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

Integrate resources, create values, build benefits and contribute to the society

ANNUAL REPORT 2015

Contents

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 (Resigned on 18 March 2016)

Independent non-executive Directors:
Lu Jian Zhong
Qi Yang
Shen Peng
Li Hongchang (Resigned on 22 December 2015)

AUDIT COMMITTEE

Shen Peng *(Chairman)*
Qi Yang
Lu Jian Zhong
Li Hongchang (Resigned on 22 December 2015)

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

AUDITOR

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

LEGAL ADVISER

as to Hong Kong Law
Dentons Hong Kong
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

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Wanguo International Mining Group Limited (the "Company"), I am pleased to present the audited result of the Company and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 December 2015.

In 2015, copper price in the People's Republic of China ("PRC" or "China") showed a slipping decline in January under sufficient supply as well as arrival of imported stocks, a rise to the peak in May 2015 under the rumor of production cuts in smelting plants and State's intention of increase in copper reserve, and then a falling trend till to the year-end under China's ever-higher-profile economic slowdown. The average copper price was RMB46,560 per tonne at the beginning of the year, while it was just RMB36,548.75 per tonne by end of year, representing a slump of 21.5%. It attained at the year's highest price of RMB46,560 per tonne on 1 January 2015 and the year's lowest price of RMB33,512 per tonne on 24 November 2015.

In 2015, the downstream industry of steel materials has been in demand shrunk, slumping prices and continuous loss-making. The crude steel of PRC has first recorded a negative growth in these 20 years. The production volume of crude steel in the first ten months of 2015 was 675 million tonnes, representing a drop of 2.2% compared with that of the last year, and expected to be 804 million tonnes for the whole year. The production cuts of crude steel resulted in drop in demand of iron ore, which led to a continuous fall of iron prices in upstream industry. With fierce competition from low-priced iron ore imported from overseas, iron ore market was under downturn trend.

The spot price of zinc showed a S shape trend, it fell in the first quarter of 2015 due to poor domestic economy data. It was then vibrating upwards in April 2015 under Central government's macropolicy and shortage of stocks. However, it then started to vibrating downturn to RMB17,040 per tonne, the price at the beginning of the year, and further downwards to RMB13,533.75 per tonne by end of the year, representing a decline of 20.58%.

“2015 is a very challenging year for non-ferrous industry. Nevertheless, such unfavourable conditions gave opportunities for the Group.”

For the year ended 31 December 2015, the Group mined 581,438 tonnes of ores, of which it sold copper in copper concentrates of 3,662 tonnes, iron concentrates of 123,589 tonnes, zinc in zinc concentrates of 2,365 tonnes, sulfur concentrates of 145,219 tonnes, gold of 71kg and silver of 6,335 kg. We achieved revenue of RMB220.8 million, gross profit of RMB65.0 million and profit attributable to owners of the Company of RMB16.6 million.

2015 is a very challenging year for non-ferrous industry; it comprised sliding commodity prices, sluggish demand and overcapacity in steel and energy weigh. It may continue to cause metal prices vibration in the coming year. Nevertheless, such unfavourable conditions gave opportunities for the Group. During the year, the Group successfully negotiated with vendors of Xizang Changdu County Dadi Mining Company Limited, to reduce the consideration from RMB239.7 million to RMB195.0 million, representing a saving by the Group of RMB44.7 million or 18.6%. The Group believes that completion of the acquisition will further increasing our mineral resources.

On behalf of the Group, I would like to take this opportunity to express my sincere gratitude to all of our customers, business partners and investors for their support and trust to the Group. In addition, I would like to express my heartfelt thanks to our Directors and employees for their dedication and contribution to the Group.

By order of the Board

Gao Mingqing
Chairman and Chief Executive Officer
30 March 2016

Management Discussion and Analysis

MARKET REVIEW

For 2015, the commodity market faced full of difficulties and challenges.

Copper

According to World Bureau of Metal Statistics (世界金屬統計局), the copper market recorded a surplus of 266,000 tonnes in January to October 2015 which follows a surplus of 298,000 tonnes in the whole year of 2014. Reported stocks fell during October 2015 and closed at 204,000 tonnes higher than that at the end of December 2014. World mine production in January to October 2015 was 15.9 million tonnes which was 3.6% higher than in the same period in 2014.

Global refined production rose to 19.1 million tonnes up to 1.1% compared with the previous year with a significant increase recorded in China (up 36,000 tonnes) and India (up 35,000 tonnes).

Global consumption for January to October 2015 was 18,798,000 tonnes compared with 18,796,000 for the same period in 2014. Chinese apparent consumption in January to October 2015 rose by 26,000 tonnes to 9,211,000 tonnes which represented 49% of global demand.

Iron

In 2015, the World's iron ore market continued stepping a downwards trend, and appeared three slumped points, i.e. US$47.5 per tonne on 2 April, US$44.5 per tonne on 8 July, and US$38.5 per tonne on 15 December during the year. By the end of November 2015, the price of imported iron ore in PRC continued slipping, the average price was RMB347 per tonne (iron ore imported price from Australia) compared with RMB517 per tonne in the same period last year, representing a drop of RMB170 per tonne or 32.9%. During the first eleven months of 2015, the production volume of raw ore accumulated approximately 1,079 million tonnes which decreased 8.3% or 10.6 million tonnes compared with the corresponding period in last year.

Zinc

According to World Bureau of Metal Statistics (世界金屬統計局), the zinc market was in surplus by 170,000 tonnes during January to October 2015 as compared with a deficit of 209,000 tonnes recorded in the whole of the previous year. Reported stocks fell by 78,000 tonnes during the ten month period of 2015. London Metal Exchange ("LME") stocks fell by 26,000 tonnes in October and ended the month 128,000 tonnes lower than that at the end of 2014. LME stocks represent 48 per cent of the global total. Chinese demand rose by 1.4% compared with the previous year. Production of locally refined metal in China rose by 9% compared with 2014.

Global refined production rose by 4.7% and consumption rose by 0.9% compared with the levels recorded one year earlier. World demand was 104,000 tonnes higher than the January to October 2014. Chinese apparent demand was 5,349,000 tonnes which is just over 46% of the global total.

Gold and Silver

It was a bull market for gold at the beginning of 2015, the gold price rose to US$1,306 per ounce, compared with the closing price as at the year end of 2014 of US$1,184 per ounce, representing a more than 10% growth. However, the gold price then seesawed ever lower until it reached US$1,042 per ounce on 3 December 2015, the lowest price in 2015, and it rebounded slightly thereafter.

According to World Gold Council（世界黃金協會）, better economic performance in the US allowed the Federal Reserve to raise its funds rate on 16 December 2015 for the first time in 9.5 years. In the months leading up to this, higher bond yields strengthened the US dollar, putting pressure on the gold price.

According to Bloomberg, the price of silver opened at US$15.71 per ounce at the beginning, closed at US$13.85 per ounce, attained the peak of US$18.49 per ounce and the bottom price of US$13.56 during the year 2015. The political change in Greece and abandoning of the swiss franc's peg to the euro, resulted in rise in silver price under risk aversion at the beginning of year. However, strong US dollar and blooming of capital market in the first half of year caused silver price to slip. The threats of increase in interest rate in US Federal Reserve pushed the fluctuation of silver prices downwards and closed at a low level for the year 2015.

BUSINESS REVIEW

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

Management Discussion and Analysis

EXPANSION IN EXISTING MINE

We have completed major upgrading projects in Xinzhuang Mine by end of 2014. We had reached 600,000 tonnes per annum ("tpa") in both mining capacity and processing capacity in accordance with our expansion plan as disclosed in the prospectus of our Company dated 28 June 2012 (the "Prospectus"). According to the Independent Technical Expert's Report in the Prospectus, the reserves at the Xinzhuang Mine were estimated to be sufficient for production at the planned long term production rate of 600,000 tpa for approximately 31 years.

EXPANSION IN SURROUNDING AREAS

According to the Independent Technical Expert's Report in the Prospectus, there are significant additional defined mineral resources outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining licence held by the Group. On 20 November 2012, Yifeng Wanguo entered into an exploration agreement (the "Exploration Agreement") with the Bureau of Geology and Mineral Exploration of Jiangxi Province (江西省地質礦產勘查開發局) (the "Jiangxi Geology Bureau"). By the end of 2013, Jiangxi Geology Bureau has completed the field exploration work. A Mineral Resources Verification Report (資源儲量核實報告) has been finished and approved by Jiangxi Province Land Resources Bureau in April 2014 and obtained registration in December 2014. The Board plans to apply for an increase in its mining capacity set forth in its mining license, thereby enhancing the competitiveness of the Group in the future with the increased capacities and annual total production volume.

HORIZONTAL EXPANSION

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

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

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

The aggregate consideration for the two Acquisition Agreements under the Amended Terms has been reduced from RMB239.7 million to RMB195.0 million, representing a saving by the Group of RMB44.7 million or 18.6% for the acquisition.

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.

Category	2014 Mineral Resources estimate Grade Tonnage Reported above a Cut-off Grade of 2.5% Pb 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	**17.32**	**4.34**	**52.29**	**751**	**905**

As at the date of this annual report, 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 resources of lead and silver, it is expected to be further exploited, and processing plants built upon completion by the Company and to contribute sales revenue and profits to the Group. Please refer to the Company's announcement dated 16 October 2015 and circular dated 2 December 2015 for details.

As at the date of this annual report, the Group has already paid an amount of RMB49.6 million to the Vendors, the Board expected the acquisition will complete before or by the end of second quarter of 2016.

EXPLORATION ACTIVITIES IN AUSTRALIA

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

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

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

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

As at 31 December 2015, the Group has finished preliminarily survey and exploration. For details, please refer to the section "Exploration, Development and Mining Activities" on page 15 in this annual report.

Management Discussion and Analysis

MINERAL RESOURCES AND RESERVES

The Xinzhuang Mine Mineral Resource Summary – as at 31 December 2015

			Grades					Contained Metals				
Mineralization Type	**JORC Mineral Resource Category**	**Tonnage**	**Cu**	**Pb**	**Zn**	**TFe**	**mFe**	**Cu**	**Pb**	**Zn**	**TFe**	**mFe**
		kt	**%**	**%**	**%**	**%**	**%**	**kt**	**kt**	**kt**	**kt**	**kt**
Cu-Fe	Measured	5,693	0.80	–	–	–	–	45.69	–	–	–	–
	Indicated	12,509	0.69	–	–	–	–	86.47	–	–	–	–
	Subtotal	18,202	0.73	–	–	–	–	132.16	–	–	–	–
	Inferred	885	0.46	–	–	–	–	4.06	–	–	–	–
	Total	19,087	0.71	–	–	–	–	136.22	–	–	–	–
Fe-Cu	Measured	2,150	0.19	–	–	43.24	30.87	4.09	–	–	929.74	663.81
	Indicated	3,798	0.34	–	–	39.76	26.01	12.96	–	–	1,510.22	988.03
	Subtotal	5,948	0.29	–	–	41.02	27.77	17.05	–	–	2,439.96	1,651.84
	Inferred	306	0.52	–	–	44.16	31.05	1.62	–	–	135.21	95.05
	Total	6,254	0.30	–	–	41.17	27.93	18.67	–	–	2,575.17	1,746.89
Cu-Pb-Zn	Measured	2,009	0.12	0.95	5.15	–	–	2.32	19.10	103.44	–	–
	Indicated	2,533	0.09	1.80	3.86	–	–	2.36	45.64	97.82	–	–
	Subtotal	4,542	0.10	1.43	4.43	–	–	4.68	64.74	201.26	–	–
	Inferred	340	0.15	0.39	4.33	–	–	0.43	1.34	15.08	–	–
	Total	4,882	0.13	1.35	4.43	–	–	5.11	66.08	216.34	–	–
Total	Measured	9,852	–	–	–	–	–	52.10	19.10	103.44	929.74	663.81
	Indicated	18,840	–	–	–	–	–	101.79	45.64	97.82	1,510.22	988.03
	Subtotal	28,692	–	–	–	–	–	153.89	64.74	201.26	2,439.96	1,651.84
	Inferred	1,531	–	–	–	–	–	6.11	1.41	15.52	141.00	99.00
	Total	30,223	–	–	–	–	–	160.00	66.15	216.78	2,580.96	1,750.84

Note: (1) The mineral resources also contain meaningful amounts of gold and silver. Based on limited composite sample analysis, the average grade is 0.19 g/t for gold and 13.1 g/t for silver in the Cu-Fe resource, 0.17 g/t for gold and 5.7 g/t for silver in the Fe-Cu resource, and 0.61 g/t for gold and 56.7 g/t for silver for the Cu-Pb-Zn resource.

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

(3) There was no material change in these estimates during the period from 31 December 2011 to 31 December 2015.

The Xinzhuang Mine Ore Reserve Summary – as at 31 December 2015

Mineralization Type	JORC Ore Reserve Category	Tonnage	Grades Cu	Grades Pb	Grades Zn	Grades TFe	Grades mFe	Contained Metals Cu	Contained Metals Pb	Contained Metals Zn	Contained Metals TFe	Contained Metals mFe
		kt	%	%	%	%	%	kt	kt	kt	kt	kt
Cu-Fe	Proved	4,252	0.77	–	–	–	–	32.77	–	–	–	–
	Probable	5,210	0.67	–	–	–	–	35.03	–	–	–	–
	Total	9,462	0.72	–	–	–	–	67.80	–	–	–	–
Fe-Cu	Proved	2,250	0.22	–	–	37.27	32.70	4.89	–	–	838.74	735.81
	Probable	2,227	0.33	–	–	27.88	23.64	7.27	–	–	621.09	526.57
	Total	4,477	0.27	–	–	32.60	28.19	12.16	–	–	1,459.83	1,262.38
Cu-Pb-Zn	Proved	1,446	0.08	0.88	4.87	–	–	1.22	12.71	70.36	–	–
	Probable	1,105	0.04	1.36	3.48	–	–	0.44	15.06	38.45	–	–
	Total	2,551	0.07	1.09	4.27	–	–	1.66	27.77	108.81	–	–
Total	Proved	7,948	–	–	–	–	–	38.88	12.71	70.36	838.74	735.81
	Probable	8,542	–	–	–	–	–	42.74	15.06	38.45	621.09	526.57
	Total	16,490	–	–	–	–	–	81.62	27.77	108.81	1,459.83	1,262.38

Note: (1) The ore reserves also contain meaningful amounts of gold and silver. Based on limited composite sample analysis, the average grade is 0.19 g/t for gold and 13.1 g/t for silver in the Cu-Fe resource, 0.17 g/t for gold and 5.7 g/t for silver in the Fe-Cu resource, and 0.61 g/t for gold and 56.7 g/t for silver for the Cu-Pb-Zn resource.

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

(3) There was no material change in these estimates during the period from 31 December 2011 to 31 December 2015.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 0.7% from approximately RMB219.2 million in 2014 to approximately RMB220.8 million in 2015. The increased was primarily attributable to increase in volumes of concentrates sold during year.

For the year ended 31 December 2015, we sold 3,662 tonnes of copper in copper concentrates, 123,589 tonnes of iron concentrates and 145,219 tonnes of sulfur concentrates, compared to 2,540 tonnes, 103,490 tonnes and 117,432 tonnes respectively for the year ended 31 December 2014, representing increase of approximately 44.2%, 19.4% and 23.7%, for copper in copper concentrates, iron concentrates and sulfur concentrates, respectively. The increase in volumes was principally attributable to the completion of upgrading Concentrator No.1 system since September 2014, which doubled up the production capacity and resulted in an increase in all concentrates produced.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates in 2015 were RMB28,564, RMB357 and RMB193 per tonne respectively, compared to RMB34,635, RMB557 and RMB212 per tonne respectively in 2014, representing a decline of approximately 17.5%, 35.9% and 9.0% respectively. During the year 2015, all of our metals prices have been slipping downwards continuously. Our Directors believe that such decrease was mainly due to the drop in demand caused by the pessimism in China's economy.

Management Discussion and Analysis

Cost of sales

Overall, our cost of sales increased by approximately 18.1% from approximately RMB132.3 million in 2014 to approximately RMB156.2 million in 2015. The increase was mainly due to the increase in subcontracting fee and electricity consumption under expansion of our production scale.

Gross profit and gross profit margin

The overall gross profit of our Group for the year ended 31 December 2015 was approximately RMB64.6 million, which represented a decrease of approximately 25.7% compared to approximately RMB86.9 million for the year ended 31 December 2014. Our overall gross profit margin decreased from approximately 39.6% for the year ended 31 December 2014 to approximately 29.2% for the year ended 31 December 2015. 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 RMB0.2 million, sales of tailings of approximately RMB0.9 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB0.9 million for the year ended 31 December 2015. Other income increased by approximately RMB1.0 million compared with 2014, which mainly reflected in the sales of tailings our by-product, during the year 2015.

Other gains and losses

Our other gains and losses comprised mainly gain on investment in structured deposits of approximately RMB1.0 million, loss on disposal of property, plant and equipment of approximately RMB0.1 million and unrealised exchange loss of approximately RMB0.1 million as a result of the translation of Australian dollars into Renminbi under depreciation of Australian dollars as at 31 December 2015. Other gains and losses decreased by approximately RMB1.2 million, which was primarily due to the decrease in gain on investment in structured deposits caused by the decrease in bank balance.

Selling and distribution expenses

Our selling and distribution expenses were comparable in two years.

Administrative expenses

Our administrative expenses decreased by approximately 23.3% from approximately RMB35.2 million in 2014 to approximately RMB27.0 million in 2015. The decrease was principally attributable to the professional fees incurred in connection with our acquisition of Xizang Changdu in 2014 and tighter control in staff costs and benefits in 2015.

Finance costs

Our finance costs decreased by approximately 18.3% from approximately RMB13.1 million in 2014 to approximately RMB10.7 million in 2015, primarily due to the decrease in imputed interest expenses on consideration payable to a former non-controlling Shareholder of a subsidiary.

Income tax expense

Our income tax expense was approximately RMB10.7 million in 2015, consisting of PRC corporate income tax payable of approximately RMB10.6 million, withholding tax payable of approximately RMB0.6 million and deferred tax credit of approximately RMB0.5 million. Our income tax expense was approximately RMB15.1 million in 2014, consisting of PRC corporate income tax payable of approximately RMB14.3 million and withholding tax payable of approximately RMB0.8 million.

The decrease in our income tax expense in 2015 was primarily due to the decrease in the PRC corporate income tax expenses as a result of decrease in operating profit.

Management Discussion and Analysis

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation decreased by approximately 30.8%, or approximately RMB7.4 million, from approximately RMB24.0 million for the year ended 31 December 2014 to approximately RMB16.6 million for the year ended 31 December 2015. Our net profit margin decreased from approximately 11.0% for the year ended 31 December 2014 to approximately 7.5% for the year ended 31 December 2015 mainly as a result of the decrease in profit margin of concentrates sold.

Analysis of property, plant and equipment and construction in progress

As at 31 December 2015, the Group's property, plant and equipment and construction in progress were approximately RMB368.3 million, representing an increase of RMB29.2 million or 8.6% over last year, mainly due to purchase of mining equipment, upgrading of ore processing facilities and construction of mining structures in our Xinzhuang Mine.

Analysis of inventories

Inventories consist of raw materials, ore, concentrates and other ore commodities. Raw materials mainly include forged steel grinding balls, explosives, chemical products and diesel oil used for the production of concentrates. As at 31 December 2015 and 2014, our inventories were approximately RMB10.6 million and approximately RMB21.6 million respectively. The decrease in inventories was mainly due to the accumulation of unprocessed ores in 2014 under temporarily suspension of processing plant for upgrading purpose.

Analysis of trade receivables

Trade receivables represent receivables from the sale of concentrates. Our Group generally requests our concentrates customers to make a certain amount of down payment prior to delivery. For trade customers, our Group grants a credit period up to 60 days. As at 31 December 2015 and 2014, our trade receivables were approximately RMB9.5 million and RMB7.4 million respectively. The increase in trade receivables as at 31 December 2015 was mainly due to no down payment received prior to delivery from a reputable customer.

Analysis of trade payables

Trade payables mainly consist of payables in respect of (i) the purchase of forged steel grinding balls and cement; (ii) construction fee payable to our contractors under the expansion plan; and (iii) fees payable to our third-party contractor, Wenzhou No. 2 Well and tunnel Construction Company, for our mining work. As at 31 December 2015 and 2014, our trade payables were approximately RMB6.9 million and approximately RMB11.7 million respectively. The decrease was mainly attributable to drop in the price of forged steel grinding balls and stricter control in production costs.

LIQUIDITY AND CAPITAL RESOURCES

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

The current ratio of the Group as at 31 December 2015 was 0.30 times as compared to 0.75 times as at 31 December 2014. It was mainly attributable to the increase in deposit for acquisition of a subsidiary as well as payments for fixed assets and construction in our Xinzhuang Mine.

Our Group had bank balances and cash of approximately RMB12.3 million as at 31 December 2015, compared to approximately RMB37.7 million as at 31 December 2014, of which approximately RMB1.3 million (2014: approximately RMB1.0 million) was denominated in Hong Kong dollars and Australian dollars. As at 31 December 2015, the Group recorded net assets and net current liabilities of approximately RMB273.0 million (2014: RMB272.4 million) and approximately RMB109.2 million (2014: RMB34.0 million) respectively. The increase in net current liabilities was attributable to drop in profits resulted from decrease in selling prices of concentrates, coupled with the increase in investments in fixed assets and potential acquisition.

Management Discussion and Analysis

BORROWINGS

As at 31 December 2015, the Group had secured bank borrowings of RMB60.0 million in aggregate with maturity from one year to three years and effective interest rate of 6.03%.

GEARING RATIO

The Group's gearing ratio (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) amounted to 38.6% (2014: 38.4%). The increase in gearing ratio was mainly attributable to the new bank borrowings of approximately RMB60.0 million for working capital purpose.

CASH FLOW

The following table sets out a condensed summary of our Group's consolidated statements of cash flow for 2015 and 2014:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net cash inflow from operating activities	**38,531**	44,277
Net cash outflow from investing activities	**(40,334)**	(105,993)
Net cash outflow from financing activities	**(23,364)**	(33,875)
Net decrease in cash and cash equivalents	**(25,167)**	(95,591)
Effect of foreign exchange rate changes	**(54)**	(339)
Cash and cash equivalents at the beginning of the year	**37,517**	133,447
Cash and cash equivalents at the end of the year	**12,296**	37,517

Net cash flow from operating activities

For the year ended 31 December 2015, net cash inflow from operating activities amounted to approximately RMB38.5 million, which mainly comprised the profit before working capital changes of approximately RMB58.5 million, together with decrease in inventories of approximately RMB10.9 million and was offset by the increase in trade and other receivables of approximately RMB12.3 million, decrease in trade and other payables of approximately RMB4.2 million and income tax paid of approximately RMB14.4 million.

Net cash flow from investment activities

Net cash outflow from investing activities amounted to approximately RMB40.3 million for the year ended 31 December 2015. It was primarily attributable to the purchase of property, plant and equipment of approximately RMB31.9 million, payment for evaluation and exploration assets of approximately RMB7.0 million, payment for land use right of approximately RMB6.4 million and deposit paid for acquisition of a subsidiary of approximately RMB30.0 million and was offset by redemption of structured deposits of approximately RMB34.6 million and interest income received of approximately RMB0.4 million.

Net cash flow from financing activities

Net cash outflow from financing activities amounted to approximately RMB23.4 million for the year ended 31 December 2015. This was principally due to repayment of bank loans and interests of approximately RMB51.4 million and dividend paid of approximately RMB16.0 million as well as redemption monies of approximately RMB16.0 million paid to a former non-controlling shareholder and was offset by a new bank loan of approximately RMB60.0 million.

CAPITAL EXPENDITURES

The total capital expenditure (excluding deposit paid for potential acquisition of Xizang Changdu amounted to RMB30.0 million) of the Group decreased from approximately RMB76.0 million for the year ended 31 December 2014 to approximately RMB45.3 million for the year ended 31 December 2015, representing a decrease of approximately 40.4%. The capital expenditure in 2015 was primarily incurred from the purchase of mining equipment and construction of mining structures at the Xinzhuang Mine.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENT

As at 31 December 2015, the Group has entered into a non-cancellable operating lease with future payable of approximately RMB0.4 million for Director's quarter.

As at 31 December 2015, the Group's capital commitments amounted to approximately RMB155.4 million, which was attributable to the contingent consideration payable to the Vendors of Xizang Changdu. At the date of this annual report, conditions precedent for the aforesaid acquisition of Xizang Changdu has not yet been satisfied.

As at 31 December 2015, the Group has entered the following commitments in relation to the exploration and development of Xinzhuang mine.

	RMB'000
Three new shafts projects	5,328
Upgrading the processing plants	890
Other civil work	10,866
	17,084

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities or guarantees.

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

Save as disclosed in this annual report, during the year ended 31 December 2015, the Group had no significant investment, nor were there any material acquisition and disposal of subsidiaries, associates and joint ventures.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

Management Discussion and Analysis

CHARGE ON GROUP ASSETS

As at 31 December 2015, the Group's mining rights and buildings with carrying value of approximately RMB55.9 million (31 December 2014: mining right with carrying value and a structured deposit of approximately RMB41.9 million) were pledged to secure the Group's bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the year 2015, the Group had no material adverse exposure to foreign exchange fluctuations during the year 2015.

INTEREST RATE RISK

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

FINANCIAL INSTRUMENTS

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

FINAL DIVIDEND

The Board recommends to declare a final dividend of RMB1.33 cents (equivalent to approximately HK$1.59 cents) per share for the year ended 31 December 2015, representing approximately 48.3% of the profit and total comprehensive income attributable to owners of the Company, payable to the Shareholders whose names appear on the register of members of the Company on 6 June 2016. Based on the number of issued shares of the Company as at 31 December 2015, this represents a total distribution of approximately RMB8.0 million. Subject to the approval of the payment of the final dividend by the Shareholders at the annual general meeting to be held on 27 May 2016, it is expected that the proposed final dividend will be paid on or before 31 August 2016.

CLOSURE OF REGISTER OF MEMBERS

The final dividend is payable to the Shareholders whose names appear on the register of members of the Company at close of business on 6 June 2016. For determination of entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 2 June 2016 to Monday, 6 June 2016, both days inclusive. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 1 June 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, we had a total of 343 (2014: 358) full-time employees, excluding the independent third-party contractor which is responsible for underground mining work.

	Number
Underground technical and supporting mine workers	
– Safety supervision	22
– Mining and geological technical staff	11
– Mining record and surveying staff	12
– Geological drilling operators	12
– Ventilation and hauling facilities and water-pump operators and maintenance staff	113
– Backfilling team	22
Processing plant workers	55
Mine management and supporting staff	96
	343

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

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Mineral exploration

For our current planned mining area, we have completed underground geological drilling of 13,561m, with drill size of 60-90 mm for the year ended 31 December 2015. For the year ended 31 December 2015, we have also finished tunnel drilling of 905.4m, resulted in total tunnel drilling of 8,721.1m.

For the exploration projects in Australia, the Group completed a total of 2km^2 1:2000 geological survey, 9.8km 1:10,000 high precision magnetic section measurement, 53.74km 1:10,000 induced polarization (IP) section measurement, 92 points of high precision IP sounding and drilling holes of total 4,098m at Einasleigh area. Based on the preliminary result, it is expected to find new copper multi deposit in Einasleigh area, the area has a good prospect of resources.

For the year ended 31 December 2015, the total expenditure of mineral exploration was approximately RMB7.0 million.

Development

During the year ended 31 December 2015, the Group incurred development expenditure of approximately RMB38.3 million in respect of our expansion plan in Xinzhuang Mine mainly comprising:

(1) Three new shafts' projects

Main shaft system:	Sealing roof of Main Shaft system on 26 November 2015; Starting facilities and equipment installation in December 2015
Auxiliary shaft system:	Completion of facilities and equipment installation and in use during April 2015; Finishing tunnel drilling of 5th, 6th 7th and 8th middles respectively and resulted in total 2,650m tunnel developed by end of 2015

(2) New Back-filling system

We have completed main facilities on the ground, such as sand storehouse, cement storehouse, operation and office rooms in 2015.

Details breakdown of development expenditure is as follows:

	RMB' (million)
Land use right	6.4
Mining structures	19.9
Office buildings	0.3
Machinery and electronic equipment for process plants	11.5
Motor vehicles	0.2
	38.3

Mining activities

During the year ended 31 December 2015, we processed a total of 651,325 tonnes of ore in the Xinzhuang Mine. The volume of our concentrates products sold were 3,662 tonnes, 123,589 tonnes, 2,365 tonnes, 145,219 tonnes, 71 kg, 4,965 kg and 1,370 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 year ended 31 December 2015, the Group incurred expenditures for mining and processing activities of RMB82.9 million (2014: RMB88.8 million) and RMB46.2 million (2014: RMB40.4 million) respectively. The unit expenditures for mining and processing activities were RMB142.6/t (2014: RMB154.7/t) and RMB70.9/t (2014: RMB74.2/t) respectively.

PROSPECT

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

Growing production at our mine and outsourcing our mining works

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

Horizontal expansion through future acquisitions of new mines

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

We understand that the global and PRC economies are still weak and unstable, and expect that metal prices will continue to suffer fluctuations and shocks in 2016. The Group will have a cautious optimistic attitude toward the trends in metal markets in the coming year.

Compliance with the relevant laws and regulations

To the best of the Directors' knowledge, information and belief on the date of this annual report, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. GAO Mingqing (**高明清**), aged 63, is our chairman, chief executive officer and executive Director. He has been the general manager of Yifeng Wanguo since November 2003. Mr. Gao was appointed as our executive Director on 13 May 2011. Mr. Gao has approximately 15 years of experience in the mining industry. He is primarily responsible for our business strategies planning, management and supervision of overall operations including production, business development and financing and investment activities of our Group. In January 2012, Mr. Gao received a second class China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) from the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) in respect of the Integrated Technology for Complicated Hard-to-mine Heavy Water Deposits Safety Mining of the Xinzhuang Mine (新莊銅鋅礦複雜難採大水礦床安全開採綜合技術). Mr. Gao was recognised by the People's Government of Yichun Municipal (宜春市人 民政府) as an Excellent Entrepreneur (優秀企業家) in 2007 and an Outstanding Individual in New Business Establishment (全 民創業標兵) in 2007, 2008 and 2010. Mr. Gao is a cousin of Mr. Li Kwok Ping, our non-executive Director. Mr. Gao is also a director of Victor Soar Investments Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. GAO Jinzhu (**高金珠**), aged 56, is an executive Director and has been the deputy general manager of Yifeng Wanguo since January 2004. Ms. Gao was appointed as our executive Director on 13 May 2011. Ms. Gao has approximately 15 years of experience in the mining industry. She is primarily responsible for the human resources management of our Group. Ms. Gao completed the Business Administration Advance Research Program of the School of Continuing Education, Tsinghua University in July 2009. Ms. Gao is also a director of Achieve Ample Investments Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. XIE Yaolin (**謝要林**), aged 52, an executive Director, has been our chief engineer and the mine manager of our Xinzhuang Mine since he joined our Group in July 2008. Mr. Xie was appointed as our executive Director on 12 June 2012. He is primarily responsible for the technical side of our mining operations, including supervising and managing production, operational safety and the development and planning of new mines. Mr. Xie has more than 30 years of experience in the mining industry, especially in the area of construction and design of mines and mining operations and management. He worked for Hunan Shuikoushan Non-Ferrous Metal Group Limited (湖南水口山有色金屬集團公司), previously known as Hunan Shuikou Mining Bureau (湖南水口山礦務局), from 1981 to 2008 where he was responsible for the general operations and management of mines including production management, construction management and mining technology implementation. In Hunan Shuikoushan Non-Ferrous Metal Group Limited, he last served as the chief engineer and deputy mine manager of Kangjiawan Mine (康家灣礦), a lead, zinc and gold mine in Hunan province. In January 2012, Mr. Xie received a second class China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) from the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) in respect of the Integrated Technology for Complicated Hard-to-mine Heavy Water Deposits Safety Mining of the Xinzhuang Mine (新莊銅鋅礦複雜難採大水礦床安全開採綜合技術). Mr. Xie has been a committee member of the Mining Research and Development (礦業研究與開發), a magazine jointly published by the China Non-Ferrous Metal Association (中國有色金屬學會) and the Changsha Mining Research Institute (長沙礦山研究院), since September 2010. Mr. Xie was recognised as a senior engineer in geological investigation and mining exploration by Human Resources Office of Hunan Province (湖南省人事廳) in September 2001. He graduated from the China University of Geosciences (中國地質大學) with a bachelor's degree in hydrogeology in June 1989.

Mr. LIU Zhichun (**劉志純**), aged 48, an executive Director, has been the deputy general manager of Yifeng Wanguo since he joined our Group in January 2008. Mr. Liu was appointed as an executive Director on 12 June 2012. He is primarily responsible for the marketing and sale of our products. Mr. Liu has approximately 17 years of experience in general marketing and sales of mining products. Prior to joining us in 2008, Mr. Liu worked in Hunan Province Chejiang Copper Mine (湖南省車江銅礦) from 1991 to 1997 where he last served as the deputy manager of the business department. Mr. Liu received a bachelor's degree in history from the Hunan Science and Technology University (湖南科技大學), previously known as the Xiangtan Normal University (湘潭師範學院), in June 1991.

Biographical Information of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. LI Kwok Ping (**李國平**), aged 53, was appointed as our non-executive Director on 12 June 2012. He is primarily responsible for advising on marketing activities and expansion of client network and has been a director of Yifeng Wanguo since November 2007. Mr. Li has approximately 20 years of experiences in cross-border trading. He has been a director of Corbest Development Limited (高柏斯發展有限公司), a company engaged in the manufacture and trading of electronic products, since October 2000. Mr. Li is a cousin of Mr. Gao Mingqing, our chairman, chief executive officer and executive Director.

Mr. LEE Hung Yuen (**李鴻淵**), aged 45, was appointed as our non-executive Director on 12 June 2012. He is primarily responsible for advising on investment strategies and office administration. Mr. Lee has been a director of Yifeng Wanguo since November 2007 and has been the company secretary for HK Taylor since August 2010. Mr. Lee has approximately 19 years of experiences in business development and investment in China. He has been engaged in the manufacture and sale of electronic and light-emitting diode lighting products since 1995.

Mr. WEN Baolin (**文保林**), aged 56, was appointed as our non-executive Director on 12 June 2012 and has served as our technical adviser of Yifeng Wanguo on a part-time basis since December 2007. He is primarily responsible for advising on the development and design of our mine as well as operational management in respect of technical area. Mr. Wen has approximately 33 years of experience in the mining industry, especially in the area of development and design of mines. Prior to joining our Group, Mr. Wen worked for Hunan Shuikoushan Non-Ferrous Metal Group Limited (湖南水口山有色金屬集團公司), previously known as Hunan Shuikou Mining Bureau (湖南水口山礦務局), from 1982 to 2005 where he last served as the manager for material sourcing of a branch company in Hunan Shuikoushan Non-Ferrous Metal Group Limited. He was recognized as a senior engineer in non-ferrous mine processing by Human Resources Office of Hunan Province (湖南省人事廳) in 1993. Mr. Wen received a bachelor's degree in mine processing from the Central South University (中南大學), previously known as the Central South Mining College (中南礦冶學院), in July 1982.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LU Jian Zhong (**呂建中**), aged 54, is our independent non-executive Director. Dr. Lu has approximately 15 years of experience in corporate senior management. He currently acts a Partner of Beijing Brunswick Consultancy Limited Shanghai Branch. He held various positions in Sateri Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 1768), as well as RGE Management (China) Co., Ltd, and Asia Symbol (Shandong) Pulp and Paper Co., Limited from November 2013 to April 2015. Dr. Lu previously held various positions in BHP Billiton Limited, an international resources company listed on the London Stock Exchange (Stock Code: BLT) and Australian Securities Exchange (Stock Code: BHP), from March 2000 to July 2007. Dr. Lu was an expert in the United Nations from December 1994 to May 1997. Dr. Lu is a member of the Australian Institute of Management and a fellow of the World Academy of Productivity Science (WAPS). He graduated from Zhejiang University (浙江大學) with a bachelor's degree in engineering in July 1983. Dr. Lu was awarded a postgraduate degree in engineering of technological innovation from the Ecole Centrale Paris in 1990 and a doctor's degree in philosophy from the Royal Melbourne Institute of Technology in May 2000.

Mr. QI Yang (**祁楊**), aged 48, is our independent non-executive Director. Mr. Qi has joined Hunan Nonferrous Metals Holding Group Co., Ltd. (湖南有色金屬控股集團有限公司) ("HNG"), the parent company of Hunan Nonferrous Metals Corporation Limited (湖南有色金屬股份有限公司) ("HNL") whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2626) and delisted on 31 March 2015, since November 2006 and acted as the head of its legal affairs department. He currently acts as the head of office of the board of directors and a member of its investment audit committee of HNG. Mr. Qi has also been a supervisor of HNL since March 2009. He was awarded the "Pioneering Individual in Provincial Legal Affairs in Corporate Supervision" (省屬監管企業法律事務工作先進個人) in 2008 by the State-Owned Assets Supervision and Administration Commission of Hunan Provincial People's Government (湖南省人民政府國有資產管理監督管理委員會). Mr. Qi was qualified as a lawyer in the PRC in 1994. He graduated from the Zhongnan Institute of Politics and Law (中南政法學院) with a bachelor's degree in law in July 1991 and graduated as a research student in economic law from the Hunan University (湖南大學) in December 2002.

Biographical Information of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. SHEN Peng (沈鵬), aged 40, is our independent non-executive Director and the chairman each of the Audit Committee and Nomination Committee of the Company. He has more than 17 years of experience in finance and mining industry of China and Australia. Mr. Shen currently acts as the Director of Carabella Resources Limited, whose shares were listed on the Australian Stock Exchange (Stock Code: CLR) and delisted on 19 February 2014. Prior to joining Carabella Resources Limited, he was the chief financial officer of Yancoal Australia Limited, whose shares are listed on the Australian Securities Exchange (Stock Code: YAL) from 2010 to 2013. Mr. Shen served the Shenhua Group Corporation Limited (神華集團有限責任公司), the parent company of China Shenhua Energy Company Limited (中國神華能源股份有限公司) ("China Shenhua") whose shares are dually listed on the Stock Exchange (Stock Code: 01088) and the Shanghai Stock Exchange (Stock Code: 601088), from 2004 to 2010 where he participated in the preparation for the listing of China Shenhua and held various positions in respect of financial management and analysis, investor relations and business restructuring. Mr. Shen worked in Deloitte Touche Tohmatsu CPA Ltd. Beijing Branch from 1998 to 2001. He graduated from the Central University of Finance and Economics (中央財經大學) with a bachelor's degree in economics in July 1998 and the University of Melbourne with a master's degree in applied finance in December 2003.

SENIOR MANAGEMENT

Mr. WONG Chi Wah (王志華), FCCA, HKICPA, aged 41, is our chief financial officer and company secretary. He was appointed as chief financial officer and company secretary in July 2011 and May 2012 respectively. Mr. Wong is responsible for the management of our Group's financial matters. He has approximately 20 years of experience in auditing and accounting fields. Prior to joining our Group, Mr. Wong was the chief financial controller and company secretary of China Automotive Interior Decoration Holdings Limited (Stock Code: 48, previously stock code: 8321), a company listed on the Growth Enterprise Market of the Stock Exchange from February 2010 to June 2011. Mr. Wong received a bachelor degree in accountancy from the Hong Kong Polytechnic University in 1996. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company's corporate governance practices are based on principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In view of the recent amendments to the CG Code effective for the accounting period beginning on 1 January 2016, the Company has adopted a revised terms of reference of the audit committee on 22 December 2015, in order to comply with certain changes relating to the risk management and internal control section of the CG Code. Except for the deviation from code provisions A.2.1 and A.2.7 of the CG Code as described in the relevant paragraph of this corporate governance report, the Company had complied with the CG Code for the year ended 31 December 2015.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the Model Code and the required standards of dealings as set out in the code of conduct for the year ended 31 December 2015 and up to the date of this annual report.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company for the year ended 31 December 2015.

BOARD OF DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Li Kwok Ping
Mr. Lee Hung Yuen
Mr. Wen Baolin (resigned on 18 March 2016)

Independent non-executive Directors

Dr. Lu Jian Zhong
Mr. Qi Yang
Mr. Shen Peng
Mr. Li Hongchang (resigned on 22 December 2015)

BOARD OF DIRECTORS (Continued)

Following the resignation of Mr. Li Hongchang as shown above, the number of independent non-executive Directors has not represented one-third of the Board as required under Rules 3.10A of the Listing Rules since 22 December 2015. Please refer to the Company's announcement dated 22 December 2015 for details. The Company had become in compliance with the relevant requirements under Rule 3.10A of the Listing Rules that the number of independent non-executive Directors represents one-third of the Board at the date of this annual report, following the resignation of Mr. Wen Baolin on 18 March 2016. Please refer to Company's announcement dated 18 March 2016 for details.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The biographical details of the Directors and the relationship among the members of the Board are set out in the "Biographical Information of Directors and Senior Management" on pages 17 to 19 of this annual report.

The Company has arranged for appropriate insurance cover to protect Directors from possible legal action against them.

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

Generally, the responsibilities of the Board include:

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

As at 31 December 2015 the Board complied with the requirement of the Listing Rules relating to the appointment of at least three independent non-executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise, except for the number of independent non-executive Directors is at least one-third of the Board. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

The Company held seven Board meetings during the year, in which four Board meetings were held regularly for reviewing and approving the financial and operating performance and considering the overall strategies and policies of the Group, three Board meetings were held for reviewing and approving the connected transaction, and reviewing and approving the agreements under Amended Terms in relation to the acquisition of 51% equity interest in Xizang Changdu and publication of relevant announcements and circular; authorisation to sign facilities agreements with a PRC bank; and approval of resignation of Mr. Li Hongchang.

BOARD OF DIRECTORS (Continued)

The following table shows the number of attendance of individual Directors at the Board and annual general meetings held during the year:

Members	No. of Attendance Board meeting	Annual general meeting
Executive Directors		
Mr. Gao Mingqing	7/7	1/1
Ms. Gao Jinzhu	7/7	1/1
Mr. Xie Yaolin	7/7	1/1
Mr. Liu Zhichun	5/7	1/1
Non-executive Directors		
Mr. Li Kwok Ping	6/7	1/1
Mr. Lee Hung Yuen	6/7	1/1
Mr. Wen Baolin (resigned on 18 March 2016)	4/7	0/1
Independent non-executive Directors		
Dr. Lu Jian Zhong	5/7	0/1
Mr. Qi Yang	4/7	0/1
Mr. Shen Peng	4/7	0/1
Mr. Li Hongchang (resigned on 22 December 2015)	4/7	0/1

The Board currently has three committees, namely, the audit committee, remuneration committee and nomination committee (the "Committees", each a "Committee") for overseeing particular aspects of the Company's affairs. Copy of the current full terms of reference of each Committee is available on the Investor Relations section of the Company's website. To comply with the Listing Rules, the terms of reference of each committee are also available on the website of Hong Kong Exchanges and Clearing Limited's ("HKEx"). The Board delegates its powers and authorities from time to time to Committees in order to ensure operational efficiency and specific issues are being handled by relevant expertise. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior board authority to do so.

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

Corporate Governance Report

PRACTICES AND CONDUCT OF MEETINGS

Notice of regular Board meetings are served to all Directors at least 14 days before the meetings to give all Directors an opportunity to attend. For other board meetings, reasonable notices have been given to all Directors.

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

Relevant reading materials including legal and regulatory update have been provided to the directors for the reference and studying. Directors are encouraged to attend relevant training courses at the Company's expenses.

On 15 January 2016, Company's legal adviser provided a training in respect of updates of Listing Rules, corporate governance and duties of Directors to our Directors and senior management in order to develop and refresh their knowledge and skills.

All Directors have provided a record of their training to the company secretary.

All Directors confirmed that they have read training materials provided by the Company in respect of corporate governance, updates of the Listing Rules and the Companies Ordinance. In addition, Mr. Gao Mingqing, Ms. Gao Jinzhu, Mr. Xie Yaolin, Mr. Shen Peng and Mr. Qi Yang, attended aforesaid training provided by our legal adviser.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS (Continued)

A summary of training received by the Directors for the year ended 31 December 2015 according to the records provided by the Directors is as follows:

Name of the Directors	Type of Continuous Professional Development: Reading on corporate governance, regulatory updates development and other relevant topics	Attending relevant training session
Executive Directors:		
Mr. Gao Mingqing	✓	✓
Ms. Gao Jinzhu	✓	✓
Mr. Xie Yaolin	✓	✓
Mr. Liu Zhichun	✓	ABS
Non-executive Directors:		
Mr. Li Kwok Ping	✓	ABS
Mr. Lee Hung Yuen	✓	ABS
Mr. Wen Baolin (resigned on 18 March 2016)	✓	ABS
Independent non-executive Directors:		
Dr. Lu Jian Zhong	✓	ABS
Mr. Qi Yang	✓	✓
Mr. Shen Peng	✓	✓
Mr. Li Hongchang (resigned on 22 December 2015)	✓	N/A

ABS: Absent

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Gao Mingqing, in addition to his duties as the Chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations as the Chief Executive Officer of the Company. This constitutes a deviation from code provision A.2.1 of the CG Code. Mr. Gao Mingqing as one of the founders of the Group has extensive experience and knowledge in the core business of the Group and his duties of overseeing the Group's operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

Corporate Governance Report

DIRECTORS

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

According to the Company's articles of association, one-third of the Directors (or if their number is not a multiple of three, the number nearest to but no less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The retiring Directors shall be eligible for re-election.

NOMINATION COMMITTEE

The nomination committee of the Board was established on 12 June 2012 with written terms of reference in compliance with the CG Code. The nomination committee is mainly responsible for making recommendations to the Board regarding appointment and removal of Directors. The nomination committee comprises one executive Director, namely Ms. Gao Jinzhu, and two independent non-executive Directors, namely Mr. Shen Peng and Mr. Qi Yang. Mr. Shen Peng has been appointed as the chairman of the nomination committee.

To comply with the code provision in the CG Code on board diversity which became effective on 1 September 2013, the nomination committee has adopted a policy concerning diversity of Board members (the "Board Diversity Policy"), which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience of the Board members. The nomination committee will review the Board Diversity Policy on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board.

During the year ended 31 December 2015, one meeting was held by the nomination committee to review and make recommendations to the Board on the re-appointment of each Director prior to that Director seeking for re-election at the annual general meeting. The following table shows the number of attendance of individual members at the meeting held during the year:

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

REMUNERATION COMMITTEE

The remuneration committee of the Board was established on 12 June 2012 with written terms of reference in compliance with code provision B.1 of the CG Code. The primary duties of the remuneration committee include developing remuneration policies of the Directors, evaluating the performance, making recommendations on the remuneration package of our Directors and senior management and evaluating and making recommendations on employee benefit arrangements. The remuneration committee comprises one executive Director, namely Mr. Liu Zhichun, and two independent non-executive Directors, namely Mr. Qi Yang and Dr. Lu Jian Zhong. Mr. Qi Yang has been appointed as the chairman of the remuneration committee.

REMUNERATION COMMITTEE (Continued)

During the year ended 31 December 2015, one meeting was held by the remuneration committee to review and make recommendations to the Board on the remuneration packages of individual Directors and senior management for 2016. The following table shows the number of attendance of individual members at the meeting held during the year:

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

AUDIT COMMITTEE

The audit committee of the Board was established on 12 June 2012 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with code provision C.3.3 of the CG Code have been adopted. In view of the recent amendments of the CG Code effective for the accounting period beginning on 1 January 2016, the Board has adopted a revised terms of reference of the audit committee on 22 December 2015 in order to comply with certain changes relating to the risk management and internal control section of the CG Code. The primary duties of the audit committee are, among other things, to provide independent view of our financial reporting process, risk management and internal control system, oversee the audit process and perform other duties and responsibilities as assigned by the Board. The audit committee comprises three independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang and Dr. Lu Jian Zhong. Mr. Shen Peng has been appointed as the chairman of the audit committee.

During the year ended 31 December 2015, four meetings were held by the audit committee to discharge its responsibilities and review the Group's annual and interim results, connected transaction, reporting and compliance procedures, the re-appointment of the external auditor as well as a discussion with an independent financial adviser for the basis of its opinion in respect of acquisition with the Amended Terms. The following table shows the number of attendance of individual members at the meeting held during the year:

Members	No. of Attendance
Mr. Shen Peng *(Chairman)*	3/4
Mr. Qi Yang	4/4
Dr. Lu Jian Zhong	3/4
Mr. Li Hongchang (resigned on 22 December 2015)	4/4

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2015, the total fee paid/payable to the Group's external auditor, Deloitte Touche Tohmatsu, in respect of interim review and annual audit services is set out below:

	Fees paid/payable
	RMB'000
Audit services	
Annual audit services	1,000
Non-audit services	
Interim review services	285
Total:	1,285

COMPANY SECRETARY

The company secretary already attended more than 15 hours of continuing professional development training arranged by several professional bodies during the year ended 31 December 2015.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions of corporate governance. For the year ended 31 December 2015, the Board performed the functions of corporate governance as set out in the code provision D.3.1 of the CG Code.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Board is responsible for implementing the risk management and internal control systems and reviewing its effectiveness. For the year ended 31 December 2015, the Board considered that the Company's risk management and internal control systems are adequate and effective and the Company has complied with the CG Code.

Corporate Governance Report

FINANCIAL REPORTING

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

SHAREHOLDERS' RIGHTS

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

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

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

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at Unit 1, 28/F., Singga Commercial Centre, 144–151 Connaught Road West, Hong Kong.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

CONSTITUTIONAL DOCUMENTS

During 2015, the Company has not made any changes to its memorandum and articles of association.

Environmental, Social and Governance Report

We committed to operating safety and responsibly. As a mining industry is relatively high-demand in safe, our objective is to create a workplace without fatalities, injuries or occupational diseases. Our priority in our workplace is to protect the health and safety of our staff. Our policies and procedures support our practice and we meet or exceed applicable laws and regulations in PRC. The Company has engaged with Board, management and staff for the purpose of obtaining information on the approach to Environmental, social and governance ("ESG") needed. As Yifeng Wanguo owns 98.5% of the Group's total assets as at 31 December 2015, our ESG reporting will solely base on Xinzhuang mine which is owned by Yifeng Wanguo.

A. ENVIRONMENTAL

Emissions

Our operations are subject to various PRC laws and regulations with respect to environmental protection and environmental rehabilitation. Other than general laws such as Environmental Protection Laws of PRC (中華人民共和國環境保護法) applicable to all entities in PRC, we are also subject to the Provisions on the Protection of the Geologic Environment of Mines (礦山地質環境保護規定) effective as of 1 May 2009, we complied a plan for the protection and restoration of the mine's geological environment and obtained approval from the Land Resources Bureau for the plan. We paid the guarantee deposit for restoration of the geological environment of mines under the Provisions and provision for restoration cost is recognized annually in accordance with relevant rules and regulations applicable in the PRC at end of reporting period as well.

We formulated our own policy based on Environmental Protection Laws requirements, increasing the investment in environmental protection, strengthening environmental protection management for the purpose of increase in production volume with low level growth in pollution released.

The Xinzhuang Mine has a valid pollutant discharge permit from the relevant local environmental protection department to undertake mining and processing activities at their respective mining site. Major environmental issues in our underground-type mining industry are management of wastewater and management of tailings. We have adopted various measures within our operations as well as emergency procedures with regard to environmental protection.

The Group emitted approximately 578,000 tonnes of wastewater in production, which contained 38.24 tonnes of pollutants and effluent concentration was approximately 66.2mg/L which is below the required standard of 100mg/L. In addition, the Group produced approximately 300,000 tonnes of tailings.

Use of resources

During the year, the Group consumed approximately total of 2,770,000 tonnes of water while it consumed approximately 438,000 tonnes of new water extracted from underground. The rate of water recycle was approximately 79.2% (2014: 76.9%) which was comparable in two years and within our target of over 75%.

During the year, electricity usage for production was totally 36,121,400kwh (2014: 30,422,973kwh), which comprised mining of 11,381,200kwh (2014: 9,365,383kwh), processing of 24,457,000kwh (2014: 20,555,750kwh) and back-filling of 283,100kwh (2014: 501,840kwh) while the total ore processed during the year was 651,325 tonnes (2014: 544,893 tonnes). The unit of production per electricity usage was 55.5kwh per tonne (2014: 55.3kwh per tonne), which was comparable in two years.

Diesel usage was 148,320 lite (2014: 166,191 lite) as the management exercised strict control on the use of vehicles.

The Environment and Nature Resources

We have adopted various policies on efficient use of resources as well as recycling and re-use of resources. Details are as follows:

Water management: the site has been developed with an emphasis on recycling used process and tailings storage facility drainage water, which is recycled to the concentrator for reuse. A recycling rate of over 75% is obtained. The Xinzhuang Mine obtains top-up water from the underground mine workings, while any surplus waste water from the site (including treated sewage) will be discharged to the nearby Shishui River following treatment in accordance with the regulatory standards in the PRC.

Solid waste: underground waste is either left underground for back filling or used for construction purposes (as a good quality construction material it is also sold locally).

During the year, approximately 70% of the tailings (coarse fraction) were mixed with cement and sent underground for back filling. The remaining 30% were stored in tailing dam and sales.

Our operations may have the following impacts of activities on the environment and we have taken the corresponding actions to manage them.

Dust and air quality mitigation: water sprays will be used for the crushing and screening plant (with wet scrubbers to also be installed in conjunction with the project expansion). However, the ore and concentrates are either wet or damp, thereby requiring minimal dust mitigation measures. Other mitigation measures include enclosure of any potentially dusty activities, paving of surface roads, revegetation and availability of personal protection devices to workers to provide additional personal protection from dust, as required.

Noise control: methods of noise control include sound insulation by isolating the noisy machines in the specific locations of the plant from the staff operation room, and provision of noise protective articles to staff involved.

Rehabilitation: the Group prepared a conceptual mine closure plan which comprised part of the site's soil and water conservation plan and it pays periodically guarantee deposits in specific amounts for restoration of the land upon closure of mine in accordance with the requirements of Land Resources Bureau.

Environmental monitoring: a mine site environmental monitoring plan is in place in which analytical results are complied with the regulatory standards in the PRC. The regular company monitoring programme is supplemented by periodic monitoring tests conducted by both the Bureau of Environmental Protection of Jiangxi Province and Bureau of Environmental Protection of Yifeng County respectively.

Waste water on-line detection system has been installed and monitored the pollution level of waste water automatically.

Emergency Procedures: Overtopping of tailings storage facility and dam breaking are two exceptional environmental incidents that may incur in our operation.

The Group has implemented efficient emergency procedures in case of occurrence of the aforesaid events, including rescue responses, reporting procedures, relevant staff arrangement, provision of specific rescue materials, communications and transportation as well as contractual rescue plan with the nearby hospitals.

B. SOCIAL

Employment

Except for underground mining work, we provide equal opportunities and have no sex nor age discrimination in recruitment of staff. For blasting operation, we only recruit staff with qualified license pursuant to relevant laws and regulations. Staff has to report to us whether there are any relatives in our Group and attend safety education training. In addition, staff has to be checked with police for non-criminal record.

Compensation and working hours

Generally, wages of workers comprise basic salary, performance salary and allowance. Working hours are 8 hours per day and are divided into normal working hours and shifting hours under different duties. Staff has 4 days-off in a month and enjoys public holidays, sick leave, wedding leave, funeral leave as well as maternity leave under local labour laws.

Benefits and welfares

Benefits and welfares include subsidy in meal expenses, accommodations, home-fare during Spring Festival, as well as various insurances under laws and regulations. Some staff can also have subsidy in telephone expenses. For home leave, marriage leave, funeral leave as well as participation in social activities, staff can still be paid normally.

As at 31 December 2015, the Group had a total workforce of 343 which comprised 335 in Jiangxi Province of the PRC, 2 in Hong Kong and 6 in Australia. 260 were male and 83 were female.

Set out below are distribution of our workforce.

By employment type

	No. of workforce	Turnover rate
Underground technical and supporting mine workers		
– Safety supervision	22	13.6%
– Mining and geological technical staff	11	18.2%
– Mining record and Surveying staff	12	33.3%
– Geological drilling operators	12	0.0%
– Ventilation and hauling facilities and water-pump operators and maintenance staff	113	10.6%
– Backfilling team	22	9.1%
Processing plant workers	55	1.8%
Mine management and supporting staff	96	19.8%
	343	12.5%

By age group

	No. of workforce	Turnover rate
20 or below	–	N/A
21-30	71	23.9%
31-40	74	2.7%
41-50	126	11.1%
51 or above	72	13.9%
Total	343	12.5%

Health and Safety

Occupational health and safety is one of our prime responsibilities, we have implemented and enforced a number of measures to ensure compliance of the regulatory requirements and our production safety and environmental protection. We have set up a department tailor for occupational health and safety, and a safety production management committee for safety activities. We have our owned safety production and operational manual which specify certain procedures such as our safety production procedures in respect of different posts and departments, our accident prevention procedures and accident reporting procedures. Regular safety drills are carried out to ensure the awareness of safety production measures in case of emergency handling. The roles and responsibilities of each of the supervising staff and workers are clearly defined and each supervising staff is accountable for their respective areas of responsibility. Our mine manager supervises the implementation of regular on-site examination and continuously monitors the safety policies. Our safety supervisor inspects the implementation of safety procedures on daily basis.

We have implemented a set of guidelines and rules regarding the handling of such dangerous articles which comply with existing PRC laws, regulations and policies. We have implemented a mandatory safety training programme for all our employees in strict accordance with requirements under Production Safety Law of the PRC (中華人民共和國安全生產法) and Law of the PRC on Safety in Mines (中華人民共和國礦山安全法). All new employees must participate in a three level safety education programme before they start their work. Employees with specialized technical duties will be required to receive training pursuant to the respective regulations and requirements. We also conduct regular training to our existing staff to enhance their awareness of safety issues, and improve their knowledge in working safety techniques in order to reduce and eliminate the occurrence of accidents. During the year, there were no work-related fatalities. Lost days due to work injury were 341 days.

Development and training

One of our prime developments is to provide an opportunity for all staff in learning and developing aspects so as to enhance personal development.

Our Group has arranged experienced staff, managerial staff, or other outsourcing expert, scholar or professional trainer to provide training to our staff.

Both on-the-job training and training programme are offered to the relevant staff. In accordance with the need of our Group, we will irregularly arrange job training to staff who will be assigned or transferred to different posts.

The Group encourages staff to take courses relevant to job in professional training institutions. Staff who obtains relevant technical titles, qualified certificates, graduate or master degree, can apply for assistance after completion.

In addition, the Group arranges training in relation to occupation and management to our middle or senior management for 8 hours per month.

Every staff should attend not less than 24 hours safety training before commencement of job. Not less than 72 hours of safety training will be offered to staff who perform explosive works. All staff will attend not less than 20 hours continuous training a year.

Labour standards

The Group has policies to prevent child or forced labour. It does not allow recruiting staff of age under 18. If we discover any fake or hidden facts or cheats during the recruitment process, the candidate will be removed from our selection. If it is discovered after recruitment process, we will terminate the labour contract. Every candidate should provide personal identification documents, such as identity card, household record copy for verification purpose during recruitment process.

During the year, the Group has not discovered any non-compliance.

Environmental, Social and Governance Report

OPERATING PRACTICES

Supply chain management

The ore extracted from the Xinzhuang Mine is our principal raw material for producing our concentrate products. We do not purchase ores from third parties.

Ore processing at Xinzhuang Mine consumes many types of auxiliary materials including forged steel grinding balls, chemical products, explosives, diesel oil and other production related materials. All our explosives, machinery and equipment, spare parts and auxiliary materials are sourced from local third party suppliers in the PRC.

We implemented "Management of suppliers and assessment policy (供應商管理和考核制度), to manage and assess the qualification, credit rating and quality of suppliers as well as daily maintenance measures.

Product responsibility

We have a quality control policy in place to ensure that the quality of our concentrates meets the standard for acceptance by our customers. Our quality control department is responsible for ensuring our product quality. We closely monitor our various production processes by conducting on-site inspection and taking samples during each shift and examining them at our laboratory. Regular trainings are also provided to our employees to enhance the quality standard.

In 2015, we have not received any material complaints due to quality problems of our products.

Anti-corruption

Our Group has established "Anti-Fraud policy and procedures (反舞弊政策及程序). Corruption is one of the fraud that will disrupt operation of the Group and violates the laws. In 2015, we have not received any complaints in relation to corruption.

Senior management is lead by example, who complies with the policies and regulations issued by the Group.

Every employee obtains a staff handbook which includes corporate policies and regulations. In addition, the Group arranges training in respect of ethics and anti-fraud to staff, for the purpose of handling conflict or temptation of interest.

For any corruption, fraud or other unethical activities discovered, staff can report to the management by real or anonymous name.

COMMUNITY INVESTMENT

The Group encourages recreational and sport activities held by staff and takes care of the need of staff, exploring the staff talent, participating voluntary activities in the community and donations.

During the year, the Group took part a basketball match and a tug of war, which organized by Xuan Mei Tun (尋美團) from Yifeng government office. The Group and Cun Qian Zhan of Gao An City (高安市村前鎮), a local community, also arranged one dating programme for single staff during the year.

In addition, the Group makes donations to community irregularly, and contributes and participates in community. During the year, the Group donated approximately RMB338,000 in respect of construction projects in community and sponsorship in school.

Directors' Report

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

A review of the business of the Company and a discussion and analysis of the Group's performance during the year end 31 December 2015 and the material factors underlying its results and financial position are provided in the "Chairman's Statement" and "Management Discussion and Analysis" respectively from pages 2 to 3 and pages 4 to 16 of this Annual Report. The outlook of the Company's business is discussed throughout this Annual Report.

The principal risks and uncertainties facing the Group include metal prices in commodity market, which are set out and discussed in "Chairman's Statement" from pages 2 to 3 and the section headed "Market Review" of "Management Discussion and Analysis", from pages 4 to 5. An indication of likely future development in the Group's business is set out and included in the section headed "Business Review" from pages 5 to 9 and "Prospect" of "Management Discussion and Analysis", on page 16.

The Group's environmental policies and performance are set out and included in "Environmental, Social and Governance Report" from pages 29 to 33 of this annual report and the "Environmental and Social Matters" set out in the paragraph 37 below. Compliance with relevant laws and regulations which have a significant impact on the Company is set out and included in the section headed "Compliance with the Relevant Laws and Regulations" of "Management Discussion and Analysis" on page 16 of this annual report.

Particulars of important events affecting the Company that have occurred since the end of the financial year 2015, if any, can also be found in paragraph 38 below. An account of the Company's relationships with its key stakeholders (including substantial shareholders, employees, suppliers and customers) is included in the "Substantial Shareholders' and other parties' Interest in Securities" and "Emolument Policy" set out in the paragraph 23 and 18 respectively below as well as the section headed "Supply chain management" and "Product responsibility" in "Environment, Social and Governance Report", on page 33 of this annual report.

2. RESULTS AND FINANCIAL POSITION

The Group's results for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 46.

The state of affairs of the Group and of the Company at 31 December 2015 are set out in the consolidated statement of financial position on pages 47 to 48 and statement of financial position of the Company on page 93 respectively.

3. SHARE CAPITAL

As set out in Note 30 to the consolidated financial statements, there has been no movement in the share capital of the Company during the year.

4. SUBSIDIARIES

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

5. SUMMARY OF FINANCIAL INFORMATION

A summary of financial results and of the assets and liabilities of the Group for the last five financial years are set out in the section headed "Summary of Financial Information" on page 94 in this report.

6. RESERVES

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

7. DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserve available for distribution to owners of the Company comprising share premium account less accumulated losses, and amounted to approximately RMB66.5 million (2014: RMB76.6 million).

8. DIVIDENDS

The Directors recommend to declare a final dividend of RMB1.33 cents (equivalent to approximately HK$1.59 cents) per share for the year ended 31 December 2015, payable to the Shareholders whose names appear on the register of members of the Company on 6 June 2016. Based on the number of issued shares of the Company as at 31 December 2015, this represents a total distribution of approximately RMB8.0 million. Subject to the approval by the Shareholders at the annual general meeting to be held on 27 May 2016, it is expected that the final dividend will be paid on or before 31 August 2016.

9. PROPERTY, PLANT, AND EQUIPMENT

Additions to the property, plant and equipment of the Group was approximately RMB48.9 million for the year ended 31 December 2015. Details of the movements during the year in the Group's property, plant and equipment are set out in Note 14 to the consolidated financial statements in this annual report.

10. DONATIONS

Donations made by the Group during the year amounted to approximately RMB338,000.

11. MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers in aggregate accounted for approximately 83.9% (2014: 92.2%) of the total sales for the year and sales to the largest customer accounted for approximately 39.2% (2014: 42.3%) of total sales.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 64.7% (2014 63.4%) of the total purchases for the year and purchases from the largest supplier accounted for approximately 34.8% (2014: 35.4%) of total purchases.

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

12. MANAGEMENT CONTRACTS

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

13. DIRECTORS

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

Executive Directors:

Mr. Gao Mingqing
Ms. Gao Jinzhu
Mr. Xie Yaolin
Mr. Liu Zhichun

Non-executive Directors:

Mr. Li Kwok Ping
Mr. Lee Hung Yuen
Mr. Wen Baolin (resigned on 18 March 2016)

Independent non-executive Directors:

Dr. Lu Jian Zhong
Mr. Qi Yang
Mr. Shen Peng
Mr. Li Hongchang (resigned on 22 December 2015)

In accordance with the Company's articles of association, all Directors are subject to retirement by rotation at least once every three years. Mr. Gao Mingqing, Ms. Gao Jinzhu, Mr. Li Kwok Ping, Dr. Lu Jian Zhong and Mr. Qi Yang will retire by rotation at the forthcoming annual general meeting, being eligible, offer themselves for re-election.

14. BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 17 to 19 of this annual report.

15. DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes of Director's information have been properly disclosed in Biographical information of the Directors and senior management which set out on pages 17 to 19 of this annual report pursuant to the Rule 13.51B(1) of the Listing Rules.

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

16. DIRECTORS' SERVICE AGREEMENTS

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

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

17. PERMITTED INDEMNITY PROVISION

The Company has arranged for an appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the this Directors' Report is approved in accordance with section 391(1)(a) of the Companies Ordinance.

18. EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme (the "Scheme") on 12 June 2012 to which the Directors and eligible employees, among others are entitled to participate in. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of the Scheme are set out in paragraph 35 below.

19. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

20. INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

21. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Code of Conduct for securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out on the Model Code. The Company, having made specific enquiries to all Directors, has confirmed that all the Directors have complied with the Model Code and the required standards of dealings as set out in the Code of Conduct for the year ended 31 December 2015 and up to the date of this annual report.

The Company has also established the Employees Written Guidelines for securities transactions by relevant employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company for the year ended 31 December 2015.

22. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2015, the interests or short positions of our Directors and chief executives in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded, pursuant to section 352 of the SFO, in the register referred to therein or which were required to be notified to our Company and the Stock Exchange pursuant to the Model Code 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.

22. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)

Save as disclosed above, as at 31 December 2015, 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 Stock Exchange.

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

As at 31 December 2015, the following persons, other than the Directors and chief executives of the Company, had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

Long positions in shares of the Company

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

Notes:

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

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

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

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

Other than as disclosed above, as at 31 December 2015, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

24. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in paragraph 26 below, no Director nor any connected entity of the Director had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which a controlling shareholder of the Company, the Company or any of its subsidiaries of fellow subsidiaries was a party at the end of the year or at any time during the year.

25. CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year 2015 or at any time during the financial year 2015.

26. CONNECTED TRANSACTION

As the Vendors have not fulfilled the conditions precedent of the Acquisition Agreements dated 16 May 2014, the Company, having considered that the acquisition would further expand the Company's business and maximise returns to the Shareholders, has conditionally agreed with the Vendors' proposal to continue with the acquisition based on the Amended Terms. On 8 October 2015, the amendments to the Acquisition Agreements as conditionally agreed among the Company and each of the Vendors include (i) reduction of the consideration to be settled and amending dates of payment; and (ii) enforcement on the proper consents and approval of the transfer in various local government bureaus.

The aggregate consideration under Acquisition Agreements based on the Amended Terms has been reduced from RMB239.7 million to RMB195 million, representing a saving by the Group of 18.6% or RMB44.7 million for the acquisition.

As at the date of Acquisition Agreements, Mr. Wen Baolin was a non-executive Director and was regarded as a connected person under the Chapter 14A of the Listing Rules and the transaction constituted a connected transaction of the Company.

The Directors consider that the terms and conditions of the acquisition and the transactions contemplated thereunder are fair and reasonable and in the best interest of the Shareholders as a whole. For details of the aforesaid transaction, please refer to our announcement dated 16 October 2015 and circular dated 2 December 2015.

During the year ended 31 December 2015, Yifeng Wanguo, a wholly-owned subsidiary of the Company, entered into sales transactions with Shanghai Wanhe Trading Limited (上海萬河經貿有限公司) ("Shanghai Wanhe"), pursuant to which Yifeng Wanguo agreed to sell its sulfur concentrates of approximately 11,806 tonnes to Shanghai Wanhe for a total sales amount of approximately RMB2.0 million.

Shanghai Wanhe is beneficially owned as to 51.1% by Ms. Gao Jinzhu. Accordingly, Shanghai Wanhe is a connected person of the Company under Chapter 14A of the Listing Rules and the sales transactions constituted a connected transaction of the Company.

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

27. DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES OF THE COMPANY

Save as disclosed in paragraph 22 above, at no time during the year was the Company, or its subsidiaries, or its fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate.

28. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge information and belief of the Directors, the Directors confirm that the Company has maintained a sufficient public float under the Listing Rules throughout the year ended 31 December 2015.

29. COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group for the year ended 31 December 2015.

As disclosed in the Prospectus, each of our controlling shareholders has entered into the deed of non-competition in favour of our Company to the effect that each of them will not, and will procure each of their respective associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

The independent non-executive Directors have reviewed the status of compliance and are of the view that the controlling shareholder of the Company has complied with its undertaking under the deed of non-competition for the year ended 31 December 2015.

30. RELATED PARTY TRANSACTIONS

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

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

For the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

32. BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2015 are set out in Note 27 to the consolidated financial statements.

33. RETIREMENT BENEFIT SCHEMES

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

34. PRE-EMPTIVE RIGHTS

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

35. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 12 June 2012.

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive for Eligible Participants (defined below) to work with commitment towards enhancing the value of our Company and the shares of our Company (the "Shares") for the benefit of our Shareholders and to retain and attract calibres and working partners whose contributions are or may be beneficial to the growth and development of our Group.

(ii) Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may at its discretion grant options to any full-time or part-time employees, potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board has contributed or will contribute to our Group (collectively "Eligible Participants").

(iii) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as of the Listing Date (i.e. 10 July 2012), which is 60,000,000 Shares, being 10% of the issued share capital of the Company as at the date of this annual report. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the Shareholders' approval in general meeting.

However, the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time.

(iv) Maximum entitlement of each participant

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any participant if the acceptance of those options would result in the total number of Shares issued and to be issued to that participant on exercise of his options during any 12-month period exceeding 1% of the total Shares then in issue.

35. SHARE OPTION SCHEME (Continued)

(v) Offer period and amount payable for options

The offer shall remain open for acceptance for a period of 14 business days from the date on which it is made provided that no such offer shall be open for acceptance after the expiry of the Scheme Period (as defined below) or after the termination of the Share Option Scheme. Unless otherwise determined by the Board and stated in the Offer Letter, there shall be no general performance target for the vesting or exercise of options.

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the "Grantee") and to have taken effect upon the issue of an option certificate after the duplicate offer letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance set out above.

(vi) Minimum period for which an option must be held before it can be exercised

Options may be exercised at any time from the date of grant of the option in the following manner:

i. up to 25% of the option granted from the first anniversary of date of grant of the option

ii. up to 50% of the option granted from the second anniversary date of grant of the option

iii. up to 75% of the option granted from the third anniversary date of grant of the option

iv. up to 100% of the option granted from the fourth anniversary date of grant of the option

(vii) Basis of determining the exercise price

The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

(viii) Remaining Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for 10 years from the Listing Date i.e. 10 July 2012 (the "Scheme Period"), after which time no further option will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

36. CORPORATE GOVERNANCE

The Company has complied with all code provisions stipulated in the CG Code set out in Appendix 14 to the Listing Rules for the year ended 31 December 2015 except for the deviation from code provisions A.2.1 and A.2.7 of the CG Code.

Mr. Li Hongchang resigned as an independent non-executive Director and a member of the audit committee of the Board on 22 December 2015. Following the resignation of Mr. Li, the number of independent non-executive Directors does not represent one-third of the Board as required under Rules 3.10A of the Listing Rules for the year ended 31 December 2015. The Company has become in compliance with the relevant requirements under Rule 3.10A of the Listing Rules that the number of independent non-executive Directors represents one-third of the Board at the date of this annual report, following date of resignation of Mr. Wen Baolin on 18 March 2016.

A report on the corporate governance practice adopted by the Group is set out in pages 20 to 28 of this annual report.

37. ENVIRONMENTAL AND SOCIAL MATTERS

As a mining industry is relatively high-demand in safe, our objective is to create a workplace without fatalities, injuries or occupational diseases. Our policies and procedures support our practice and we meet or exceed applicable laws and regulations in PRC such as Environmental Protection Laws of PRC (中華人民共和國環境保護法) and Provisions on the Protection of the Geologic Environment of Mines (礦山地質環境保護規定), Production Safety Law of the PRC (中華人民共和國安全生產法) and Law of the PRC on Safety in Mines (中華人民共和國礦山安全法) etc. We have implemented and enforced a number of measures to ensure compliance of the regulatory requirements and our production safety and environmental protection. During the year ended 31 December 2015, there were no work-related fatalities. Lost days due to work injury were 341 days.

We also implemented policies or procedures for our key stakeholders, such as employees, customers and suppliers. Details are as following: Regular and irregular trainings are provided to every staff in different levels for their personal development as well as health and safety awareness. We implemented policy to manage, assess and maintain the relationship with key our auxiliary materials suppliers to avoid any interruption during our production process. We have a quality control policy in place to ensure that the quality of our concentrates meets the standard for acceptance by our customers. We did not receive any material complaints due to quality problems of our products during the year.

For detailed information, please refer to Environmental, Social and Governance Report set out from pages 29 to 33 of this annual report.

38. EVENTS AFTER THE REPORTING PERIOD

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

39. AUDITOR

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

On behalf of the Board

Gao Mingqing
Chairman
Hong Kong, 30 March 2016

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Wanguo International Mining Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 93, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	5	**220,787**	219,163
Cost of sales		**(156,214)**	(132,316)
Gross profit		**64,573**	86,847
Other income	6	**2,084**	1,044
Other gains and losses	7	**808**	2,019
Selling and distribution expenses		**(2,429)**	(2,483)
Administrative expenses		**(27,004)**	(35,178)
Finance costs	8	**(10,747)**	(13,071)
Profit before tax		**27,285**	39,178
Income tax expense	9	**(10,712)**	(15,131)
Profit and total comprehensive income for the year	10	**16,573**	24,047
Earnings per share			
Basic (RMB cents)	12	**2.8**	4.0

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**368,277**	339,125
Mining right	15	**7,723**	8,176
Exploration and evaluation assets	16	**18,900**	11,329
Prepaid lease payments	17	**62,486**	27,970
Deposit for acquisition of land use rights	18	**–**	30,061
Deposit for purchase of property, plant and equipment		**568**	9,174
Deposit for acquisition of a subsidiary	19	**39,600**	9,600
Deferred tax assets	20	**2,805**	2,301
Restricted bank balances	24	**2,495**	2,421
		502,854	440,157
CURRENT ASSETS			
Prepaid lease payments	17	**1,377**	647
Inventories	21	**10,643**	21,589
Trade and other receivables	22	**23,130**	10,795
Structured deposit	23	**–**	33,692
Bank balances and cash	24		
– cash and cash equivalents		**12,296**	37,517
– other bank deposits		**–**	199
		47,446	104,439
CURRENT LIABILITIES			
Trade and other payables	25	**39,231**	33,947
Tax payable		**6,565**	8,520
Consideration payable to a former non-controlling shareholder of a subsidiary	26	**80,801**	55,671
Secured bank borrowings	27	**30,000**	40,318
		156,597	138,456
NET CURRENT LIABILITIES		**(109,151)**	(34,017)
TOTAL ASSETS LESS CURRENT LIABILITIES		**393,703**	406,140

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Consideration payable to a former non-controlling shareholder of a subsidiary	26	**71,677**	104,105
Secured bank borrowings	27	**30,000**	9,000
Deferred income	28	**14,711**	15,623
Deferred tax liabilities	20	**1,100**	2,300
Provisions	29	**3,223**	2,693
		120,711	133,721
CAPITAL AND RESERVES			
Share capital	30	**48,955**	48,955
Reserves		**224,037**	223,464
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**272,992**	272,419
		393,703	406,140

The consolidated financial statements on pages 46 to 93 were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

Gao Mingqing	**Gao Jinzhu**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company					
	Share capital	**Share premium**	**Capital reserve**	**Statutory and surplus reserves**	**Retained profits**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note a)	(note b)			
At 1 January 2014	48,955	138,218	71,005	32,913	1,081	292,172
Profit and total comprehensive income for the year	–	–	–	–	24,047	24,047
Dividend recognised as distribution (note 13)	–	(43,800)	–	–	–	(43,800)
Transfers	–	–	–	14,321	(14,321)	–
At 31 December 2014	48,955	94,418	71,005	47,234	10,807	272,419
Profit and total comprehensive income for the year	–	–	–	–	16,573	16,573
Dividend recognised as distribution (note 13)	–	(16,000)	–	–	–	(16,000)
Transfers	–	–	–	8,789	(8,789)	–
At 31 December 2015	48,955	78,418	71,005	56,023	18,591	272,992

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 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**27,285**	39,178
Adjustments for:		
Depreciation of property, plant and equipment	**20,109**	17,768
Amortisation of mining right	**453**	444
Release of prepaid lease payments	**1,253**	647
Provision for restoration cost	**530**	496
Finance costs	**10,747**	13,071
Interest income	**(185)**	(408)
Investment income of structured deposits	**(942)**	(2,209)
Loss (gain) on disposal of property, plant and equipment	**117**	(240)
Release of deferred income	**(912)**	(515)
Exchange loss	**17**	430
Operating cash flows before movements in working capital	**58,472**	68,662
Decrease (increase) in inventories	**10,946**	(7,659)
(Increase) decrease in trade and other receivables	**(12,335)**	92
(Decrease) increase in trade and other payables	**(4,180)**	6,806
Cash generated from operations	**52,903**	67,901
Income taxes paid	**(14,372)**	(23,624)
NET CASH FROM OPERATING ACTIVITIES	**38,531**	44,277
INVESTING ACTIVITIES		
Placement of structured deposits	**(79,800)**	(454,500)
Purchase of property, plant and equipment	**(31,889)**	(70,990)
Deposit paid for acquisition of a subsidiary	**(30,000)**	–
Payment for evaluation and exploration assets	**(6,951)**	(4,796)
Payment for land use right	**(6,438)**	–
Placement of restricted bank balances	**(74)**	(73)
Interest received	**185**	408
Release (placement) of bank deposits with original maturity over three months	**199**	(199)
Redemption of structured deposits	**114,434**	423,017
Deposit paid for acquisition of land use right	**–**	(170)
Proceeds from disposal of property, plant and equipment	**–**	1,310
NET CASH USED IN INVESTING ACTIVITIES	**(40,334)**	(105,993)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(49,318)**	(9,000)
Dividend paid	**(16,000)**	(43,800)
Consideration paid for redemption of non-controlling interests	**(16,000)**	(10,000)
Interest paid	**(2,046)**	(2,288)
New bank borrowing raised	**60,000**	31,213
NET CASH USED IN FINANCING ACTIVITIES	**(23,364)**	(33,875)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(25,167)**	(95,591)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**37,517**	133,447
Effect of foreign exchange rate changes	**(54)**	(339)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**12,296**	37,517

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

The consolidated financial statements have been prepared on a going concern basis. As at 31 December 2015, the Group's current liabilities exceeded its current assets by RMB109,151,000. In preparing the consolidated financial statements, the directors of the Company have reviewed the Group's financial and liquidity position, and taken into consideration the loan facility of RMB600,000,000 obtained during the year and working capital estimated to generate from operating activities. The directors of the Company believe that the Group will be able to meet its full financial obligations as they fall due for the foreseeable future and, accordingly, have prepared the consolidated financial statements on a going concern basis.

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

Application of new and revised HKFRSs

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and on the disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities; Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycles[1]

1 Effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to included a) impairment requirement for financial assets and b) limited amendments to classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that solely payments of principal and interest on the principal amount of outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

HKFRS 9 Financial Instruments (Continued)

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credits loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have been also been introduced.

The directors anticipate that, based on the financial instruments of the Group as at 31 December 2015, the adoption of HKFRS 9 will have no material effect on the Group's financial assets and financial liabilities.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Other than the above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The provision of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Group for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new HKCO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirement. Information previously required to be disclosed under the processor HKCO or Listing Rules but not under the new HKCO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group's accounting policies.

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

Revenue recognition

Revenue is measured at fair value of consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessee

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

Leasehold land and building

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related services is rendered at the undiscounted amount of the benefits expected to be paid in exchange of that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange of that service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash flows expected to be made by the Group in respect of services provided by the employees up to the reporting date.

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

Mining right

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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
- 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.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Financial instruments

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

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

Financial assets at FVTPL are measured at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in other gains and income line item.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

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

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

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

The Group's other financial liabilities, including trade and other payables, consideration payable to a former non-controlling shareholder of a subsidiary and secured bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

Provision for restoration cost

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of the Group's competitors. The depreciation charge will increase where useful lives are less than previously estimated. The carrying amount of property, plant and equipment at 31 December 2015 is RMB368,277,000 (2014: RMB339,125,000). Details of the useful lives of property, plant and equipment are disclosed in note 14.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Amortisation of mining right

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

As at 31 December 2015, the carrying amount of the mining right is RMB7,723,000 (2014: RMB8,176,000). Details of the mining right are disclosed in note 15.

Impairment of mining structures and construction in progress

Mining structures and construction in progress are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable amount. Key assumptions used in the assessment include annual production estimate, forecasted selling price, estimated period of production and discount rate.

As at 31 December 2015, the aggregate carrying amount of the mining structures and construction in progress is RMB235,190,000 (2014: RMB220,340,000). Details of the mining structures and construction in progress are disclosed in note 14.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable amount. At this stage, the assessment of the recoverable amount involves judgment as to (i) the likelihood of future commerciality of the asset and when such commerciality should be determined; and (ii) potential value to future exploration and evaluation activities of any geological and geographical data acquired. Any material adverse changes of these factors may cause impairment of the carrying value of the exploration and evaluation assets.

As at 31 December 2015, the carrying amount of the exploration and evaluation assets is RMB18,900,000 (2014: RMB11,329,000). Details of the exploration and evaluation assets are disclosed in note 16.

Provision for restoration cost

The provision for restoration cost has been estimated by the management based on current regulatory requirements and is discounted to their present value where the effect is material. However, significant changes in the regulation in relation to the restoration requirements, the amount and timing of future cash flows spending for a third party to perform the required work of restoration, inflation rate and discount rate applied, among other factors, will result in changes to provision from period to period. As at 31 December 2015, the carrying amount of the provision for restoration cost is RMB3,223,000 (2014: RMB2,693,000). Details of the provision for restoration cost are disclosed in note 29.

5. REVENUE AND SEGMENT INFORMATION

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

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

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

	2015	2014
	RMB'000	RMB'000
Sales of processed concentrates		
– Copper concentrates	**104,602**	87,973
– Iron concentrates	**44,125**	57,598
– Zinc concentrates	**19,512**	24,826
– Sulfur concentrates	**27,970**	24,953
– Gold in copper concentrates	**13,091**	11,994
– Silver in copper and zinc concentrates	**11,476**	11,819
– Indium in zinc concentrates	**11**	–
	220,787	219,163

Information about major customers

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

	2015	2014
	RMB'000	RMB'000
Customer A[1]	**86,450**	92,757
Customer B[2]	**49,241**	43,853

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

6. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Government grant related to assets (note i)	912	515
Sales of tailings debris	900	–
Bank interest income	185	408
Government subsidy (note ii)	–	100
Others	87	21
	2,084	1,044

Notes:

i) Government grant represents the amount granted by a municipal government in the PRC to Yifeng Wanguo for mining technology improvement and is released to profit or loss over the expected useful lives of the relevant assets resulting from the mining technology improvement (see note 28).

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

7. OTHER GAINS AND LOSSES

	2015 RMB'000	2014 RMB'000
Investment income from structured deposits	942	2,209
(Loss) gain on disposal of property, plant and equipment	(117)	240
Exchange loss	(17)	(430)
	808	2,019

8. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank borrowings	2,046	2,288
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	8,701	10,785
Total borrowing costs	10,747	13,073
Less: amount capitalised	–	(2)
	10,747	13,071

9. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax charge:		
– PRC Enterprise Income Tax ("EIT")	**10,616**	14,390
Deferred tax charge (note 20)		
– Current year	**96**	741
	10,712	15,131

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

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

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

	2015 RMB'000	2014 RMB'000
Profit before tax	**27,285**	39,178
Tax at the EIT rate of 25%	**6,821**	9,795
Tax effect of expenses not deductible for tax purpose	**3,220**	4,337
Tax effect of income not taxable for tax purpose	**(38)**	(135)
Tax effect of tax losses not recognised	**109**	334
Withholding tax on distributable earnings of PRC subsidiary	**600**	800
Tax charge for the year	**10,712**	15,131

10. PROFIT FOR THE YEAR

	2015 RMB'000	2014 RMB'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 11)	**3,351**	3,348
Other staff costs	**23,280**	23,777
Retirement benefit scheme contributions, excluding those of directors	**1,383**	1,288
Total staff costs	**28,014**	28,413
Depreciation of property, plant and equipment	**20,109**	17,768
Amortisation of mining right	**453**	444
Release of prepaid lease payments	**1,253**	647
Total depreciation and amortisation	**21,815**	18,859
Auditor's remuneration (including audit and non-audit services)	**1,285**	1,285
Minimum lease payments under operating leases in respect of properties	**190**	185
Cost of inventories recognised as an expense	**156,214**	132,316

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS, AND THE HIGHEST PAID EMPLOYEES

(a) Directors

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and HKCO, is as follows:

For the year ended 31 December 2015

Name of directors	Fees RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments, mainly salaries and allowance RMB'000	Total RMB'000
Executive directors:				
Mr. Gao Mingqing	–	–	695	695
Ms. Gao Jinzhu	–	–	445	445
Mr. Xie Yaolin	–	7	555	562
Mr. Liu Zhichun	–	7	355	362
Non-executive directors:				
Mr. Li Kwok Ping	–	–	200	200
Mr. Lee Hung Yuen	–	–	200	200
Mr. Wen Baolin (Resigned on 18 March 2016)	–	–	240	240
Independent and non-executive directors:				
Dr. Lv Jian Zhong	150	–	–	150
Mr. Qi Yang	150	–	–	150
Mr. Shen Peng	200	–	–	200
Mr. Li Hongchang (Resigned on 22 December 2015)	147	–	–	147
	647	14	2,690	3,351

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors (Continued)

For the year ended 31 December 2014

Name of directors	Fees RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments, mainly salaries and allowance RMB'000	Total RMB'000
Executive directors:				
Mr. Gao Mingqing	–	–	693	693
Ms. Gao Jinzhu	–	–	443	443
Mr. Xie Yaolin	–	6	555	561
Mr. Liu Zhichun	–	6	355	361
Non-executive directors:				
Mr. Li Kwok Ping	–	–	200	200
Mr. Lee Hung Yuen	–	–	200	200
Mr. Wen Baolin	–	–	240	240
Independent and non-executive directors:				
Dr. Lv Jian Zhong	150	–	–	150
Mr. Qi Yang	150	–	–	150
Mr. Shen Peng	200	–	–	200
Mr. Li Hongchang	150	–	–	150
	650	12	2,686	3,348

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

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

(b) Five highest paid employees

The five highest paid employees of the Group during the year included four (2014: four) directors, details of whose remuneration are set out in the disclosures in (a) above. Details of the remuneration for the year of the remaining one (2014: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	**710**	700
Retirement benefit scheme contributions	**15**	13
	725	713

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Five highest paid employees (Continued)

The emoluments of the above individual was within HK$1,000,000 for both years.

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

12. EARNINGS PER SHARE

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

	2015	2014
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (in RMB'000)	**16,573**	24,047
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	600,000

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

13. DIVIDEND

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

	2015 **RMB'000**	2014 RMB'000
Final dividend for the year ended 31 December 2014 of RMB2.67 cents (2014: final dividend for the year ended 31 December 2013 of RMB4.2 cents) per share and nil special dividend (2014: special dividend for the year ended 31 December 2013 of RMB 3.1 cents) per share	**16,000**	43,800

A final dividend of RMB1.33 cents (equivalent to approximately HK$1.59 cents) per share in respect of the year ended 31 December 2015, amounting to approximately RMB8,000,000 (equivalent to approximately HK$9,540,000) in aggregate, has been proposed by the board of directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. PROPERTY, PLANT AND EQUIPMENT

	Mining structures	Buildings	Machinery	Motor vehicles	Electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2014	113,808	85,273	46,352	4,938	7,616	99,108	357,095
Effect of foreign currency exchange differences	–	28	–	–	2	–	30
Additions	–	192	115	–	64	67,098	67,469
Transfer	10,264	4,744	19,026	430	634	(35,098)	–
Disposals	–	–	(6,586)	(74)	(251)	–	(6,911)
At 31 December 2014	124,072	90,237	58,907	5,294	8,065	131,108	417,683
Effect of foreign currency exchange differences	–	518	1	–	33	–	552
Additions	–	–	631	–	38	48,226	48,895
Transfer	52,735	13,493	12,287	194	160	(78,869)	–
Disposals	–	(164)	(10)	–	–	–	(174)
At 31 December 2015	**176,807**	**104,084**	**71,816**	**5,488**	**8,296**	**100,465**	**466,956**
DEPRECIATION							
At 1 January 2014	28,402	9,809	23,996	2,437	1,986	–	66,630
Effect of foreign currency exchange differences	–	–	–	–	1	–	1
Provided for the year	6,438	3,817	4,620	822	2,071	–	17,768
Eliminated on disposals	–	–	(5,520)	(70)	(251)	–	(5,841)
At 31 December 2014	34,840	13,626	23,096	3,189	3,807	–	78,558
Effect of foreign currency exchange differences	–	45	–	–	24	–	69
Provided for the year	7,242	4,296	5,597	860	2,114	–	20,109
Eliminated on disposals	–	(55)	(2)	–	–	–	(57)
At 31 December 2015	**42,082**	**17,912**	**28,691**	**4,049**	**5,945**	**–**	**98,679**
CARRYING VALUES							
At 31 December 2015	**134,725**	**86,172**	**43,125**	**1,439**	**2,351**	**100,465**	**368,277**
At 31 December 2014	89,232	76,611	35,811	2,105	4,258	131,108	339,125

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

An analysis of the carrying values of the buildings are as below:

	2015 RMB'000	2014 RMB'000
In Hong Kong	8,013	7,823
In the PRC other than in Hong Kong	78,159	68,788
	86,172	76,611

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

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

Details of the property, plant and equipment pledged to banks to secure loan facilities granted to the Group is set out in note 31.

15. MINING RIGHT

	2015 RMB'000	2014 RMB'000
COST		
At beginning and end of the year	12,000	12,000
AMORTISATION		
At beginning of the year	3,824	3,380
Provided for the year	453	444
At end of the year	4,277	3,824
CARRYING VALUES	7,723	8,176

15. MINING RIGHT (Continued)

As at 31 December 2015 and 2014, the mining right was pledged to a bank to secure loan facilities granted to the Group.

The mining right represents the right to conduct mining activities in the Jiangxi Province, the PRC, and has legal lives of twenty-six years.

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 licence. The extension of the mining period and the enlargement of the annual production limit as mentioned above may change the total proven and probable reserves of the ore mine over the terms of the licenced period.

16. 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, the PRC, which is the principal place of business of Yifeng Wanguo; and in the areas of the Balcooma District and the Einasleigh District, Australia, which is the principal place of business of a subsidiary incorporated in Australia.

17. PREPAID LEASE PAYMENTS

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

	2015 **RMB'000**	2014 RMB'000
Current portion	**1,377**	647
Non-current portion	**62,486**	27,970
	63,863	28,617

18. DEPOSIT FOR ACQUISITION OF LAND USE RIGHTS

As at 31 December 2014, the amount represented deposit paid for acquisition of land use right in accordance with two reallocation compensation agreements signed in 2011 and 2012. As at 31 December 2015, the transaction has been completed and the land use rights licence has been transferred to the Group.

19. 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 (including Mr. Wen Baolin, a non-executive director of the Company, and two individuals who are independent third parties not connected with the Group. The three individuals are collectively referred to as the "Vendors") for 51% equity interest in Xizang Changdu-County Dadi Mining Company Limited ("Xizang Changdu"), which owns the exploration right of a lead mine in Walege of the 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 an aggregate consideration of RMB239,700,000 (the "Acquisition Agreements"). As at 31 December 2014, refundable deposits of RMB9,600,000 have been paid to the Vendors.

The Vendors have not yet fulfilled the conditions precedent of the Acquisition Agreements, including, among other conditions, obtaining proper consents and approvals of the transfer of the mining right in various local government bureaus, before 30 September 2014, as specified in those agreements.

On 8 October 2015, the Group and each of the Vendors, upon negotiation and mediation by the Changsha Arbitration Commission, conditionally agreed to amend the Acquisition Agreements including, among other conditions, reduction of the consideration to be settled and amendment of the dates of payments. The aggregate consideration for the two Acquisition Agreements under the amended terms has been reduced to RMB194,958,000.

During the year ended 31 December 2015, the Group further paid deposits amounting to RMB30,000,000 to the Vendors. As at 31 December 2015, the aggregate balance of the refundable deposits amounted to RMB39,600,000.

Subsequent to 31 December 2015, the Group further paid refundable deposits amounting to RMB10,000,000 to the Vendors.

Up to the date these consolidated financial statements are approved for insurance, the transaction has not yet been completed.

20. DEFERRED TAXATION

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

	2015 **RMB'000**	2014 RMB'000
Deferred tax assets	**2,805**	2,301
Deferred tax liabilities	**(1,100)**	(2,300)
	1,705	1

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

	Undistributed earnings of PRC subsidiary RMB'000	**Restoration cost and other provisions** RMB'000	**Government subsidy** RMB'000	**Total** RMB'000
At 1 January 2014	(1,500)	687	1,555	742
(Charge) credit to profit or loss	(800)	124	(65)	(741)
At 31 December 2014	(2,300)	811	1,490	1
(Charge) credit to profit or loss	(600)	69	435	(96)
Settlements of withholding income tax relating to earnings of the PRC subsidiary	1,800	–	–	1,800
At 31 December 2015	(1,100)	880	1,925	1,705

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 a preferential tax rate of 5% when receiving dividend from its investee in the PRC if such investor is the beneficial owner of the PRC entity of over 25% interest. HK Taylor, which was incorporated in Hong Kong and owns the entire equity interest of the Group's subsidiary in the PRC, enjoys the preferential tax rate aforementioned. Accordingly, deferred taxation has been provided for in the consolidated financial statements in respect of the expected dividend stream from Yifeng Wanguo with the applicable tax rate of 5%.

21. INVENTORIES

	2015 RMB'000	2014 RMB'000
Mining products		
– Raw materials	**7,089**	6,925
– Work-in-progress	**1,870**	9,121
– Finished goods	**1,684**	5,543
	10,643	21,589

22. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade and bills receivables	**9,468**	7,361
Prepayments	**12,234**	2,005
Other receivables	**1,428**	1,429
	13,662	3,434
Total	**23,130**	10,795

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

	2015 RMB'000	2014 RMB'000
1 – 30 days	**7,272**	7,361
31 – 60 days	**2,196**	–
	9,468	7,361

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

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

The Group does not hold any collateral over these balances.

23. STRUCTURED DEPOSIT

The structured deposit, which was a principal-protected yield enhancement bank deposit and contains an embedded derivative, as at 31 December 2014 has matured during the year ended 31 December 2015.

24. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

The restricted bank balances carry interest at a fixed rate of 3.0% (2014: 3.30% to 4.65%) per annum. They represent the guarantee deposits in specified accounts which are restricted for the usage for restoration of the land upon closure of mines.

The bank balances and cash carry interest at market rates as follows:

	2015	2014
	%	%
Range of interest rates (per annum)	**0.00 to 3.00**	0.01 to 3.00

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

	2015	2014
	RMB'000	RMB'000
HK$	**199**	352
AU$	**1,075**	691

25. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	RMB'000
Trade payables	**6,901**	11,680
Advance from customers	**2,646**	442
Value-added tax, resource tax and other tax payables	**11,634**	12,068
Other payables for construction in progress and property, plant and equipment	**14,077**	5,677
Other payables for evaluation and exploration assets	**811**	191
Accrued expenses	**3,162**	3,889
	32,330	22,267
	39,231	33,947

25. TRADE AND OTHER PAYABLES (Continued)

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

	2015	2014
	RMB'000	RMB'000
1 – 30 days	**3,583**	7,111
31 – 60 days	**1,443**	2,566
61 – 90 days	**659**	678
91 – 180 days	**596**	493
Over 180 days	**620**	832
	6,901	11,680

As at 31 December 2015, included in the trade payable was an amount of RMB559,000 (2014: nil) due from a related party, as set out in note 35(a).

26. CONSIDERATION PAYABLE TO A FORMER 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. According to the Capital Reduction Agreement, the consideration shall be payable by Yifeng Wanguo to West-Jiangxi Brigade by instalments 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.

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

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.

During the year, certain amount payable to West-Jiangxi Brigade became fall due in the year is agreed by the payee to be extended to 2016.

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

	2015 RMB'000	2014 RMB'000
– Within one year	80,801	55,671
– More than one year, but not exceeding two years	37,059	37,058
– More than two years, but not exceeding five years	34,618	67,047
	152,478	159,776
Less: amount due within one year shown under current liabilities	(80,801)	(55,671)
Amount shown under non-current liabilities	71,677	104,105

27. SECURED BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured bank borrowings, at:		
– fixed rate	**30,000**	–
– floating rate	**30,000**	49,318
	60,000	49,318
The carrying amount of the above borrowings are repayable:		
– within one year	**30,000**	40,318
– within a period of more than one year but not exceeding two years	**9,600**	9,000
– within a period of more than two years but not exceeding five years	**20,400**	–
	60,000	49,318
Less: amount due within one year shown under current liabilities	**(30,000)**	(40,318)
Amount shown under non-current liabilities	**30,000**	9,000

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:

	2015 %	2014 %
Effective interest rate (per annum)	**5.89 to 6.50**	2.57 to 6.65

28. DEFERRED INCOME

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

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

	2015 RMB'000	2014 RMB'000
Government grant related to assets:		
At the beginning of the year	15,623	16,138
Released to profit or loss	(912)	(515)
At the end of the year	14,711	15,623

29. PROVISION

	2015 RMB'000	2014 RMB'000
At beginning of the year	2,693	2,197
Provision	530	496
At end of the year	3,223	2,693

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

The provision for restoration costs has been determined by the directors based on their best estimates. The directors estimated this liability for restoration upon the closure of the mines based on detailed calculations of the amount and timing of future cash flows spending for a third party to perform the required work of restoration, including material cost and labour cost, escalated for inflation, then discounted at a discount rate of 7.05% that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation.

30. SHARE CAPITAL

Details of share capital of the Company are as follow:

	Number of shares	Share capital
	'000	HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 31 December 2015	1,000,000	100,000
Issued:		
At 1 January 2014, 31 December 2014 and 31 December 2015	600,000	60,000

	RMB'000
Shown in the consolidated statement of financial position as at 1 January 2014, 31 December 2014 and 31 December 2015	48,955

31. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to banks for loan facilities granted to the Group:

	2015 RMB'000	2014 RMB'000
Property, plant and equipment	48,158	–
Mining right	7,723	8,176
Structured deposit	–	33,692
	55,881	41,868

In addition to the above, the entire shareholding of the PRC subsidiary as at 31 December 2015 was also pledged to a bank for a bank facility provided to the Group.

32. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of land use right and property plant and equipment	**17,084**	39,936
Capital expenditure contracted for but not provided for in respect of acquisition of 51% equity interest in Xizang Changdu (see note 19)	**155,358**	230,100
	172,442	270,036

33. LEASE COMMITMENTS

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

	2015 RMB'000	2014 RMB'000
Within one year	**210**	153
In the second to fifth years	**175**	–
	385	153

Operating lease payments represent rentals payable by the Group for provision of housing premises to certain of its directors. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

34. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (with a cap in accordance with the statutory requirements) to the scheme, which contribution is matched by employees.

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

35. RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

	2015 RMB'000	2014 RMB'000
Sales to Shanghai Wanhe Trading Limited ("Shanghai Wanhe")	**2,044**	–

The following balances were outstanding at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Advance from		
Shanghai Wanhe	**559**	–

Shanghai Wanhe is owned as to 51.1% by Ms. Gao Jinzhu, a substantial shareholder of the Company.

In addition, certain of the Group's borrowings as set out in note 27 as at 31 December 2015 were personally guaranteed by Mr. Gao Mingqing and Ms. Gao Jinzhu.

(b) Compensation of key management personnel

The remuneration of directors of the company and other key management personnel during the year were as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	**4,047**	4,036
Retirement benefit scheme contributions	**29**	25
	4,076	4,061

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

36. CAPITAL RISK MANAGEMENT

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

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

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

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Designated at FVTPL – structured deposit	–	33,692
Loans and receivables (including cash and cash equivalents)	25,687	48,927
Financial liabilities		
Amortised cost	234,267	226,642

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

The carrying amounts of the Group's foreign currencies denominated monetary assets and liabilities at the end of the reporting period are as follows:

Assets

	2015 RMB'000	2014 RMB'000
HK$	247	395
AU$	1,160	779

Liabilities

	2015 RMB'000	2014 RMB'000
HK$	–	31,318

37. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2014: 5%) increase or decrease in RMB against HK$ or AU$. 5% (2014: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% (2014: 5%) change in foreign currency rates.

	2015	2014
	RMB'000	RMB'000
HK$ impact:		
5% increase in the value of the functional currency RMB		
Increase (decrease) in post-tax profit for the year	**9**	(1,160)
5% decrease in the value of the functional currency RMB		
(Decrease) increase in post-tax profit for the year	**(9)**	1,160
AU$ impact:		
5% increase in the value of the functional currency RMB		
Increase (decrease) in post-tax profit for the year	**43**	29
5% decrease in the value of the functional currency RMB		
(Decrease) increase post-tax profit for the year	**(43)**	(29)

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

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 24) and secured bank borrowings (note 27).

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

The Group's exposures to interest rates on secured bank borrowings are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of People's Bank of China RMB Benchmark Loan Rates and Hong Kong Interbank Offered Rate arising from the Group's RMB denominated borrowings and HK$ denominated borrowings, respectively.

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

37. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) *Interest rate risk (Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and secured bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points increase or 50 basis points decrease (2014: 50 basis points increase or decrease) represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2015 would decrease/increase by RMB170,000 (2014: RMB24,000).

Credit risk

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

The Group has concentration of credit risk in respect of trade receivables with 65% of total trade receivables as at 31 December 2015 (2014: 69%) was due from one customer.

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

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

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

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

In preparing the consolidated financial statements, the management of the Group has given careful consideration to the liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB109,151,000 as at 31 December 2015, and have been taking steps to improve the liquidity of the Group. During the year, the Group has also been granted with loan facilities of RMB600,000,000 to enable it to satisfy its existing liabilities as and when they fall due and the Group's future expansion for the foreseeable future. The directors of the Company consider the Group's liquidity risk is minimal.

37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, which is also the agreed repayment date, on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

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

	Weighted average effective interest rate %	On demand/ less than 3 months RMB'000	3 months to 1 year RMB'000	1 -5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2015						
Non-derivative financial liabilities						
Trade and other payables	–	9,518	12,271	–	21,789	21,789
Consideration payable to a former non-controlling shareholder of a subsidiary	7.05	22,468	62,468	84,936	169,872	152,478
Secured bank borrowings						
– fixed rate	6.50	–	–	34,491	34,491	30,000
– floating rate	5.89	–	30,764	–	30,764	30,000
		31,986	105,503	119,427	256,916	234,267
As at 31 December 2014						
Non-derivative financial liabilities						
Trade and other payables	–	11,680	5,868	–	17,548	17,548
Consideration payable to a former non-controlling shareholder of a subsidiary	7.05	16,000	42,468	127,404	185,872	159,776
Secured bank borrowings						
– floating rate	4.32	–	41,850	9,599	51,449	49,318
		27,680	90,186	137,003	254,869	226,642

37. FINANCIAL INSTRUMENTS (Continued)

(c) 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.

Financial assets	Fair value 2015 RMB'000	Fair value 2014 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Structured deposit classified as financial assets in the consolidated statement of financial position (note)	–	33,692	Level 2	Discounted cash flow with reference to price of gold quoted on the London Bullion Market Association as a key input

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.

There were no transfers between Level 1 and 2 in both years.

(ii) Fair value of financial instruments that are recorded at amortised cost

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

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2015 and 2014 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Principal activities
			2015	2014	
Directly owned					
Multinational International Holdings Limited	British Virgin Islands	US$50,000	**100%**	100%	Investment holding
Indirectly owned					
HK Taylor	Hong Kong	HK$86,900,000	**100%**	100%	Investment holding
Yifeng Wanguo (#)	The PRC	RMB268,990,000	**100%**	100%	Mining and processing of ores and sales of processed concentrates
Wanguo Australia International Group PTY Ltd.	Australia	AU$1,000	**100%**	100%	Exploration of mineral resources

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

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Interest in a subsidiary	**1**	1
Amount due from a subsidiary	**99,115**	105,368
	99,116	105,369
CURRENT ASSETS		
Other receivables and prepayments	**1,173**	710
Bank balances and cash	**82**	6
	1,255	716
TOTAL ASSETS	**100,371**	106,085
CAPITAL AND RESERVES		
Share capital	**48,955**	48,955
Reserves	**51,416**	57,130
TOTAL EQUITY	**100,371**	106,085

Movement in reserves:

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	138,218	(38,350)	99,868
Profit and total comprehensive income for the year	–	1,062	1,062
Dividend recognised as distribution	(43,800)	–	(43,800)
At 31 December 2014	94,418	(37,288)	57,130
Profit and total comprehensive income for the year	–	10,286	10,286
Dividend recognised as distribution	(16,000)	–	(16,000)
At 31 December 2015	**78,418**	**(27,002)**	**51,416**

Summary Financial Information

RESULTS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**220,787**	219,163	261,438	293,634	296,737
Profit before tax	**27,285**	39,178	95,053	86,143	112,698
Income tax expenses	**(10,712)**	(15,131)	(28,732)	(22,145)	(31,004)
Profit and total comprehensive income for the year	**16,573**	24,047	66,321	63,998	81,694
Profit attributable to owners of the Company	**16,573**	24,047	66,321	60,229	73,258

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**502,854**	440,157	391,626	276,577	207,098
Current assets	**47,446**	104,439	158,893	237,588	90,446
Current liabilities	**(156,597)**	(138,456)	(86,204)	(59,812)	(72,085)
Total assets less current liabilities	**393,703**	406,140	464,315	454,353	225,459
Non-current liabilities	**(120,711)**	(133,721)	(172,143)	(188,302)	(57,937)
Non-controlling interest	**–**	–	–	–	(14,614)
Equity attributable to owners of the Company	**272,992**	272,419	292,172	266,051	152,908