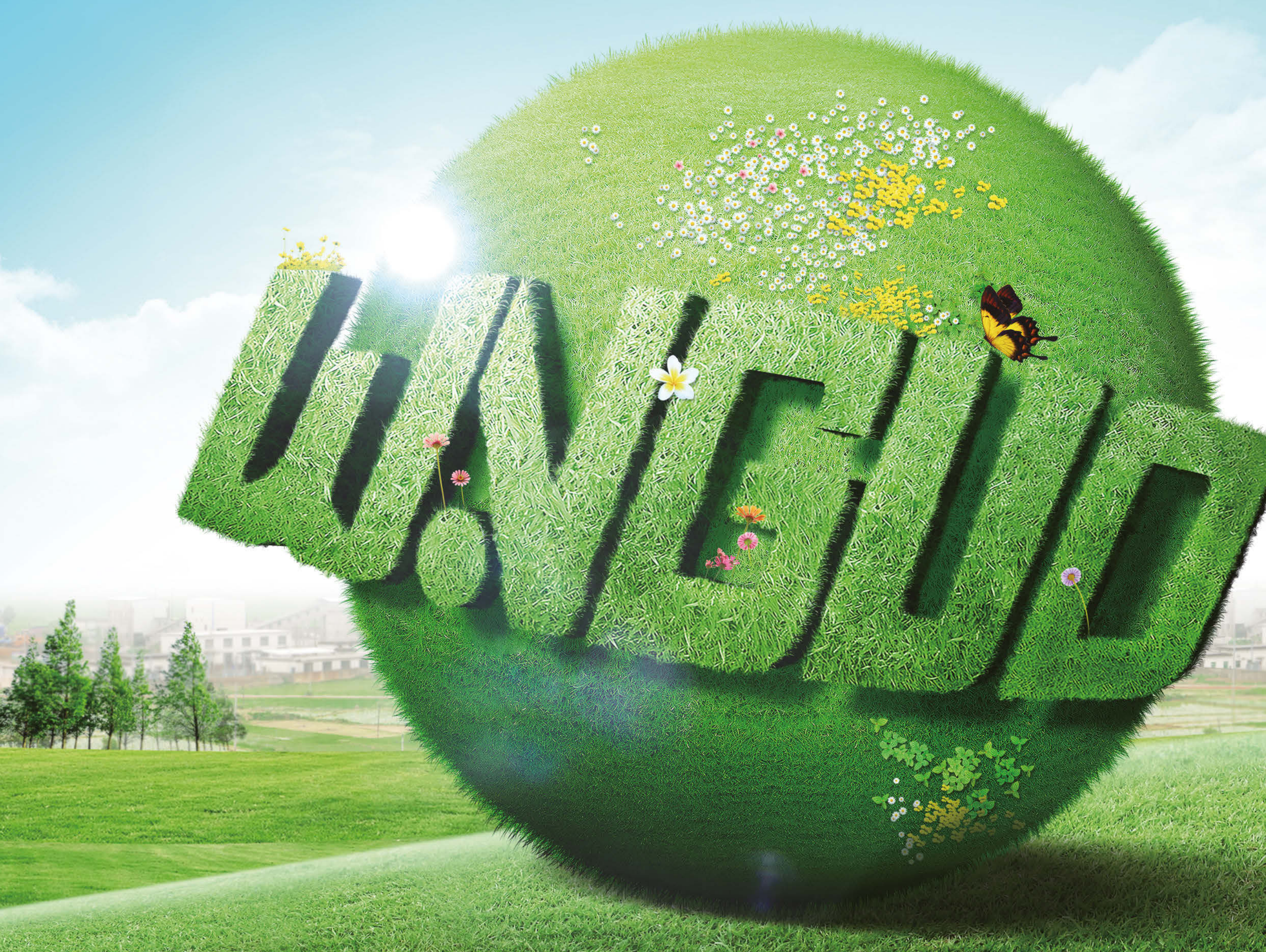
Wanguo International Mining Group Limited

萬國國際礦業集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3939

ANNUAL REPORT 2017



INTEGRATE RESOURCES, CREATE VALUES, BUILD BENEFITS AND CONTRIBUTE TO THE SOCIETY

Content

Corporate Information

DIRECTORS

Executive Directors:

Gao Mingqing *(Chairman, Chief Executive Officer)*
Gao Jinzhu
Xie Yaolin
Liu Zhichun

Non-executive Directors:

Li Kwok Ping
Lee Hung Yuen
Iu Ching (appointed on 20 March 2018)

Independent non-executive Directors:

Lu Jian Zhong
Qi Yang
Shen Peng
Xiong Zeke (appointed on 20 March 2018)

AUDIT COMMITTEE

Shen Peng *(Chairman)*
Qi Yang
Lu Jian Zhong
Xiong Zeke (appointed on 20 March 2018)

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 LLP
3201 Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

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

STOCK CODE

3939

COMPANY WEBSITE

www.wgmine.com

Chairman's Statement

Chairman and
Chief Executive Officer

Dear Shareholders,

On behalf of the board (the "Board") of Directors (the "Directors", each a "Director") of Wanguo International Mining Group Limited (the "Company"), I am pleased to present the audited results of the Company and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 December 2017.

The 15th China Nonferrous Metals Industry Mining High-level Forum (中國有色金屬工業礦業高層論壇) was hosted by China Nonferrous Metals Industry Association (中國有色金屬工業協會) in Yichun, Jiangxi Province during 12 to 14 September 2017. On behalf of the Company, I am honored to be invited to attend the forum and delivered a speech on the topic "Green road, the rise of Journey" (綠色之路，崛起之旅), which elaborated the Group's green development strategy and planning. Subsequent to the forum, leading experts and entrepreneurs visited our production site at the Xinzhuang Mine and recognised it as model for promotion and learning. Once again, I would like to thank our fellow colleagues in the industry for their high appreciation.

For the year ended 31 December 2017, the Group mined 737,297 tonnes of ores, of which it sold copper in copper concentrates of 3,490 tonnes, iron concentrates of 127,594 tonnes, zinc in zinc concentrates of 5,478 tonnes, sulfur concentrates of 145,191 tonnes, lead in lead concentrates of 1,228 tonnes, gold of 126kg, silver of 9,236 kg and copper of 357kg. We achieved revenue of RMB348.5 million, gross profit of RMB157.4 million and profit attributable to owners of the Company of RMB70.9 million.

On 3 November 2017, the Company entered into a subscription agreement with Cheng Tun Prime Shine Limited (formerly known as "Prime Shine Limited") (the "Subscriber") which is an indirectly wholly-owned subsidiary of Cheng Tun Mining Group Co., Ltd, （盛屯礦業集團股份有限公司） a company listed on the Shanghai Stock Exchange with stock code 600711, pursuant to which the Subscriber agreed to subscribe for an aggregate of 120,000,000 ordinary shares of HK$0.10 each in the share capital of the Company ("Shares") at a subscription price of HK$1.86 per subscription share. Cheng Tun Mining Group Co., Ltd is principally engaged in the business of mining and ore-processing of non-ferrous metals and providing value-added services in the metals industry. The Group is looking forward to having more synergy benefits with its cooperation.

2017 was a fruitful year after several years of downturn in the metal market. Most of metal prices have continued the upward trend since the fourth quarter of 2016. We have finished all the safety acceptance for completion of our 600,000 tonnes per annum ("tpa") expansion plan in the Xinzhuang Mine and the Group has already started the preparation for our 900,000 tpa expansion plan. Thanks to the Group's strategy adopted in previous years, the Group could enjoy both increase in metal prices and volumes of concentrates sold in 2017.

For our horizontal expansion, the Group has completed the acquisition of 51% attributable interest of Xizang Changdu County Dadi Mining Company Limited ("Xizang Changdu") on 13 July 2017. Substantial mineral resources of lead and silver shall be exploited to contribute sales revenue and profits to the Group in future. The Group also wishes to complete the acquisition of a gold mine in Solomon Islands in 2018.

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
27 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Copper

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

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

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

MARKET REVIEW *(Continued)*

Iron

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

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

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

Zinc

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

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

Lead

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

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

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

Gold and Silver

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

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

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

MARKET REVIEW *(Continued)*

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

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

BUSINESS REVIEW

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

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

EXPANSION IN EXISTING MINE

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

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

EXPANSION IN SURROUNDING AREAS

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

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

HORIZONTAL EXPANSION

Completion of acquisition of Xizang Changdu County Dadi Mining Company Limited

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

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

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

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

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

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

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

HORIZONTAL EXPANSION *(Continued)*

Disposal of exploration activities in Australia

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

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

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

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

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

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

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

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

HORIZONTAL EXPANSION *(Continued)*

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

Pursuant to the terms of the Deed, on the completion date, both parties shall sign the Put Option Agreement, pursuant to which AXF Resources will agree to pay AUD10 to the Company and the Company will grant AXF Resources an option (the "Put Option") to require the Company to purchase all of the remaining interest in AXF Gold Ridge held by AXF Resources (i.e. 22.22% equity interest of AXF Gold Ridge). The aforesaid consideration payable by the Company on exercise of the Put Option shall be AUD26.388 million plus any premium to be agreed by the parties. Hence, the total maximum amount of commitment of the Company for the acquisition (together with the Reconstruction Works) and the Put Option is approximately AUD118.751 million (subject to any premium to be added to the consideration on the exercise of the Put Option).

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

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

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

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

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

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

HORIZONTAL EXPANSION *(Continued)*

Subscription of new Shares under General Mandate

On 3 November 2017, the Company entered into a subscription agreement with Cheng Tun Prime Shine Limited (formerly known as Prime Shine Limited)(the "Subscriber"), an indirectly wholly owned subsidiary of Cheng Tun Mining Group Co., Ltd. (盛屯礦業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600711), and is principally engaged in the business of mining and ore-processing of non-ferrous metals and providing value-added services in the metals industry. Pursuant to the subscription agreement, the Subscriber agreed to subscribe for an aggregate of 120,000,000 subscription shares, being the first subscription shares of 66,000,000 Shares (the "First Subscription") and the second subscription shares of 54,000,000 Shares (the "Second Subscription") at the subscription price of HK$1.86 per subscription share (the "Subscription"). The closing price of the Share as quoted on the Stock Exchange on the date of the subscription agreement was HK$1.96. Please refer to the Company's announcement dated 3 November 2017 for details.

The Directors considered that the Subscription offer a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group, so as to facilitate its future development.

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

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

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

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

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

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

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

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

MINERAL RESOURCES AND RESERVES

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

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

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

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

(3) There was no material change in these estimates during the period from 31 December 2011 to 31 December 2017.

MINERAL RESOURCES AND RESERVES *(Continued)*

The Xinzhuang Mine Ore Reserve Summary – as at 31 December 2017

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

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

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

(3) There was no material change in these estimates during the period from 31 December 2011 to 31 December 2017.

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

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

Note:

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

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

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

FINANCE REVIEW

Revenue

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

Other income

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

Other gains and losses

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

Distribution and selling expenses

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

FINANCE REVIEW *(Continued)*

Administrative expenses

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

Finance costs

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

Income tax expense

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

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

Profit and total comprehensive income

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

Profit and total comprehensive income attributable to owners of our Company

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

Analysis of property, plant and equipment and construction in progress

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

Analysis of inventories

Inventories consist of raw materials, ore, concentrates and other ore commodities. Raw materials mainly include forged steel grinding balls, explosives, chemical products and diesel oil used for the production of concentrates. As at 31 December 2017 and 2016, our inventories were approximately RMB9.3 million and approximately RMB11.0 million respectively. The decrease in inventories was mainly due to more products were sold during 2017, resulted from increase in market price of concentrates.

Analysis of trade receivables

Trade receivables represent receivables from the sale of concentrates. Our Group generally requests our concentrates customers to make a certain amount of down payment prior to delivery. For reputable customers, our Group grants a credit period up to 60 days. As at 31 December 2017 and 2016, our trade receivables were approximately RMB16.1 million and RMB2.6 million respectively. The increase in trade receivables as at 31 December 2017 was mainly due to no down payment received prior to delivery from a reputable customer.

FINANCE REVIEW *(Continued)*

Analysis of trade payables

Trade payables mainly consist of payables in respect of (i) the purchase of forged steel grinding balls and cement; (ii) construction fee payable to our contractors under the expansion plan; and (iii) fees payable to our third-party contractor, Wenzhou No. 2 Well and tunnel Construction Company, for our mining work. As at 31 December 2017 and 2016, our trade payables were approximately RMB16.0 million and approximately RMB7.4 million respectively. The increase was mainly attributable to rise in the price of forged steel grinding balls, cement and chemical products and increase in purchase of raw materials to cope with growth of production expansion.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

BORROWINGS

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

GEARING RATIO

The Group's gearing ratio (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) amounted to 20.8% (2016: 45.0%). The decrease in gearing ratio was mainly attributable to increase in total assets resulted from the completion of acquisition of 51% equity interest in Xizang Changdu.

CASH FLOWS

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

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

CASH FLOWS *(Continued)*

Net cash flow from operating activities

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

Net cash flow from investing activities

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

Net cash flow from financing activities

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

CAPITAL EXPENDITURES

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

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENT

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

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

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

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

CONTINGENT LIABILITIES

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

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

During the year ended 31 December 2017, the Group has completed the acquisition of 51% equity interests of Xizang Changdu and it becomes an indirect non-wholly owned subsidiary of the Company. Details of which are set out in the above paragraph headed "Completion of acquisition of Xizang Changdu County Dadi Mining Company Limited" under the section "Management Discussion and Analysis" on page 7 of this annual report.

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

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CHARGE ON GROUP ASSETS

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

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

INTEREST RATE RISK

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

FINANCIAL INSTRUMENTS

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

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 14 May 2018.

The final dividend is payable to the Shareholders whose names appear on the register of members of the Company at close of business on Tuesday, 29 May 2018. For determination of entitlement to the final dividend, the register of members of the Company will be closed from Friday, 25 May 2018 to Tuesday, 29 May 2018, both days inclusive. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 24 May 2018.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, we had a total of 330 (2016: 313) full-time employees, excluding the independent third-party contractor which is responsible for underground mining work.

	Number
Underground technical and supporting mine workers	
– Safety supervision	23
– Mining and geological technical staff	15
– Mining record and surveying staff	10
– Geological drilling operators	17
– Ventilation and hauling facilities and water-pump operators and maintenance staff	88
– Backfilling team	18
Processing plant workers	79
Mine management and supporting staff	80
	330

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

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Xinzhuang Mine

Mineral exploration

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

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

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES *(Continued)*

Xinzhuang Mine *(Continued)*

Development

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

Mining activities

Details breakdown of development expenditure is as follows:

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

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

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

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

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES *(Continued)*

Walege Mine

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

Mineral exploration

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

Development

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

Mining activities

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

PROSPECT

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

Growing production at our mine and outsourcing our mining works

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

Horizontal expansion through future acquisitions of new mines

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

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

EXECUTIVE DIRECTORS

Mr. GAO Mingqing (高明清), aged 65, 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 17 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.

Ms. GAO Jinzhu (高金珠), aged 58, is an executive Director and a member of the nomination committee (the "Nomination Committee") of the Board. She 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 17 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.

Mr. XIE Yaolin (謝要林), aged 54, 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 35 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 50, is an executive Director and a member of the remuneration committee (the "Remuneration Committee") of the Board. He 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 19 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.

NON-EXECUTIVE DIRECTORS

Mr. LI Kwok Ping (李國平), aged 55, 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 22 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 47, 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 21 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.

Ms. IU Ching (姚婧), aged 25, has been appointed as our non-executive Director on 20 March 2018. She has been the chairman assistant of Shenzhen Chengtun Group Limited (深圳盛屯集團有限公司) since November 2016. Shenzhen Chengtun Group Limited is the major shareholder of Chengtun Mining Group Co. Ltd (盛屯礦業集團股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600711), which is a substantial shareholder of the Company. Ms. Iu graduated from The City University of London with a bachelor of science with honours in actuarial science in June 2014 and a master of science in investment management in October 2015 respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LU Jian Zhong (吕建中), aged 56, is our independent non-executive Director and a member of each of the audit committee (the "Audit Committee") of the Board and the Remuneration Committee. Dr. Lu has approximately 17 years of experience in corporate senior management. He has been the Weir Group China President since November 2017. He was a Partner of Beijing Brunswick Consultancy Limited Shanghai Branch from June 2015 to October 2017. 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 50, is our independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. 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.

Mr. SHEN Peng (沈鵬), aged 42, is our independent non-executive Director and the chairman of each of the Audit Committee and Nomination Committee. He has more than 19 years of experience in finance and mining industry of China and Australia. Mr. Shen was the Director of Carabella Resources Limited from January 2014 to June 2017, 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. 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.

Mr. XIONG Zeke (熊澤科), aged 42, has been appointed as our independent non-executive Director and a member of the Audit Committee on 20 March 2018. He is currently an executive director and chief executive officer of Pizu Group Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8053). Mr. Xiong was an independent director of Huadong Medicine Co., Ltd (華東醫藥股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000963) from August 2009 to January 2016 and Chengtun Mining from May 2008 to May 2011 respectively. He graduated from Beijing University (北京大學) with a bachelor of economics in international economics in July 1996.

SENIOR MANAGEMENT

Mr. WONG Chi Wah (王志華), FCCA, HKICPA, aged 43, 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 22 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 GEM 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. The Company's corporate governance practices are based on principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules. Except for the deviation from code provisions A.2.1 and A.2.7 of the CG Code as described in the relevant paragraphs of this corporate governance report, the Company had complied with the CG Code for the year ended 31 December 2017.

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 2017 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 2017.

BOARD OF DIRECTORS

During the year ended 31 December 2017 and up to the date of this annual report, the Board comprised four executive Directors, three non-executive Directors and four independent non-executive Directors as follows:

Executive Directors

Mr. Gao Mingqing *(Chairman and Chief Executive Officer)*
Ms. Gao Jinzhu
Mr. Xie Yaolin
Mr. Liu Zhichun

Non-executive Directors

Mr. Li Kwok Ping
Mr. Lee Hung Yuen
Ms. Iu Ching (appointed on 20 March 2018)

Independent non-executive Directors

Dr. Lu Jian Zhong
Mr. Qi Yang
Mr. Shen Peng
Mr. Xiong Zeke (appointed on 20 March 2018)

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 21 to 23 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.

BOARD OF DIRECTORS *(Continued)*

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;
- Review of remuneration of Directors; and
- Recommendation and declaration of any interim and final dividends.

As at 31 December 2017, 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. 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 eleven Board meetings during the year ended 31 December 2017, in which five Board meetings were held 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 establishment and transfer of joint venture company terms and three Board meetings were held for reviewing and approving the issue of new Shares under the General Mandate.

The following table shows the number of attendance of each Director at the Board and the annual general meeting held during the year ended 31 December 2017:

	No. of Attendance	
Members	**Board meeting**	**Annual general meeting**
Executive Directors		
Mr. Gao Mingqing	11/11	1/1
Ms. Gao Jinzhu	10/11	1/1
Mr. Xie Yaolin	10/11	1/1
Mr. Liu Zhichun	9/11	1/1
Non-executive Directors		
Mr. Li Kwok Ping	10/11	1/1
Mr. Lee Hung Yuen	9/11	0/1
Independent non-executive Directors		
Dr. Lu Jian Zhong	9/11	0/1
Mr. Qi Yang	9/11	0/1
Mr. Shen Peng	7/11	0/1

BOARD OF DIRECTORS *(Continued)*

The Board currently has three committees, namely, the Audit Committee, the Remuneration Committee and the 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 ("HKEX"). The Board delegates its powers and authorities from time to time to the Committees in order to ensure operational efficiency and specific issues are being handled by relevant expertise. The 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 Board (the "Chairman") did not hold any meeting with non-executive Directors and independent non-executive Directors without the executive Directors present. Nevertheless, from time to time, non-executive Directors and independent non-executive Directors express their views directly to the Chairman via other means including correspondences and emails. The Company is of the view that there is efficient communication between non-executive Directors (including independent non-executive Directors) and the Chairman.

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 of the Company (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.

During the year ended 31 December 2017, 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.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS *(Continued)*

A summary of training received by the Directors for the year ended 31 December 2017 according to the records provided by the Directors is as follows:

	Type of Continuous Professional Development	
Name of the Directors	**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	✓	ABS
Mr. Liu Zhichun	✓	ABS
Non-executive Directors		
Mr. Li Kwok Ping	✓	ABS
Mr. Lee Hung Yuen	✓	✓
Independent non-executive Directors		
Dr. Lu Jian Zhong	✓	✓
Mr. Qi Yang	✓	✓
Mr. Shen Peng	✓	ABS

ABS: Absent

On 25 January 2018, the Company's legal adviser provided a training in respect of updates of the Listing Rules, corporate governance and directors' duties to our Directors and senior management in order to develop and refresh their knowledge and skills. Mr. Gao Mingqing, Ms. Gao Jinzhu, Mr. Lee Hung Yuen, Dr. Lu Jian Zhong and Mr. Qi Yang, attended the aforesaid training provided by our legal adviser.

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, 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.

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 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 of Directors. As at the date of this annual report, 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.

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 2017, 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 following annual general meeting and review the biography of candidates to be appointed as new Directors. The recommendations were made in accordance with the objective criteria with due regard for the benefits of diversity as set out in the Board Diversity Policy and the articles of association of the Company. The following table shows the number of attendance of each member at the meeting of the Nomination Committee held during the year:

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

REMUNERATION COMMITTEE

The Remuneration Committee was established on 12 June 2012 with written terms of reference in compliance with code provision B.1.2 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. As at the date of this annual report, 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.

During the year ended 31 December 2017, one meeting was held by the Remuneration Committee to review, assess and make recommendations to the Board on the remuneration packages of the Directors and senior management for 2018. The following table shows the number of attendance of each member at the meeting of the Remuneration Committee held during the year:

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

AUDIT COMMITTEE

The Audit Committee was established on 12 June 2012 in compliance with Rule 3.21 of the Listing Rules, with written terms of reference in compliance with code provision C.3.3 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 systems, oversee the audit process and perform other duties and responsibilities as assigned by the Board. As at the date of this annual report, the Audit Committee comprises four independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jian Zhong and Mr. Xiong Zeke (appointed on 20 March 2018). Mr. Shen Peng has been appointed as the chairman of the Audit Committee.

During the year ended 31 December 2017, four meetings were held by the Audit Committee to discharge its responsibilities and review the Group's annual and interim results, reporting and compliance procedures, the re-appointment of the external auditor. The following table shows the number of attendance of each member at the meeting of the Audit Committee held during the year:

Members	**No. of Attendance**
Mr. Shen Peng *(Chairman)*	4/4
Mr. Qi Yang	4/4
Dr. Lu Jian Zhong	2/4

The Audit Committee reviews the interim and annual reports respectively as well as the 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 the results 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 2017, 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	1,060
Non-audit services	
Interim review services	285
	1,345

COMPANY SECRETARY

The Company Secretary has attended more than 15 hours of continuing professional development training arranged by several professional bodies during the year ended 31 December 2017.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions of corporate governance. For the year ended 31 December 2017, 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 systems 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.

For the year ended 31 December 2017, 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.

Main features of risk management and internal control systems

The Company has adopted a risk management policy which is applicable to the Group with objectives of:

(i) determination of risk acceptable to the Group;

(ii) identification and prioritisation of the risk arising from Group's operating activities;

(iii) placing of appropriate mitigation or treatment strategies to manage, transfer or avoid risks; and

(iv) annual review of risks and relevant mitigation strategies for their appropriateness

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Main features of risk management and internal control systems *(Continued)*

To help ensure all risks which are relevant to the Group are considered, a systematic approach to risk identification is followed. Identifiable risk areas which are considered include:

- maintaining a safe work environment for the Group's employees;
- safeguarding and efficient use of assets;
- management of human resources;
- ensuring the Group complies with legal and regulatory obligations;
- achieving established objectives and goals;
- reliability and integrity of financial and operational information;
- compliance with internal policies and procedures; and
- changes in the Group's internal and external environments.

Measures of consequence and likelihood have been determined and are used on a consistent basis.

Risk assessment process of:

(i) the Group's primary risk assessment process comprises a comprehensive annual risk review. This review involves a complete re-development and re-assessment of the risks to the Group. A team approach comprising senior management from all business units of the Group's operations is used in this assessment phase;

(ii) the review is coordinated with the strategic planning cycle of the Group to ensure risk associated with all strategic business objectives and activities are considered;

(iii) risks identified by each business unit who review their risk profiles annually, and results of internal audit work, are also incorporated into the review;

(iv) the Group's senior management team measures the risks which have been identified and prioritises them in terms of their impact on the Group;

(v) results of the annual review are documented, and include mitigation strategies where appropriate; and

(vi) the Board and the Audit Committee perform annual review.

During 2017, the Company has appointed Infinity Concept Ripple Limited, an independent consultant, to take up the role of the Group's internal audit function, reviewing the effectiveness of the risk management and internal control systems and providing any recommendations for material defects to the Group.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Main features of risk management and internal control systems ***(Continued)***

The Group has also adopted a "Insider Information Dissemination" policy as follows:

(i) all Directors and senior management have been advised to follow the policy;

(ii) any potential insider information identified by any business units should be notified to the Company Secretary immediately. Such information should be kept confidential and to allow the Board or senior management for investigation and consultation with legal adviser;

(iii) the Company Secretary will draft the appropriate announcements for the Board approval and arrange for publication to the public as soon as practicable; and

(iv) in case, the issue is complicated and requested more time to handle or has been known to the public, the Company Secretary will apply for a temporary suspension of trading from the Stock Exchange with the reasons on hand before issuing an appropriate and complete announcement.

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 Company Secretary, 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 HKEX.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2017, the Company has not made any changes to its memorandum and articles of association.

We committed to operating safety and responsibly. As 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 the Board, management and staff for the purpose of obtaining information on the approach to environmental, social and governance (the "ESG") needed pursuant to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules. As Yifeng Wanguo was the only operating entity in the Group during the year ended 31 December 2017, our ESG reporting will solely base on the 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 437,900 tonnes (2016: 367,300 tonnes) of wastewater in production, which contained 17.34 tonnes (2016: 20.13 tonnes) of pollutants and effluent concentration was approximately 40.77mg/L (2016: 54.8mg/L) which is below the required standard of 100mg/L. The discharge of Chemical Oxygen Demand was 17.34 tonnes in 2017, which was below the allowable level of 38.72 tonnes per year set by local environmental bureau. In addition, the Group produced approximately 450,000 tonnes (2016: 352,000 tonnes) of tailings.

Use of resources

During the year, the Group consumed approximately total of 3,100,000 tonnes (2016: 2,700,000 tonnes) of water while it consumed approximately 475,000 tonnes (2016: 419,000 tonnes) of new water extracted from underground. The rate of water recycle was approximately 86.3% (2016: 86.4%) which was within our target of over 75%. During 2017, the Group optimized the circulation system of waste water pipes in the plants, which enhanced use of waste water.

During the year, electricity usage for production was totally 32,339,707 kwh (2016: 29,343,761kwh), which comprised mining of 11,540,827 kwh (2016: 10,748,105kwh), processing of 20,117,433 kwh (2016: 18,362,298kwh) and back-filling of 681,447kwh (2016: 233,358kwh) while the total ore processed during the year was 743,245 tonnes (2016: 639,936 tonnes). The total carbon emission for electricity use during production in 2017 was approximately 25.9 million kg (2016: 23.5 million kg). The unit of production per electricity usage was 43.51kwh per tonne (2016: 45.85kwh per tonne), which was attribute to scale of production as well as renovation in ore processing.

Diesel usage was 166,600 lite (2016: 160,650 lite). The total carbon emission for diesel usage in 2017 was approximately 0.4 million kg (2016: 0.4 million kg).

A. ENVIRONMENTAL *(Continued)*

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% (2016: 70%) of the tailings (coarse fraction) were mixed with cement and sent underground for back filling. The remaining 30% (2016: 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 2017, the Group had a total workforce of 330(2016: 313) which comprised 320(2016: 303) in Jiangxi Province of the PRC, 2(2016: 2) in Hong Kong and 8(2016: 8) in Australia. 258(2016: 243) were male and 72(2016: 70) 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	23	8.7%
– Mining and geological technical staff	15	33.3%
– Mining record and Surveying staff	10	20.0%
– Geological drilling operators	17	11.8%
– Ventilation and hauling facilities and water-pump operators and maintenance staff	88	11.4%
– Backfilling team	18	0.0%
Processing plant workers	79	17.7%
Mine management and supporting staff	80	11.3%
	330	13.3%

B. SOCIAL *(Continued)*

Benefits and welfares ***(Continued)***

By age group

	No. of workforce	Turnover rate
20 or below	1	100%
21-30	52	17.3%
31-40	60	18.3%
41-50	131	14.5%
51 or above	86	4.7%
Total	330	13.3%

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 levels 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 962 days (2016: 868 days) while the number of incidents was 20 (2016: 29). Increase in lost days due to work injury was mainly as a result of a traffic accident occurred outside the work place by a worker who had stayed in hospital for over seven months.

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.

B. SOCIAL *(Continued)*

Development and training *(Continued)*

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.

New ground staff should attend not less than 36 hours tertiary safety education (三級安全培訓) while new underground staff should attend not less than 72 hours training. All staff should attend a 20 hours training organized by the county safety bureau each 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.

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. During 2017, there was a total of 58 qualified major suppliers available for selection in the Group.

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 2017, we have not received any material complaints due to quality problems of our products.

OPERATING PRACTICES *(Continued)*

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 2017, 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.

In addition, the Group makes donations to community irregularly, and contributes and participates in community. During the year, the Group donated approximately RMB30,000 in respect of welfare and education in community and RMB56,000 in respect of staff in need.

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 2017.

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 2017 and the material factors underlying its results and financial position are provided in the sections of "Chairman's Statement" and "Management Discussion and Analysis" respectively from pages 2 to 3 and pages 4 to 20 of this annual report. The outlook of the Company's business is discussed throughout this annual report.

An indication of likely future development in the Group's business is set out and included in the section headed "Business Review" from pages 6 to 12 and "Prospect" of "Management Discussion and Analysis", on page 20.

The Group's environmental policies and performance are set out and included in the "Environmental, Social and Governance Report" from pages 34 to 39 of this annual report and the "Environmental and Social Matters" set out in the paragraph 38 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 20 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year 2017, if any, can also be found in paragraph 39 below.

An account of the Company's relationships with its key stakeholders (including substantial shareholders, employees, suppliers and customers) is included in the "Investor relations and communication with Shareholders" set out in the "Corporate Governance Report", "Substantial Shareholders' and other parties' Interest in Securities" and "Emolument Policy" set out in paragraphs 24 and 19 respectively below as well as the sections headed "Social" and "Operating Practices" in the "Environment, Social and Governance Report", from pages 36 to 38 of this annual report.

2. PRINCIPAL RISKS AND UNCERTAINTIES

(i) Our mining operations are concentrated at one mining site

Our operations are exposed to uncertainties in relation to the Xinzhuang Mine, which is currently our only operating mine. All of our current operating cash flows and revenue are derived from the sales of concentrates produced from this single mine. Any significant operational or other difficulties in the mining, processing, storing and transporting of our products at or from the Xinzhuang Mine could reduce, disrupt or halt our production, which would materially and adversely affect our business, results of operation and financial condition.

In order to diversify the above risk, the Group has actively conducted any possibilities in acquisition. During the year of 2017, the Group has completed the acquisition of Xizang Changdu and was in the progress of completing the acquisition of a gold mine in Solomon Islands.

2. PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

(ii) Accuracy of the mineral resources and reserves estimates of the Xinzhuang Mine is based on a number of assumptions and we may produce less mineral concentrates than our estimates

The mineral resources and reserves estimates of the Xinzhuang Mine are based on a number of assumptions that have been made by an independent technical expert in accordance with the JORC code. Resources and reserves estimates involve expressions of judgement based on various factors such as knowledge, experience and industry practice, number of drilling and sampling of the ore body and analysis of the ore samples etc.

The Group has already completed additional exploration in outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining license and a mineral resources verification report has been finished in April 2014 and obtained registration in December 2014 for the purpose of the application of increase the mining capacity set forth in its mining license. Additional reserves discovered during the aforesaid exploration allows us to upgrading the mining capacity.

(iii) Risks of safety production

Although the Group maintains a high standard in safety production, the nonferrous metal mining is still a hazardous industry and faces uncertainties caused by production environment, natural disaster and so on. Safety production is the top priority of the Group to achieve sustainable and stable development.

We have implemented and enforced a number of measures to ensure compliance of the regulatory requirements and our production safety and environmental protection. Please refer to the section headed "Health and Safety" of the "Environmental, Social and Governance Report" for details.

(iv) Fluctuations in the commodity markets

Our revenue is generated from sales of concentrates we produce. The price we obtain for our concentrates is determined by the amount of copper, iron, zinc and other metals contained in the concentrates and the market prices for these metals. The market price of these metals has fluctuated widely and has experienced periods of significant decline. We have limited ability to anticipate and manage commodity price fluctuations.

The Group has considered to use of hedging products available in the market to reduce the effect of such fluctuations. In addition, expansion of mines to the Walege Mine and gold mine in Solomon Islands will further increase our product mix and thus strengthen the Group's capacity to against market fluctuations.

3. 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 55.

The state of affairs of the Group and of the Company at 31 December 2017 are set out in the consolidated statement of financial position on pages 56 to 57 and statement of financial position of the Company on page 109 respectively.

4. SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 29 to the consolidated financial statements.

5. SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 39 to the consolidated financial statements.

6. 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 110 in this report.

7. 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 41 to the consolidated financial statements.

8. DISTRIBUTABLE RESERVES

At 31 December 2017, the Company's reserve available for distribution to owners of the Company comprising share premium account less accumulated losses, and amounted to approximately RMB145.7 million (2016: RMB54.5 million).

9. DIVIDENDS

An interim dividend of RMB0.50 cents (equivalent to HK$0.58 cents) per Share was paid on 3 November 2017. The Directors recommended the payment of a final dividend of RMB3.89 cents per Share (equivalent to approximately HK$4.82 cents) (2016: nil) in respect of the year ended 31 December 2017 to the Shareholders whose name appear on the register of members of the Company on 29 May 2018.

10. PROPERTY, PLANT, AND EQUIPMENT

Additions to the property, plant and equipment of the Group was approximately RMB32.9 million for the year ended 31 December 2017. 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.

11. DONATIONS

Donations made by the Group during the year amounted to approximately RMB86,000.

12. MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers in aggregate accounted for approximately 76.7% (2016: 73.5%) of the total sales for the year and sales to the largest customer accounted for approximately 25.5% (2016: 33.5%) of total sales.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 70.7% (2016: 66.8%) of the total purchases for the year and purchases from the largest supplier accounted for approximately 27.5% (2016: 31.6%) 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.

13. 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.

14. 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

14. DIRECTORS *(Continued)*

Non-executive Directors:

Mr. Li Kwok Ping
Mr. Lee Hung Yuen
Ms. Iu Ching (appointed on 20 March 2018)

Independent non-executive Directors:

Dr. Lu Jian Zhong
Mr. Qi Yang
Mr. Shen Peng
Mr. Xiong Zeke (appointed on 20 March 2018)

In accordance with article 87 of the Company's articles of association, all Directors are subject to retirement by rotation at least once every three years. Mr. Liu Zhichun, Mr. Qi Yang and Dr. Lu Jian Zhong will retire by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election.

Pursuant to article 86(3) of the Company's articles of association, Ms. Iu Ching and Mr. Xiong Zeke, who were appointed by the Board as non-executive Director and independent non-executive Director respectively on 20 March 2018, shall retire from office at the forthcoming AGM and, being eligible, offer themselves to be re-elected and re-appointed at the AGM.

15. BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 21 to 23 of this annual report.

16. 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 21 to 23 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.

17. DIRECTORS' SERVICE AGREEMENTS AND LETTER OF APPOINTMENT

Each of the Directors has entered into a service agreement or letter of appointment with the Company for a term of three years which is 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 AGM, has a service agreement which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

18. 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 when this Directors' Report is approved in accordance with section 391(1)(a) of the Companies Ordinance.

19. 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 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 36 below.

20. 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.

21. 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.

22. 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 2017 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 2017.

23. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2017, the interests or short positions of our Directors and chief executives in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO as notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded, pursuant to section 352 of the SFO, in the register referred to therein or which 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

Name of Directors	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in the Company[3]
Mr. Gao Mingqing	Interest in controlled corporation	301,500,000[1]	45.27%
Ms. Gao Jinzhu	Interest in controlled corporation	148,500,000[2]	22.30%

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.

3. The percentage is calculated on the basis of 666,000,000 Shares in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, 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.

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

As at 31 December 2017, 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

Name of Shareholder	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in the Company(6)
Victor Soar Investments Limited	Beneficial owner	301,500,000(1)	45.27%
Ms. Lin Yinyin	Interest of spouse	301,500,000(2)	45.27%
Achieve Ample Investments Limited	Beneficial owner	148,500,000(3)	22.30%
Mr. Wang Weimian	Interest of spouse	148,500,000(4)	22.30%
Cheng Tun Prime Shine Limited	Beneficial owner	66,000,000(5)	9.91%
Shenzhen Chengtun Equity Investments Company Limited	Interest in controlled corporation	66,000,000(5)	9.91%
Haitong International Financial Solutions Limited	Security interest	450,000,000(6)	67.57%
Haitong International Securities Group Limited	Interest in controlled corporation	450,000,000(6)	67.57%
Haitong International Holdings Limited	Interest in controlled corporation	450,000,000(6)	67.57%
Haitong Securities Co., Ltd.	Interest in controlled corporation	450,000,000(6)	67.57%

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 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 held by Achieve Ample Investments Limited, a company controlled by Ms. Gao Jinzhu.

5. Cheng Tun Prime Shine Limited is a wholly-owned subsidiary of Shenzhen Chengtun Equity Investments Company Limited (深圳盛屯股權投資有限公司), which in turn is wholly-owned by Chengtun Mining Group Co., Ltd., a company listed on Shanghai Stock Exchange with stock code: 600711.

6. Haitong International Financial Solutions Limited is indirectly owned by Haitong International Securities Group Limited which in turn is owned as to 62.43% by Haitong International Holdings Limited and is ultimately owned Haitong Securities Co., Ltd.

7. The percentage is calculated on the basis of 666,000,000 Shares in issue as at 31 December 2017.

24. SUBSTANTIAL SHAREHOLDERS' AND OTHER PARTIES' INTERESTS IN SECURITIES *(Continued)*

Other than as disclosed above, as at 31 December 2017, 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.

25. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in paragraph 27 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.

26. 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 2017 or at any time during the financial year 2017.

27. CONNECTED TRANSACTION

Except for those disclosed in note 24 to the consolidated financial statements, no contract of significance to which the Company, or any of its subsidiaries, and a controlling shareholders or any subsidiaries was a party at the end of the year or at any time during the year.

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

Save as disclosed in paragraph 23 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.

29. 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 2017.

30. COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholders 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 2017.

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 each of the controlling shareholders of the Company has complied with its undertaking under the deed of non-competition for the year ended 31 December 2017.

31. 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.

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

For the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

33. BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2017 are set out in note 26 to the consolidated financial statements.

34. RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in note 33 to the consolidated financial statements.

35. 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.

36. 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 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 approximately 8.33% 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.

36. SHARE OPTION SCHEME *(Continued)*

(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.

(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.

37. 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 2017 except for the deviation from code provisions A.2.1 and A.2.7 of the CG Code.

A report on the corporate governance practice adopted by the Group is set out in pages 24 to 33 of this annual report.

38. 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 2017, there were no work-related fatalities. Lost days due to work injury were 962 days while the number of incidents was 20.

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 34 to 39 of this annual report.

39. EVENTS AFTER THE REPORTING PERIOD

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

40. 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, 27 March 2018

Deloitte. 德勤

TO THE SHAREHOLDERS OF
WANGUO INTERNATIONAL MINING GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

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 55 to 109, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of mining assets of the Yifeng Projects We identified the impairment assessment of the mining assets comprising principally property, plant and equipment, mining right and prepaid lease payments in relation to the mining projects in Yifeng, Jiangxi Province, the People's Republic of China (the "PRC") ("Yifeng Projects"), as a key audit matter due to the significant degrees of judgement involved in determining future revenue which is dependent on future metal prices and a discount rate applied in the impairment assessment model. As set out in note 4 to the consolidated financial statements, the aggregate carrying value of the mining assets of the Yifeng Projects was RMB462,895,000 as at 31 December 2017. Management's assessment of the recoverable amount of these assets as a single cash generating unit requires input of key parameters including the forecasted selling prices of metallic concentrates, growth rate and discount rate of Yifeng Projects in its value in use calculation using the discounted cash flow model. Based on management's assessment, there is no impairment of the relevant mining assets for the year ended 31 December 2017.	Our procedures in relation to impairment assessment of the mining assets of the Yifeng Projects included: • Evaluating the reasonableness of the management's estimate of future revenue expected to arise from Yifeng Projects with reference to the historical performance, estimated future metal prices, latest budgets of the Group approved by the management and our understanding of the economic outlook of the mining industry. • Evaluating if management's estimate of future production volume is consistent with the reserve reports of external specialists. • Evaluating the reasonableness of the discount rate applied in the impairment assessment model with reference to the market data derived externally, including the current market risk-free rate of interest and the entity-specific risk factor. • Evaluating the accuracy of manager's projection of future cash flow underlying the impairment assessment by comparing the historical estimate to the actual performance during the year.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chi Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

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

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**395,955**	387,856
Mining right	15	**15,822**	16,889
Exploration and evaluation assets	16	**187,139**	10,642
Other intangible asset	34	**319,288**	–
Prepaid lease payments	17	**59,729**	61,111
Deposit for purchase of property, plant and equipment		**6,376**	3,129
Deposits for acquisitions of subsidiaries	18	**35,393**	85,891
Deferred tax assets	19	**3,170**	2,960
Restricted bank balance	20	**7,615**	7,576
		1,030,487	576,054
CURRENT ASSETS			
Inventories	21	**9,302**	11,013
Trade and other receivables	22	**42,657**	18,910
Prepaid lease payments	17	**1,377**	1,377
Bank balances and cash	20		
– cash and cash equivalents		**108,639**	8,777
– restricted bank balance		**25,000**	32,750
		186,975	72,827
CURRENT LIABILITIES			
Trade and other payables	23	**79,671**	37,613
Tax payable		**26,214**	8,153
Amounts due to shareholders	24	**351**	6,120
Consideration payable for acquisition of a subsidiary	34	**113,610**	–
Consideration payable to a former non-controlling shareholder of a subsidiary	25	**72,378**	70,607
Secured bank borrowings	26	**122,411**	102,636
		414,635	225,129
NET CURRENT LIABILITIES		**(227,660)**	(152,302)
TOTAL ASSETS LESS CURRENT LIABILITIES		**802,827**	423,752

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Consideration payable to a former non-controlling shareholder of a subsidiary	25	**35,356**	64,643
Secured bank borrowings	26	**23,293**	53,808
Deferred income	27	**12,565**	13,796
Deferred tax liabilities	19	**82,322**	750
Provisions	28	**4,399**	3,791
		157,935	136,788
CAPITAL AND RESERVES			
Share capital	29	**54,516**	48,955
Reserves		**403,641**	238,009
Equity attributable to owners of the company		**458,157**	286,964
Non-controlling interests		**186,735**	–
TOTAL EQUITY		**644,892**	286,964
		802,827	423,752

The consolidated financial statements on pages 55 to 109 were approved and authorised for issue by the board of directors on 27 March 2018 and are signed on its behalf by:

Gao Mingqing
Director

Gao Jinzhu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (note a)	Statutory and surplus reserves RMB'000 (note b)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	48,955	78,418	71,005	56,023	18,591	272,992	–	272,992
Profit and total comprehensive income for the year	–	–	–	–	21,972	21,972	–	21,972
Dividend recognised as distribution (note 13)	–	(8,000)	–	–	–	(8,000)	–	(8,000)
Transfers	–	–	–	21,247	(21,247)	–	–	–
At 31 December 2016	48,955	70,418	71,005	77,270	19,316	286,964	–	286,964
Profit (loss) and total comprehensive income (expense) for the year	–	–	–	–	70,864	70,864	(579)	70,285
Issue of new shares	5,561	97,882	–	–	–	103,443	–	103,443
Transaction costs attributable to issue of new shares	–	(114)	–	–	–	(114)	–	(114)
Acquisition of a subsidiary	–	–	–	–	–	–	187,314	187,314
Dividend recognised as distribution (note 13)	–	(3,000)	–	–	–	(3,000)	–	(3,000)
Transfers	–	–	–	46,619	(46,619)	–	–	–
At 31 December 2017	54,516	165,186	71,005	123,889	43,561	458,157	186,735	644,892

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 (the "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 subsidiaries established in the PRC 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 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**102,819**	33,026
Adjustments for:		
Depreciation of property, plant and equipment	**24,937**	23,249
Amortisation of mining right	**1,067**	1,067
Release of prepaid lease payments	**1,383**	1,375
Provision for restoration cost	**608**	568
Write-down of inventories	**496**	–
Impairment loss in respect of exploration and evaluation assets	**5,744**	–
Finance costs	**12,479**	12,707
Interest income	**(628)**	(104)
Loss on disposal of property, plant and equipment	**289**	645
Release of deferred income	**(1,231)**	(1,228)
Exchange loss (gain)	**1,882**	(823)
Operating cash flows before movements in working capital	**149,845**	70,482
Decrease (increase) in inventories	**1,216**	(370)
(Increase) decrease in trade and other receivables	**(16,002)**	4,159
Increase in trade and other payables	**19,408**	637
Cash generated from operations	**154,467**	74,908
Income taxes paid	**(12,933)**	(9,972)
NET CASH FROM OPERATING ACTIVITIES	**141,534**	64,936
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(34,465)**	(47,237)
Deposit paid for acquisition of a subsidiary	**(31,285)**	(46,291)
Acquisition of a subsidiary, net of cash acquired (note 34)	**(20,177)**	–
Payment for evaluation and exploration assets	**(3,487)**	(2,214)
Interest received	**628**	104
Redemption of structured deposits	**1,000**	–
Release of restricted bank balances	**7,711**	–
Placement of restricted bank balances	**–**	(37,831)
NET CASH USED IN INVESTING ACTIVITIES	**(80,075)**	(133,469)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
FINANCING ACTIVITIES		
New bank borrowing raised	**105,946**	126,444
Proceeds from issue of shares, net	**103,329**	–
Advance from shareholders	**351**	9,430
Dividend paid	**(3,000)**	(8,000)
Repayment to shareholders	**(6,120)**	(3,310)
Interest paid	**(7,995)**	(7,467)
Consideration paid for redemption of non-controlling interests	**(32,000)**	(22,468)
Repayment of bank borrowings	**(116,686)**	(30,000)
Government grants received	**–**	313
NET CASH FROM FINANCING ACTIVITIES	**43,825**	64,942
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**105,284**	(3,591)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**8,777**	12,296
Effect of foreign exchange rate changes	**(5,422)**	72
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**108,639**	8,777

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 39.

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

The consolidated financial statements have been prepared on a going concern basis. As at 31 December 2017, the Group's current liabilities exceeded its current assets by RMB227,660,000. In preparing the consolidated financial statements, the directors of the Company have reviewed the Group's financial and liquidity position, and taken into consideration the proceeds from issue of new shares subsequent to the end of the reporting period of RMB81,214,000 as set out in note 29, any further fund raising activities should needs arise to finance its capital expenditures and potential acquisitions and working capital estimated to be generated from operating activities. The directors of the Company believe that the Group will have sufficient working capital to satisfy its existing liabilities as and when they fall due and the Group's future expansion for the foreseeable future and, accordingly, have prepared the consolidated financial statements on a going concern basis.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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 years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 38. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 38, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

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

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be 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 fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair values at subsequent accounting 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.

- 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 "Financial Instrument: Recognition and Measurement". 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would not be significantly difference as compared to the accumulated amount recognised under HKAS 39.

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

HKFRS 15 "Revenue from Contracts with Customers and the related Amendments"

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.

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group.

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

HKFRS 16 "Leases" ***(Continued)***

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB176,000 (2016: RMB180,000) as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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.

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.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, 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. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 at the rates of exchanges 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 retranslation 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.

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

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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, and leave and sick leave) after deducting any account already paid.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 of income or expense that are taxable or deductible in other years and 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 finite 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.

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.

Exploration and evaluation assets acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as their costs). Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment loss, reclassified to intangible assets or property, plant and equipment and assessed for impairment on the same basis as the costs directly associated with exploration and evaluation incurred by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets *(Continued)*

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.

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 relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to with the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets ***(Continued)***

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments ***(Continued)***

Financial assets (Continued)

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 cash and cash equivalences) 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).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets 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 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.

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 to profit or loss.

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.

Financial liabilities

The Group's financial liabilities, including trade and other payables, amounts due to shareholders, consideration payable for acquisition of a subsidiary, 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.

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 is recognised in profit or loss.

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

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. 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 estimate and underlying assumption is reviewed on an on-going basis. Revision to accounting estimate is 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 is the key assumption concerning the future, and other key source 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.

Impairment assessment of mining assets of the Yifeng Projects

The Group, through Yifeng Wanguo, owns the entire interests of certain mining projects in Yifeng, Jiangxi Province, the PRC, where underground mining was conducted. The existing mining projects in Yifeng and its surrounding areas has a substantial volume of non-ferrous polymetallic mineral resources (the "Yifeng Projects"). The mining assets for the mining projects in Yifeng mainly include certain property, plant and equipment, mining right and prepaid lease payments on the Group's consolidated statement of financial position and are considered as a single cash generating unit for impairment assessment.

The management assessed the recoverable amounts of the mining assets of the Yifeng Projects based on a value in use calculation using discounted cash flow model in respect of the impairment assessment as at 31 December 2017 and estimates of future production volume and metallic resources of the Yifeng Projects with reference to reserve reports prepared by external specialists. Key assumptions applied in the impairment assessment model include forecasted selling prices of the metallic concentrates, the growth rate and a discount rate. As at 31 December 2017, the aggregate carrying value of the mining assets of the Yifeng Projects amounted to RMB462,895,000 (2016: RMB457,027,000). No impairment losses has been recognised in profit or loss during the year ended 31 December 2017 or 2016.

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 CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies as set out in note 3.

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 of various metals. An analysis of the Group's revenue from its major products for the reporting period is as follows:

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

Information about major customers

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

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

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

[2] Revenue for sales of zinc and silver in zinc concentrates

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

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

6. OTHER INCOME

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

Notes:

(i) Amount represents the amount granted by a municipal government in the PRC to Yifeng Wanguo for mining technology improvement and is released to profit or loss over the expected useful lives of the relevant assets resulting from the mining technology improvement (see note 27).

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

7. OTHER GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Impairment loss in respect of exploration and evaluation assets (note 16)	**(5,744)**	–
Loss on disposal of property, plant and equipment	**(289)**	(645)
Net foreign exchange (loss) gain	**(1,882)**	823
	(7,915)	178

8. FINANCE COSTS

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

9. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax charge:		
PRC Enterprise Income Tax ("EIT")		
– Current year	**30,666**	10,806
– Underprovision in prior years	**78**	153
	30,744	10,959
Deferred tax charge (note 19)		
– Current year	**1,790**	95
	32,534	11,054

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

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

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

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

10. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 11)	**3,000**	3,048
Other staff costs	**29,462**	22,007
Retirement benefit scheme contributions, excluding those of directors	**1,719**	1,743
Total staff costs	**34,181**	26,798
Depreciation of property, plant and equipment	**24,937**	23,249
Amortisation of mining right	**1,067**	1,067
Release of prepaid lease payments	**1,383**	1,375
Total depreciation and amortisation	**27,387**	25,691
Auditor's remuneration (including audit and non-audit services)	**1,345**	1,285
Minimum lease payments under operating leases in respect of properties	**356**	216
Cost of inventories recognised as an expense	**191,063**	129,639
Write-down of inventories (included in cost of sales)	**496**	–

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 follow:

Name of directors	Fees RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments, mainly salaries and allowance RMB'000	Total RMB'000
For the year ended 31 December 2017				
Executive directors:				
Mr. Gao Mingqing	–	–	709	709
Ms. Gao Jinzhu	–	–	459	459
Mr. Xie Yaolin	–	9	557	566
Mr. Liu Zhichun	–	9	357	366
Non-executive directors:				
Mr. Li Kwok Ping	–	–	200	200
Mr. Lee Hung Yuen	–	–	200	200
Independent and non-executive directors:				
Dr. Lu Jian Zhong	150	–	–	150
Mr. Qi Yang	150	–	–	150
Mr. Shen Peng	200	–	–	200
	500	18	2,482	3,000
For the year ended 31 December 2016				
Executive directors:				
Mr. Gao Mingqing	–	–	708	708
Ms. Gao Jinzhu	–	–	458	458
Mr. Xie Yaolin	–	9	556	565
Mr. Liu Zhichun	–	9	356	365
Non-executive directors:				
Mr. Li Kwok Ping	–	–	200	200
Mr. Lee Hung Yuen	–	–	200	200
Mr. Wen Baolin (resigned on 18 March 2016)	–	–	52	52
Independent and non-executive directors:				
Dr. Lu Jian Zhong	150	–	–	150
Mr. Qi Yang	150	–	–	150
Mr. Shen Peng	200	–	–	200
	500	18	2,530	3,048

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS, AND THE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors *(Continued)*

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) Emoluments of senior management

Of the five (2016: five) senior management of the Company for the year ended 31 December 2017, four (2016: four) of them are directors of the Company and their remuneration has been disclosed in note 11(a). The total emoluments of the remaining one (2016: one) senior management is as follows:

	2017 RMB'000	2016 RMB'000
Salaries, other allowances and benefit-in-kinds	**707**	756
Retirement benefits	**16**	16
	723	772

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

(c) Five highest paid employees

The five highest paid employees of the Group during the year included four (2016: three) directors and one (2016: one) senior management, detail of whose remuneration are set out in the disclosures in (a) and (b) above. Details of the remuneration for the year of the remaining one highest paid employee for the year ended 31 December 2016 who is neither a director nor senior management of the Company are as follows:

	2016 RMB'000
Salaries, other allowances and benefit-in-kinds	372
Retirement benefits	16
	388

The emoluments of the above employee was within HK$1,000,000 for the year ended 31 December 2016.

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, senior management 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 the basic earnings per share attributable to the owners of the Company is based on the following data:

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

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

13. DIVIDENDS

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Mining structures RMB'000	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2016	176,807	104,084	71,816	5,488	8,296	100,465	466,956
Effect of foreign currency exchange differences	–	601	9	–	38	–	648
Additions	161	–	162	50	388	42,167	42,928
Transfer	35,243	3,149	12,779	–	27	(51,198)	–
Disposals/write off	–	(74)	(986)	–	–	–	(1,060)
At 31 December 2016	212,211	107,760	83,780	5,538	8,749	91,434	509,472
Effect of foreign currency exchange differences	–	(621)	2	–	(39)	–	(658)
Additions	81	12	4,614	117	94	28,018	32,936
Acquired on acquisition of a subsidiary (note 34)	–	549	255	100	16	–	920
Transfer	16,676	20,209	6,227	–	831	(43,943)	–
Disposals/write off	–	(61)	(886)	(105)	(1,544)	–	(2,596)
At 31 December 2017	228,968	127,848	93,992	5,650	8,107	75,509	540,074
DEPRECIATION							
At 1 January 2016	42,082	17,912	28,691	4,049	5,945	–	98,679
Effect of foreign currency exchange differences	–	72	–	–	31	–	103
Provided for the year	9,998	4,685	6,135	698	1,733	–	23,249
Eliminated on disposals	–	(23)	(392)	–	–	–	(415)
At 31 December 2016	52,080	22,646	34,434	4,747	7,709	–	121,616
Effect of foreign currency exchange differences	–	(92)	–	–	(35)	–	(127)
Provided for the year	10,699	6,145	7,094	585	414	–	24,937
Eliminated on disposals	–	(38)	(877)	(88)	(1,304)	–	(2,307)
At 31 December 2017	62,779	28,661	40,651	5,244	6,784	–	144,119
CARRYING VALUES							
At 31 December 2017	166,189	99,187	53,341	406	1,323	75,509	395,955
At 31 December 2016	160,131	85,114	49,346	791	1,040	91,434	387,856

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	2017 RMB'000	2016 RMB'000
In Hong Kong	**7,408**	8,242
Outside Hong Kong	**91,779**	76,872
	99,187	85,114

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 a bank to secure loan facilities granted to the Group are set out in note 30.

15. MINING RIGHT

	2017 RMB'000	2016 RMB'000
COST		
At beginning of the year	**22,233**	12,000
Transfer from exploration and evaluation assets	**–**	10,233
At end of the year	**22,233**	22,233
AMORTISATION		
At beginning of the year	**5,344**	4,277
Provided for the year	**1,067**	1,067
At end of the year	**6,411**	5,344
CARRYING VALUES	**15,822**	16,889

As at 31 December 2017 and 2016, the mining right was pledged to a bank to secure loan facilities granted to the Group as set out in note 30.

15. MINING RIGHT *(Continued)*

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

Exploration and evaluation assets amounting to RMB10,233,000 in respect of a mining project located in Jiangxi Province, the PRC, became demonstrable and reached the development phase during the year ended 31 December 2016, and were transferred to mining right above.

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 (i) Yifeng, Jiangxi Province, the PRC, which is the principal place of business of Yifeng Wanguo; and (ii) the Balcooma District and the Einasleigh District, Australia, which are the principal places of business of a subsidiary incorporated in Australia. As set out in note 15, the exploration and evaluation assets in Yifeng have been reclassified as mining right during the year ended 31 December 2016. During the year ended 31 December 2017, as set out in note 18, the Company completed the acquisition of Xizang Changdu County Dadi Mining Company Limited ("Xizang Changdu") and the exploration and evaluation assets of the relevant mine owned thereby amounting to RMB182,139,000 is included in the balance at the end of the reporting period.

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

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:

	2017 **RMB'000**	2016 RMB'000
Current portion	**1,377**	1,377
Non-current portion	**59,729**	61,111
	61,106	62,488

Details of the prepaid lease payments pledged to banks to secure loan facilities granted to the Group are set out in note 30.

18. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

	2017	2016
	RMB'000	RMB'000
Deposits paid for acquisitions of:		
Xizang Changdu (note i)	**–**	81,783
AXF Gold Ridge (note ii)	**35,393**	4,108
	35,393	85,891

Notes:

(i) 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.

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.

During the year ended 31 December 2016, the Group further paid deposits amounting to RMB42,183,000 to the Vendors. As at 31 December 2016, the aggregate balance of the refundable deposits amounted to RMB81,783,000. Upon completion of the acquisition, an amount of RMB20,620,000 out of RMB81,783,000 has been agreed by the Vendors and the Group to be redesignated as advances by the Group to Xizang Changdu and the aggregate consideration for the transaction remains unchanged at RMB194,958,000.

On 13 July 2017, the completion of the acquisition took place upon which the Group owned 51% equity interest of Xizang Changdu and controlled its board of directors. The Group considers Xizang Changdu had become an indirect non-wholly-owned subsidiary of the Company and consolidated its financial results into the consolidated financial statements to the Group since then. Further details are set out in note 34.

18. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES *(Continued)*

Notes: *(Continued)*

(ii) During the year ended 31 December 2016, the Group paid a deposit of RMB4,108,000 to Resources Pty Limited ("AXF Resources") pursuant to a non-legally binding investment framework agreement under which the Group is proposed to acquire certain equity interests in AXF Gold Ridge Pty Limited ("AXF Gold Ridge").

On 16 July 2017, the Group entered into a share sales and purchase agreement with AXF Resources pursuant to which the Company has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of 61.1% equity interest of AXF Gold Ridge for a consideration of Australian dollar ("AU$") 58,350,000. A further deposit of RMB31,285,000 has been paid by the Group. Pursuant to the terms of the agreement, the Company has agreed an estimated maximum commitment of approximately AU$50,000,000 for the construction, installation of machines and other relevant works with a view to rebuilding the gold mine project of AXF Gold Ridge to resume the extraction, processing and production of gold and the administration and maintenance costs. The total commitment of the Group for this transaction is approximately AU$108,350,000.

On 20 February 2018, the Group and AXF Resources re-negotiated the terms of the acquisition of interests in AXF Gold Ridge, and entered into a deed of amendment and restatement (the "Deed") to supersede the original sale and purchase agreement. Pursuant to the Deed, the Group has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of 77.78% equity interest of AXF Gold Ridge for a consideration of AU$42,363,000 (equivalent to RMB211,226,000). Pursuant to the terms of the Deed, the Group has committed to invest a maximum amount of AU$50,000,000 (equivalent to RMB249,305,000, including the amount of AU$11,110,000 (equivalent to RMB55,396,000) attributable to the 22.22% equity interest of AXF Gold Ridge held by AXF Resources following the completion of the acquisition) for the construction, installation of machines and other relevant works with a view to rebuilding the gold mine project to resume the exploration, processing and production of gold. Pursuant to the terms of the Deed, on the date of completion, both parties shall sign a put option agreement, pursuant to which AXF Resources will agree to pay AU$10 to the Group and the Group will grant AXF Resources an option to require the Group to purchase all of the remaining 22.22% equity interest in AXF Gold Ridge held by AXF Resources. The consideration to be paid by the Group on exercise of the put option shall be AU$26,388,000 (equivalent to RMB131,573,000) plus any premium to be agreed by the parties. Hence, the total maximum amount of commitment of the Group for the acquisition and the put option is approximately AU$118,751,000 (equivalent to RMB592,104,000), of which the aggregate amount of AU$28,645,000 (equivalent to RMB142,827,000) will be due for payments within one year following the completion of the acquisition.

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

19. DEFERRED TAXATION

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

	2017 **RMB'000**	2016 RMB'000
Deferred tax assets	**3,170**	2,960
Deferred tax liabilities	**(82,322)**	(750)
	(79,152)	2,210

19. DEFERRED TAXATION *(Continued)*

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

	Undistributed earnings of the PRC subsidiary RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Restoration cost and other provisions RMB'000	Government subsidy RMB'000	Total RMB'000
At 1 January 2016	(1,100)	–	880	1,925	1,705
(Charge) credit to profit or loss	(250)	–	142	13	(95)
Settlements of withholding income tax relating to earnings of a subsidiary established in the PRC	600	–	–	–	600
At 31 December 2016	(750)	–	1,022	1,938	2,210
(Charge) credit to profit or loss	**(2,000)**	**–**	**276**	**(66)**	**(1,790)**
Settlements of withholding income tax relating to earnings of a subsidiary established in the PRC	**250**	**–**	**–**	**–**	**250**
Acquisition of a subsidiary (note 34)	**–**	**(79,822)**	**–**	**–**	**(79,822)**
At 31 December 2017	**(2,500)**	**(79,822)**	**1,298**	**1,872**	**(79,152)**

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 subsidiaries established 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 these subsidiaries with the applicable tax rate of 5%.

At the end of the reporting period, the Group has unused tax losses of RMB4,208,000 (2016: RMB2,206,000) available for offset against future profits.

At the end of the reporting period, the Group has deductible temporary differences of RMB5,744,000 (2016: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

20. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

The restricted bank balances carry interest at a fixed rate of 3.0% (2016: 3.0%) 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:

	2017 %	2016 %
Range of interest rates (per annum)	**0.00 to 3.00**	0.00 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:

	2017 RMB'000	2016 RMB'000
HK$	**77,701**	547
AU$	**11**	109

21. INVENTORIES

	2017 RMB'000	2016 RMB'000
Mining products		
– Raw materials	**6,640**	7,625
– Work-in-progress	**–**	384
– Finished goods	**2,662**	3,004
	9,302	11,013

22. TRADE AND OTHER RECEIVABLES

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

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 60 days for sales of certain products. For others, the Group generally requests for deposits in advance from customers (see note 23). The following is an aged analysis of trade and bills receivables presented based on the invoice dates at the end of the reporting period as follows:

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

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

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

The Group does not hold any collateral over these balances.

As at 31 December 2016, included in trade receivables was an amount of RMB104,000 due from a related party, as set out in note 35(a). No balance of trade receivables was due from any related party as at 31 December 2017.

23. TRADE AND OTHER PAYABLES

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

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

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

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

24. AMOUNTS DUE TO SHAREHOLDERS

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

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

Notes:

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

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

25. 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.

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.

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

During the year ended 31 December 2016, an amount of RMB42,468,000 fall due in that year was agreed to be extended to 2018.

During the year ended 31 December 2017, another amount of RMB42,468,000 fall due in the year is agreed to be extended to 2019.

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

	2017 RMB'000	2016 RMB'000
– Within one year	**72,378**	70,607
– More than one year, but not exceeding two years	**35,356**	64,643
	107,734	135,250
Less: amount due within one year shown under current liabilities	**(72,378)**	(70,607)
Amount shown under non-current liabilities	**35,356**	64,643

26. SECURED BANK BORROWINGS

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

The interest rates of the Group's floating rate borrowings are based on interest at RMB Benchmark Loan Rates issued by the People's Bank of China. Interest is reset every year.

26. SECURED BANK BORROWINGS *(Continued)*

The effective interest rates on the Group's borrowings are as follows:

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

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

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

27. 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:

	2017	2016
	RMB'000	RMB'000
Government grant related to assets:		
At the beginning of the year	**13,796**	14,711
Additions	**–**	313
Released to profit or loss	**(1,231)**	(1,228)
At the end of the year	**12,565**	13,796

28. PROVISIONS

	2017	2016
	RMB'000	RMB'000
At beginning of the year	**3,791**	3,223
Provisions	**608**	568
At end of the year	**4,399**	3,791

In accordance with the 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.

28. PROVISIONS *(Continued)*

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.

29. SHARE CAPITAL

Details of share capital of the Company are as follow:

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2016, 31 December 2016 and 31 December 2017	1,000,000	100,000
Issued:		
At 1 January 2016 and 31 December 2016	600,000	60,000
Issue of shares	66,000	6,600
At 31 December 2017	666,000	66,600

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

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

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

30. PLEDGE OF ASSETS

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

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	**42,779**	45,469
Prepaid lease payments	**26,674**	27,327
Mining right	**15,822**	16,889
	85,275	89,685

In addition to the above, the entire shareholding of Yifeng Wanguo as at 31 December 2017 and 2016 was also pledged to a bank for a bank facility provided to the Group.

31. CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of:		
– acquisition of equity interest in; and construction, installation of machines and other relevant works for the mining project of AXF Gold Ridge (see note 18)	**516,412**	–
– acquisition of land use right and property, plant and equipment	**6,837**	9,295
– acquisition of 51% equity interest in Xizang Changdu (see note 18)	**–**	113,175
	523,249	122,470

32. LEASE COMMITMENTS

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

	2017 RMB'000	2016 RMB'000
Within one year	**176**	180

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

33. 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. The 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.

During the year, the retirement benefit scheme contributions amounted to RMB1,737,000 (2016: RMB1,761,000).

34. ACQUISITION OF A SUBSIDIARY

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

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

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

34. ACQUISITION OF A SUBSIDIARY *(Continued)*

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

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

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

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

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

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

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

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

35. RELATED PARTY TRANSACTIONS

(a) Related party transactions and balances

During the years end 31 December 2017 and 2016, the Group entered into the following transactions with related parties:

	2017 RMB'000	2016 RMB'000
Advance from Victor Soar	351	6,675
Advance from Achieve Ample	–	2,755
Sales to Fujian Jianyang Wanguo Electric Appliance Co., Ltd. ("Jianyang Wanguo")	–	1,804
Sales to Shanghai Wanhe Trading Limited ("Shanghai Wanhe")	N/A	952
	351	12,186

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

	2017 RMB'000	2016 RMB'000
Amount due to Victor Soar	351	3,365
Amount due to Achieve Ample	–	2,755
Amount due from Jianyang Wanguo (included in trade receivables)	–	104
	351	6,224

Jianyang Wanguo is owned as to 98.9% and controlled by Mr. Gao Mingqing.

Shanghai Wanhe was owned as to 51.1% by Ms. Gao Jinzhu. The relevant equity interest has been transferred to independent third-parties by Ms Gao Jinzhu on 8 July 2016.

In addition, certain of the Group's bank borrowing as set out in note 26 as at 31 December 2017 and 2016 were personally guaranteed by Mr. Gao Mingqing and Ms. Gao Jinzhu.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

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

	2017 RMB'000	2016 RMB'000
Fees, salaries and other allowances	**3,689**	3,786
Retirement benefit scheme contributions	**34**	34
	3,723	3,820

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

	2017 RMB'000	2016 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**160,795**	55,104
Financial liabilities:		
Amortised cost	**415,717**	317,888

(b) Financial risk management objectives and policies

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

37. FINANCIAL INSTRUMENTS *(Continued)*

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

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

	2017 RMB'000	2016 RMB'000
HK$	**77,747**	598
AU$	**2,750**	109

Liabilities

	2017 RMB'000	2016 RMB'000
HK$	**4,797**	6,120

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2016: 5%) increase or decrease in RMB against HK$ or AU$. 5% (2016: 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% (2016: 5%) change in foreign currency rates.

	2017 RMB'000	2016 RMB'000
HK$ impact:		
5% increase in the value of the functional currency RMB		
Increase (decrease) in post-tax profit for the year	**2,736**	(207)
5% decrease in the value of the functional currency RMB		
(Decrease) increase in post-tax profit for the year	**(2,736)**	207
AU$ impact:		
5% increase in the value of the functional currency RMB		
Increase in post-tax profit for the year	**103**	4
5% decrease in the value of the functional currency RMB		
Decrease post-tax profit for the year	**(103)**	(4)

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.

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate restricted bank balance (note 20) and bank borrowings (note 26).

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 20) and secured bank borrowings (note 26).

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 arising from the Group's RMB denominated borrowings.

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.

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 (2016: 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 (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2017 would decrease/increase by RMB17,000 (2016: RMB403,000).

37. FINANCIAL INSTRUMENTS *(Continued)*

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

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 78% of total trade receivables as at 31 December 2017 (2016: 79%) was due from one customer.

The Group has concentration of credit risk by geographical location as the entire balance of its trade receivable as at 31 December 2016 and 2017 were in the PRC.

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, undrawn banking facilities and other debt financing instruments, 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 RMB227,660,000 as at 31 December 2017, and have taken into considerations of the measurements and sources of liquidity as set out in details in note 1. The directors of the Company consider the Group's liquidity risk is minimal.

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 below 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.

37. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average effective interest rate	On demand/ less than 3 months	3 months to 1 year	1 -5 years	over 5 years	Total undiscounted cash flow	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017							
Non-derivative financial liabilities							
Trade and other payables	–	14,774	33,532	13	–	48,319	48,319
Amounts due to shareholders	–	–	351	–	–	351	351
Consideration payable for acquisition of a subsidiary	–	–	113,610	–	–	113,610	113,610
Consideration payable to a former non-controlling shareholder of a subsidiary	7.05	9,000	69,936	36,468	–	115,404	107,733
Secured bank borrowings							
– fixed rate	5.74	5,010	41,443	20,526	–	66,979	64,758
– floating rate	5.48	128	80,029	2,043	2,426	84,626	80,946
		28,912	338,901	59,050	2,426	429,289	415,717
As at 31 December 2016							
Non-derivative financial liabilities							
Trade and other payables	–	15,179	4,882	13	–	20,074	20,074
Amounts due to shareholders	–	6,120	–	–	–	6,120	6,120
Consideration payable to a former non-controlling shareholder of a subsidiary	7.05	10,000	64,468	72,936	–	147,404	135,250
Secured bank borrowings							
– fixed rate	6.03	–	74,635	59,717	–	134,352	126,444
– floating rate	5.22	–	30,481	–	–	30,481	30,000
		31,299	174,466	132,666	–	338,431	317,888

(c) Fair value measurements 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. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Secured bank borrowings RMB'000	Amounts due to shareholders RMB'000	Dividend payable RMB'000	Consideration payable to a former non-controlling shareholder of a subsidiary RMB'000	Total RMB'000
At 1 January 2017	156,444	6,120	–	135,250	297,814
Financing cash flows	(18,735)	(5,769)	(3,000)	(32,000)	(59,504)
Non-cash changes					
Interest expenses	7,995	–	–	4,484	12,479
Dividend declared	–	–	3,000	–	3,000
At 31 December 2017	145,704	351	–	107,734	253,789

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2017 and 2016 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
			2017	2016	
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 (note i)	The PRC	RMB268,990,000	100%	100%	Mining and processing of ores and sales of processed concentrates
Xizang Changdu (note ii)	The PRC	RMB195,000,000	51%	N/A	Exploration of mineral resources
Wanguo Australia	Australia	AU$1,000	100%	100%	Exploration of mineral resources
Wanguo Ascendant Holding Limited (note ii)	Hong Kong	HK$1	100%	N/A	Investment holding
Mega Harvest International Development Limited (note ii)	Hong Kong	HK$1	100%	N/A	Investment holding

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

Notes:

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

(ii) Newly established/acquired during the year.

(iii) During the year, the Group entered into a joint venture agreement with two independent third parties in relation to the establishment of Hubei Wanguo New Materials Technology Limited ("Hubei Wanguo") in Hubei Province, the PRC. According to the relevant agreement, the Group has to contribute an amount of RMB5,500,000 toward the registered capital of Hubei Wanguo; and upon completion of its establishment, Hubei Wanguo will be owned as to 55% by the Group and the board of directors of Hubei Wanguo will be controlled by the Group. Hubei Wanguo has been duly established in July 2017 yet no amount has been paid up by the Group up to December 2017 when the Group determined to terminate its investment in Hubei Wanguo by transferring its interest in the 55% equity interest in Hubei Wanguo to an independent third party with nil consideration. Immediate upon completion of the transfer, the Group ceased to hold any interest in Hubei Wanguo. Hubei Wanguo was inactive and had no contribution of any profit nor revenue of the Group for the year.

40. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS

Summarised financial information in respect of Xizang Changdu, which the Group has material non-controlling interests, is set out below. The summarised financial information of Xizang Changdu, prepared in accordance with the significant accounting policies of the Group, are as follows:

	2017 RMB'000
Financial information of statement of profit or loss and other comprehensive income (from the date of completion of the Group's acquisition of Xizang Changdu to 31 December 2017)	
Revenue	–
Other income and gains	–
Expenses and taxation	(1,182)
Loss for the period	(1,182)
Loss for the period, attributable to:	
Equity holders of the Company	(603)
Non-controlling interests of the Group	(579)
	(1,182)
Dividends paid to non-controlling interests of the Group	–
Financial information of statement of financial position	
Non-current assets	502,217
Current assets	4,804
Current liabilities	(46,107)
Non-current liabilities	(79,822)
	381,092
Equity attributable to:	
Equity holders of the Company	194,357
Non-controlling interests of the Group	186,735
	381,092
Financial information of statement of cash flows (from the date of completion of the Group's acquisition of Xizang Changdu to 31 December 2017)	
Net cash outflow from operating activities	(3,566)
Net cash outflow from investing activities	(3,487)
Net cash inflow from financing activities	11,528
Net cash inflow	4,475

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Interest in subsidiaries	1	1
Amounts due from subsidiaries	118,651	103,979
Deposits for acquisition of a subsidiary	3,838	4,108
	122,490	108,088
CURRENT ASSETS		
Other receivables and prepayments	1,171	1,122
Bank balances and cash	76,569	9
	77,740	1,131
CURRENT LIABILITY		
Amount due to shareholders	–	5,761
NET CURRENT ASSETS (LIABILITIES)	77,740	(4,630)
TOTAL ASSETS LESS CURRENT LIABLITIES	200,230	103,458
CAPITAL AND RESERVES		
Share capital	54,516	48,955
Reserves	145,714	54,503
TOTAL EQUITY	200,230	103,458

Movement in reserves:

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	78,418	(27,002)	51,416
Profit and total comprehensive income for the year	–	11,087	11,087
Dividend recognised as distribution	(8,000)	–	(8,000)
At 31 December 2016	70,418	(15,915)	54,503
Loss and total comprehensive expense for the year	–	(3,557)	(3,557)
Issue of new shares	97,882	–	97,882
Transaction costs attributable to issue of new shares	(114)	–	(114)
Dividend recognised as distribution	(3,000)	–	(3,000)
At 31 December 2017	165,186	(19,472)	145,714

Summary Financial Information

RESULTS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**348,494**	206,875	220,787	219,163	261,438
Profit before tax	**102,819**	33,026	27,285	39,178	95,053
Income tax expenses	**(32,534)**	(11,054)	(10,712)	(15,131)	(28,732)
Profit and total comprehensive income for the year	**70,285**	21,972	16,573	24,047	66,321
Profit attributable to owners of the Company	**70,864**	21,972	16,573	24,047	66,321

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,030,487**	576,054	502,854	440,157	391,626
Current assets	**186,975**	72,827	47,446	104,439	158,893
Current liabilities	**(414,635)**	(225,129)	(156,597)	(138,456)	(86,204)
Total assets less current liabilities	**802,827**	423,752	393,703	406,140	464,315
Non-current liabilities	**(157,935)**	(136,788)	(120,711)	(133,721)	(172,143)
Non-controlling interests	**(186,735)**	–	–	–	–
Equity attributable to owners of the Company	**458,157**	286,964	272,992	272,419	292,172