 2014, Yifeng Wanguo temporarily suspended the Concentrator No. 1 system which is one of our two concentrator systems in our processing plants at Xinzhuang Mine from April 2014 to July 2014 for the purpose of upgrading and expanding its capacity under our expansion plan. This resulted in substantial decrease in volume of our concentrates processed and revenue of the Group in the first half of 2014.

PROSPECT *(Continued)*

Growing production at our mine and outsourcing our mining works *(Continued)*

This situation was temporary as the Group has completed installation and testing in the Concentrator No. 1 system on 20 August 2014. Yifeng Wanguo has already increased the volume of ores mined and reserved the unprocessed ores for new Concentrator No. 1 system to process thereafter. The Board expects that volume of processed ores in 2014 will continue to increase compared with that of 2013 by end of 2014.

Exploring additional mineral resources in our mine

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

Horizontal expansion through future acquisitions of new mines

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

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

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

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

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

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

Since Xizang Changdu has substantial reserves of lead and silver, it is expected to be further exploited, and processing plants built upon completion by the Company and to contribute sales revenue and profits to the Group.

PROSPECT *(Continued)*

Possible Exploration Activities in Australia

On 11 July 2014, the Company had entered into a Memorandum of Understanding ("MOU") with Snow Peak Mining Pty Limited ("SPM"), a company incorporated in Australia as a limited liability company in December 2012, which holds extensive exploration tenure in North Queensland, Australia. Pursuant to the MOU, the Company shall perform Possible Exploration Activities (the "Possible Exploration Activities") in the Regional Project and the Near Mine Project. Both Regional Project and Near Mine Project are owned by SPM.

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

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

As at the date of this report, the Company has been in the progress in negotiation of formal legally binding agreements between the Company and SPM.

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

In second half of 2014, it is expected that economy of the world's developed countries will further recover, particularly in the United States of America. The pressure of economic slowdown in developing countries was enormous in the first half of 2014 while China has been in the progress of actively establishing policies for the purpose of stabilising economic growth. There are signs of favourable effects in the various tunning controls exercised by the PRC. It is expected that the economy in the second half of 2014 will rebound and the metal prices will also be increasing thereafter.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Mineral exploration

For our current planned mining area, we have completed underground geological drilling of 5,979 m, with drill size of 60–90 mm for the six months ended 30 June 2014 and we have also finished tunnel drilling of 978.3 m, resulted in total tunnel drilling of 4,626.7 m.

For outside planned mining area, the Group entered into the Exploration Agreement with Jiangxi Geology Bureau to conduct exploration work outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining licence held by the Group during 2012. By the end of 2013, Jiangxi Geology Bureau has finished the field exploration work. It has completed geological drilling of 7,211.46 m, with drill size of 75–146 mm and 15 drilling holes. It is expected that relevant exploration report will be available in the second half of 2014. For the six months ended 30 June 2014, the total expenditure of mineral exploration was approximately RMB2.9 million.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES *(Continued)*

Development

During the six months ended 30 June 2014, the Group incurred development expenditure of approximately RMB48.7 million in respect of our expansion plan in the Xinzhuang Mine to 600,000 tpa as described in the Prospectus, mainly comprising:

(1) *Three new shafts' projects*

Ventilation shaft system:	Completion and in use
Main shaft system:	Completion of wellbore installation as well as construction of collar set at shaft mouth; 8 drilling holes of preliminary site survey on shaft tower on the ground
Auxiliary shaft system:	Wellbore drilling to -510m level

(2) *Civil work projects*

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

Detailed breakdown of development expenditure is as follows:

	RMB' (million)
Mining structures	34.8
Office buildings	1.9
Machinery and electronic equipment for processing plants	11.8
Motor vehicles	0.2
	48.7

Mining activities

During the six months ended 30 June 2014, we processed a total of 201,385 tonnes of ore in the Xinzhuang Mine. The volume of our concentrates products sold were 913 tonnes, 37,684 tonnes, 1,201 tonnes, 42,184 tonnes, 22 kg, 1,637 kg and 562 kg for copper in copper concentrates, iron concentrates, zinc in zinc concentrates, sulfur concentrates, gold in copper concentrates, silver in copper concentrates and silver in zinc concentrates, respectively. During the six months ended 30 June 2014, the Group incurred expenditures for mining and processing activities of RMB42.5 million (30 June 2013: 34.7 million) and RMB16.8 million (30 June 2013: 19.3 million) respectively. The unit expenditures for mining and processing activities for the six months ended 30 June 2014 were RMB157.3/t (30 June 2013: RMB136.7/t) and RMB83.6/t (30 June 2013: RMB77.4/t) respectively.

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance and has complied with all material code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2014, except for the deviations from code provision A.2.1 of the CG Code in respect of segregation of the roles of chairman and chief executive officer and code provision A.6.7 of the CG Code in respect of Directors' attendance in general meeting as mentioned below.

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

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct (the "Code of Conduct") regarding securities transactions by the Directors on terms no less than exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all Directors have confirmed that they had complied with the Model Code and the required standard set out in the Code of Conduct during the six months ended 30 June 2014.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

REVIEW OF ACCOUNTS BY THE AUDIT COMMITTEE

The audit committee of the Company ("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 under the requirements of the Listing Rules.

The unaudited financial results of the Group for the six months ended 30 June 2014 have been reviewed by the auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2014, the interests or short positions of our Directors and chief executives in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as notified to our Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong 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 contained in the Listing Rules, were as follows:

(a) Long positions in shares of the Company

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

Notes:

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

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

(b) Long positions in associated corporations

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

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

Save as disclosed above, as at 30 June 2014, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Other Information

SUBSTANTIAL SHAREHOLDERS' AND OTHER PARTIES' INTERESTS IN SECURITIES

As at 30 June 2014, the following persons, other than a Director or chief executive of the Company, had or were deemed or taken to have interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Long positions in shares of the Company

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

Notes:

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

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

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

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

Other than as disclosed above, as at 30 June 2014, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

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

Hong Kong, 22 August 2014

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 set out on pages 13 to 32, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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 then ended, 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 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

		Six months ended 30 June	
	Notes	**2014 RMB'000 (Unaudited)**	2013 RMB'000 (Unaudited)
Revenue	3	**84,046**	129,857
Cost of sales		**(49,706)**	(61,184)
Gross profit		**34,340**	68,673
Other income	4	**761**	6,696
Other gains and losses	5	**1,964**	(9,698)
Selling and distribution expenses		**(1,161)**	(1,510)
Administrative expenses		**(17,284)**	(16,069)
Fair value gain on derivative financial instruments	6	**–**	10,039
Finance costs	7	**(6,389)**	(5,814)
Profit before tax		**12,231**	52,317
Income tax expense	8	**(5,557)**	(16,743)
Profit and total comprehensive income for the period	9	**6,674**	35,574
Earnings per share			
Basic (RMB cents)	10	**1**	6

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	Notes	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	321,059	290,465
Mining right	13	8,412	8,620
Evaluation and exploration assets	14	9,252	8,894
Prepaid lease payments		28,382	28,635
Deposit for acquisition of land use rights	15	29,891	29,891
Deposit for purchase of property, plant and equipment		12,104	10,931
Deposit for acquisition of a subsidiary	16	9,600	9,600
Deferred tax assets	17	2,265	2,242
Restricted bank balance	18	2,421	2,348
		423,386	391,626
CURRENT ASSETS			
Prepaid lease payments		629	629
Inventories		28,089	13,930
Trade and other receivables	20	19,597	10,887
Structured deposit	19	11,090	–
Pledged bank deposits	18	33,000	–
Bank balances and cash			
— cash and cash equivalents	18	3,508	133,447
— other bank deposits	18	200	–
		96,113	158,893
CURRENT LIABILITIES			
Trade and other payables	21	25,548	34,767
Tax payable		1,716	17,754
Consideration payable to a former non-controlling shareholder of a subsidiary	22	19,330	24,683
Secured bank borrowings	23	40,512	9,000
		87,106	86,204
NET CURRENT ASSETS		9,007	72,689
TOTAL ASSETS LESS CURRENT LIABILITIES		432,393	464,315

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	Notes	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Secured bank borrowings	23	18,000	18,000
Consideration payable to a former non-controlling shareholder of a subsidiary	22	139,053	134,308
Deferred income		15,881	16,138
Deferred tax liabilities	17	1,993	1,500
Provision		2,420	2,197
		177,347	172,143
CAPITAL AND RESERVES			
Share capital	24	48,955	48,955
Reserves		206,091	243,217
Equity attributable to owners of the Company		255,046	292,172
		432,393	464,315

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company					
	Share capital RMB'000	**Share premium** RMB'000	**Capital reserves** RMB'000 (note a)	**Statutory and surplus reserve** RMB'000 (note b)	**Retained profits (accumulated losses)** RMB'000	**Total** RMB'000
At 1 January 2013 (audited)	48,955	178,418	71,005	–	(32,327)	266,051
Profit and total comprehensive income for the period	–	–	–	–	35,574	35,574
Dividend recognised as distribution (note 11)	–	(40,200)	–	–	–	(40,200)
At 30 June 2013 (unaudited)	48,955	138,218	71,005	–	3,247	261,425
At 1 January 2014 (audited)	48,955	138,218	71,005	32,913	1,081	292,172
Profit and total comprehensive income for the period	–	–	–	–	6,674	6,674
Dividend recognised as distribution (note 11)	–	(43,800)	–	–	–	(43,800)
At 30 June 2014 (unaudited)	48,955	94,418	71,005	32,913	7,755	255,046

Notes:

(a) The capital reserve represents contributions from an equity participant in 2011.

(b) The statutory reserve represents the appropriation of 10% of profit after taxation determined based on the relevant accounting rules and regulations of the People's Republic of China ("PRC") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the relevant subsidiaries. The statutory reserve can be applied either to set off accumulated losses or to increase capital. The entire balance of statutory reserve as at 31 December 2012 was reduced as a result of the capital reduction transaction described in note 22.

The surplus reserve represents further appropriation out of the retained profits of the PRC subsidiary for any amount approved by its board of directors after the appropriation to the statutory reserve.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(16,172)**	44,142
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**21**	132
Proceeds from forward contracts	**–**	1,042
Interest received	**392**	2,700
Redemption of pledged bank deposits	**–**	3,007
Redemption of bank deposits with original maturity over three months	**–**	53,489
Redemption of structured deposits	**261,518**	294,011
Placement of structured deposits	**(271,500)**	(283,500)
Placement of pledged bank deposits	**(33,000)**	–
Purchase of property, plant and equipment	**(48,720)**	(60,337)
Payment for exploration and evaluation assets	**(2,910)**	(3,342)
Placement of bank deposits with original maturity over three months	**(200)**	(15,000)
Placement of restricted bank balance	**(73)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(94,472)**	(7,798)
FINANCING ACTIVITIES		
New bank borrowing raised	**31,512**	–
Dividend paid	**(43,800)**	(40,200)
Consideration paid for redemption of non-controlling interest	**(6,000)**	(6,000)
Interest paid	**(999)**	(1,204)
Repayment of bank borrowings	**–**	(5,000)
NET CASH USED IN FINANCING ACTIVITIES	**(19,287)**	(52,404)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(129,931)**	(16,060)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**133,447**	68,314
Effect of foreign exchange rate changes	**(8)**	(499)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**3,508**	51,755

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with 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.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

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

The application of the 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.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of processed concentrates	**84,046**	129,857

4. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**392**	2,700
Government grant related to assets (note i)	**258**	257
Government subsidy (note ii)	**100**	3,714
Others	**11**	25
	761	6,696

Notes:

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

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

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Exchange gain (loss)	**840**	(10,295)
Gain on investment in structured deposits	**1,108**	511
Gain on disposal of property, plant and equipment	**16**	86
	1,964	(9,698)

6. FAIR VALUE GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS

All the derivative financial instruments matured during the year 2013. Changes in the fair values of non-hedging foreign currency forward contacts amounting to gain of RMB10,039,000 were recognised in profit or loss for the six months ended 30 June 2013.

7. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	**999**	1,204
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**5,392**	5,235
Total borrowing costs	**6,391**	6,439
Less: amount capitalised	**(2)**	(625)
	6,389	5,814

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**5,087**	15,203
Deferred tax:		
Current period	**470**	1,540
	5,557	16,743

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	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	**12,231**	52,317
Tax at the EIT rate of 25%	**3,058**	13,079
Tax effect of expenses not deductible for tax purpose	**2,668**	4,911
Tax effect of income not taxable for tax purpose	**(640)**	(2,801)
Withholding tax on distributable earnings of PRC subsidiary	**471**	1,554
Tax charge for the period	**5,557**	16,743

9. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' and the chief executive's emoluments	**1,671**	1,680
Other staff costs	**12,050**	12,093
Retirement benefit scheme contributions, excluding those of directors and the chief executive	**484**	423
Total staff costs	**14,205**	14,196
Depreciation of property, plant and equipment	**8,655**	6,257
Amortisation of mining right	**208**	190
Release of prepaid lease payment	**253**	242
Total depreciation and amortisation	**9,116**	6,689
Cost of inventories recognised as an expense	**49,706**	61,184

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	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	**6,674**	35,574
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	600,000

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

11. DIVIDEND

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2013 of RMB4.2 cents (2012: RMB3.6 cents) per share and a special dividend of RMB3.1 cents (2012: RMB3.1 cents) per share	**43,800**	40,200

No interim dividend is recommended by the board of directors of the Company for the six months ended 30 June 2014.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment and incurred construction costs of RMB39,175,000 (six months ended 30 June 2013: RMB74,621,000), which included interest capitalised of RMB2,000 (six months ended 30 June 2013: RMB625,000).

13. MINING RIGHT

	30.6.2014	31.12.2013
	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	**3,380**	2,966
Provided for the period/year	**208**	414
At the end of the period/year	**3,588**	3,380
CARRYING VALUES	**8,412**	8,620

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 2014, the mining right of RMB8,412,000 (31 December 2013: RMB8,620,000) was pledged to a bank to secure banking facilities granted to the Group.

14. 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 have 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.

15. DEPOSIT FOR ACQUISITION OF LAND USE RIGHTS

As at 30 June 2014 and 31 December 2013, 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 2016. 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.

16. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

On 26 October 2013, Yifeng Wanguo entered into a framework agreement in relation to a possible acquisition from three individuals (Mr. Wen Baolin, a non-executive director of the Company, and two individuals who are independent third parties not connected with the Group, collectively referred to as the "Vendors") 51% equity interest in Xizang Changdu-County Dadi Mining Company Limited ("Xizang Changdu"), which owns the exploration right of Walege lead mine of Changdu County, Tibet Autonomous Region, the PRC.

On 16 May 2014, Yifeng Wanguo and another wholly-owned subsidiary of the Company, Taylor Investment International Limited ("HK Taylor"), entered into two acquisition agreements with the Vendors for the acquisition of 51% equity interest in Xizang Changdu for a total consideration of RMB239.7 million in aggregate.

A refundable deposit amounting to RMB9,600,000 has been paid in 2013. During the six months ended 30 June 2014, no further deposit was paid for the acquisition.

17. DEFERRED TAXATION

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

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Deferred tax assets	**2,265**	2,242
Deferred tax liabilities	**(1,993)**	(1,500)
	272	742

17. DEFERRED TAXATION *(Continued)*

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

	Undistributed earnings of PRC subsidiary RMB'000	Fair value changes on structured deposit RMB'000	Restoration cost and other provisions RMB'000	Government subsidy RMB'000	Total RMB'000
At 1 January 2013	–	–	583	1,621	2,204
(Charge) credit to profit or loss	(1,554)	–	47	(33)	(1,540)
At 30 June 2013	(1,554)	–	630	1,588	664
(Charge) credit to profit or loss	54	–	57	(33)	78
At 31 December 2013	(1,500)	–	687	1,555	742
(Charge) credit to profit and loss	(471)	(22)	56	(33)	(470)
At 30 June 2014	(1,971)	(22)	743	1,522	272

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. HK Taylor, which was incorporated in Hong Kong, enjoyed the preferential tax rate aforementioned. Accordingly, deferred taxation has been provided for in the condensed consolidated financial statements in respect of the expected dividend stream from Yifeng Wanguo with the applicable tax rate of 5%.

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

The restricted bank balances represent 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 represent the guarantee deposits for bank borrowing in Hong Kong.

The other bank deposits amounting to RMB200,000 as at 30 June 2014 (31 December 2013: Nil) represented bank deposits with original maturity more than three months.

The restricted bank balance, pledged bank deposits and bank balances carry interest at rates ranging from 0.35% to 3.3% (31 December 2013: ranging from 0.01% to 3.5%) per annum as at 30 June 2014.

19. STRUCTURED DEPOSIT

The structured deposit as at 30 June 2014 is a principal-protected yield enhancement bank deposit and contains an embedded derivative, which represents the returns varying with the underlying investment portfolio of the structured bank deposit and comprises primarily of listed shares, inter-bank lending and debentures. The principal amount together with the investment return will be repaid to the Group anytime upon request, and therefore, the amount is classified as current assets.

The structured deposit carries interest at a rate ranging from 2.8% to 4.2% per annum which will be determined by reference to the returns of the underlying investments and redemption period. The structured deposit is designated at fair value through profit or loss on initial recognition as it contains embedded derivatives that are closely related to the host contract.

20. TRADE AND OTHER RECEIVABLES

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Trade receivables	18,338	9,295
Prepayments	999	1,466
Other receivables	260	126
	1,259	1,592
Total	19,597	10,887

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

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
0–30 days	1,440	9,295
31–60 days	2,356	–
61–90 days	14,542	–
	18,338	9,295

21. TRADE AND OTHER PAYABLES

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
Trade payables	**12,919**	6,878
Advance from customers	**3,033**	1,039
Value-added tax, resource tax and other tax payables	**2,942**	9,902
Accrued expenses	**4,071**	3,439
Other payables for construction in progress and property, plant and equipment	**2,583**	10,957
Other payables for evaluation and exploration assets	**–**	2,552
	12,629	27,889
	25,548	34,767

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

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
0–30 days	**9,998**	4,580
31–60 days	**2,626**	944
61–90 days	**12**	559
91–180 days	**120**	204
Over 180 days	**163**	591
	12,919	6,878

22. CONSIDERATION PAYABLE TO A FORMOR NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

On 3 March 2012, Yifeng Wanguo, West-Jiangxi of the Bureau of Geology and Mineral Exploration of Jiangxi Province ("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) 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 a 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 and surplus reserves of the subsidiary were used to offset the accumulated losses. Accordingly, the total equity of the Group was reduced by RMB153,584,000.

At the end of the reporting period, the carrying amount of consideration payable is repayable as below:

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 RMB'000 (Audited)
— Within one year	19,330	24,683
— More than one year, but not exceeding two years	38,343	37,059
— More than two years, but not exceeding five years	100,710	97,249
	158,383	158,991
Less: amount due within one year shown under current liabilities	19,330	24,683
Amount shown under non-current liabilities	139,053	134,308

23. SECURED BANK BORROWINGS

	30.6.2014 RMB'000	31.12.2013 RMB'000
Secured bank borrowings		
— Floating rate	**58,512**	27,000
Carrying amount repayable:		
— within one year	**40,512**	9,000
— more than one year, but not exceeding two years	**18,000**	18,000
	58,512	27,000
Less: amount due within one year shown under current liabilities	**40,512**	9,000
Amount shown under non-current liabilities	**18,000**	18,000

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

	30.6.2014 %	31.12.2013 %
Effective interest rate (per annum)	**2.57 to 6.55**	6.67

24. 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 2013, 30 June 2013, 31 December 2013 and 30 June 2014	1,000,000	100,000
Issued:		
At 1 January 2013, 30 June 2013, 31 December 2013 and 30 June 2014	600,000	60,000
		RMB'000
Shown in the condensed consolidated statement of financial position		48,955

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets 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).
- 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		Fair value hierarchy	Valuation technique(s) and key input(s)
	30.6.2014 RMB'000	31.12.2013 RMB'000		
Structured deposit classified as financial assets in the condensed consolidated statement of financial position (note)	**Asset – 11,090**	–	Level 3	Discounted cash flow. Market price of underlying financial instruments, including listed shares, inter-bank lending and debentures.

Note: significant unobservable inputs to the valuation include the market value of the underlying financial instruments of the structured deposits. All of these unobservable inputs are positively related to the fair value of the structured deposits.

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For the six months ended 30 June 2014

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

(ii) Reconciliation of Level 2 and Level 3 Measurements

The following table presents the reconciliation of Level 2 measurements of the Group's financial instruments for the six months ended 30 June 2014.

	Level 2 RMB'000	**Level 3** RMB'000
For the six months ended 30 June 2013		
At 1 January 2013	–	10,000
Purchase	43,000	240,500
Fair value gain, recognised in profit or loss (included in other gains and losses)	45	466
Settlement	(43,045)	(250,966)
At 30 June 2013	–	–
For the six months ended 30 June 2014		
At 1 January 2014	–	–
Purchase	140,000	131,500
Fair value gain, recognised in profit or loss (included in other gains and losses)	241	867
Settlement	(140,241)	(121,277)
At 30 June 2014	–	11,090

(iii) There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial instruments or any reclassification of financial instruments in the reporting period.

(iv) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

26. CAPITAL COMMITMENTS

	30.6.2014 RMB'000 (Unaudited)	31.12.2013 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	18,172	20,816
— acquisition of a subsidiary	230,100	–
	248,272	20,816

27. RELATED PARTY DISCLOSURES

During the reporting period, the remuneration of key management personnel which represent the directors and employees were as follows:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Salaries and other allowances	1,662	1,676
Retirement benefit scheme contributions	9	4
	1,671	1,680