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 **2018**

CONTENTS

Corporate Information

DIRECTORS

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

Non-executive Directors:
Li Kwok Ping
Lee Hung Yuen
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

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 2018.

For the year ended 31 December 2018, the Group mined 754,974 tonnes of ores, of which it sold copper in copper concentrates of 3,446 tonnes, iron concentrates of 111,153 tonnes, zinc in zinc concentrates of 5,096 tonnes, sulfur concentrates of 150,569 tonnes, lead in lead concentrates of 905 tonnes, gold of 128 kg, silver of 6,884 kg and copper of 341 kg. We achieved revenue of RMB320.7 million, gross profit of RMB135.6 million and profit attributable to owners of the Company of RMB72.1 million.

On 20 December 2018, Jiangxi Province Yifeng Wanguo Mining Company Limited ("Yifeng Wanguo"), an indirect wholly-owned subsidiary of the Company, received the "High and New-Technology Enterprise ("HNTE") certificate" jointly issued by the Department of Science and Technology of Jiangxi Province, Department of Finance of Jiangxi Province, and State Administration of Taxation of Jiangxi Province. The certificate number is GR201836000062 and is valid for three (3) years from 13 August 2018, being the date of issue of the HNTE certificate. According to the relevant regulations, Yifeng Wanguo can now enjoy the preferential tax policies under the HNTE program i.e. the corporate income tax rate has been reduced from 25% to 15% for three (3) consecutive years from 2018 to 2020.

Chairman and Chief Executive Officer

2018 was a year of challenges. During the first half of 2018, economy was still booming but it turned down substantially since the rise in US-China tensions in the second half of 2018. The escalating trade war between the US and China has undermined free trade, and led to uncertainty in the world's largest economies. The tariffs imposed by US President Donald Trump on Chinese imports, has sparked a fall in metals and mining shares, and undermined investment. It is still a question whether US Federal Reserve would continue to raise rates and whether that would spark further tightening of monetary policy worldwide.

All these uncertainties will directly or indirectly affect the mining market, causing short-term fluctuations and shocks in mineral prices. Therefore, the Group has a cautiously optimistic attitude towards the non-ferrous metal market.

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
29 March 2019

Management Discussion and Analysis

MARKET REVIEW

Copper

According to World Bureau of Metal Statistics, the copper market recorded a surplus of 496,000 tonnes for the year ended 31 December 2018 which followed a surplus of 138,000 tonnes for the whole year of 2017. Reported stocks fell during December 2018 and closed at 201,000 tonnes lower than that at the end of December 2017. Such decrease included net deliveries of 2,000 tonnes out of London Metal Exchange ("LME") warehouses. No allowance is made in the consumption calculation for unreported stock changes, particularly in the Chinese government stockpile.

World mine production for the year ended 31 December 2018 was 20.71 million tonnes which was 2.1% higher than that for the same period in 2017. Global refined production for the year ended 31 December 2018 was up by 1.1% to 23.66 million tonnes as compared with the previous year with a significant increase recorded in Zambia (up by 97,000 tonnes), in Chile (up by 45,000 tonnes) and in Iran (up by 71,000 tonnes).

Global consumption for the year ended 31 December 2018 was 23.17 million tonnes compared with 23.26 million tonnes for the same period of 2017. Chinese trade data for December 2018 has just become available following a six-month delay for technical reasons. Chinese apparent demand for the year ended 31 December 2018 was 12,482,000 tonnes which was 5.9% higher than that for the whole year of 2017. The European Union production fell by 1.5% and demand was 3,413,000 tonnes, which was 2.3% above that for the whole year of 2017 total.

MARKET REVIEW *(Continued)*

Iron

In 2018, PRC steel market fluctuated under the influence of a series of factors such as continuous reform of the supply side, prevention of the resurgence of "strip steel", and strict prevention of resumption of excess capacity.

Judging from the overall price trends in the whole year, it appears that the year-end price of steel has fallen year-on-year, but the average annual price has been shifted upwards. According to the monitoring data of the Lange Steel Cloud Business Platform, as of 29 December 2018, the Lange Steel National Steel Composite Price Index (蘭格鋼鐵全國鋼材綜合價格指數) was RMB147.8, down 11.1% year-on-year. Among them, the long product (processed steel embryo) price index was RMB159.5, down 11.6% year-on-year; the sheet price index was RMB134.8, down 11.8% year-on-year; the profile price index was RMB157.0, down 7.6% year-on-year; the pipe price index was RMB159.2, down 8.0% year-on-year. The average annual price of Lange Steel's comprehensive steel products (蘭格鋼鐵綜合鋼材價格) in 2018 was RMB4,413 per tonne, up 7.8% from 2017.

Zinc

According to World Bureau of Metal Statistics, the zinc market was in surplus by 48,500 tonnes during the year ended 31 December 2018 as compared with a deficit of 438,000 tonnes recorded in the whole of the previous year. Reported stocks decreased by 126,000 tonnes during the year ended 31 December 2018 with a net decrease of 25,200 tonnes in Shanghai over the period. LME stocks rose earlier in the year but declined to 129,000 tonnes by end of 2018 as compared with 181,000 tonnes at the end of 2017. LME stocks represented 24% of the global total with the bulk of the metal held in US warehouses.

Global refined production fell by 2.8% and consumption was 6.1% lower than the levels recorded in 2017. Japanese apparent demand was at 524.1 kilotonne ("kt"), 8.7% above the equivalent total for the whole year of 2017. The figure in March 2018 was higher than usual due to a decline of 9.3 kt in producer stocks at the end of the Japanese fiscal year.

World demand was 873 kt lower than that for the year ended 31 December 2017. Chinese apparent demand was 6,179 kt which was almost 46% 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 recorded a deficit of 204,000 tonnes for the year ended 31 December 2018 which followed a deficit of 386,000 tonnes recorded in the whole year of 2017. Total stocks at the end of December 2018 were 56,000 tonnes lower than that at the end of 2017. No allowance is made in the consumption calculation for unreported stock changes.

World refined production during the year ended 31 December 2018 from both primary and secondary sources was 11,765,000 tonnes which was 4.8% higher than that in the comparable period of 2017. Chinese trade data has just become available following a six-month delay for technical reasons. Chinese apparent demand was estimated at 5,235,000 tonnes which was 411,000 tonnes higher than that for the comparable period of 2017.

Gold and Silver

The US Federal Reserve's monetary policy was expected to be one of the main lines of the precious metals market in 2018, but the risk aversion caused by the Trump's trade policy has also become a hot topic in the precious metals market. Different from the past, this "safe haven" has little to do with precious metals. On the contrary, the return of the US dollar has brought considerable pressure on the price of gold. Regardless of the asset allocation perspective, or for speculation purpose, investors are cold-eyed this year, resulting in the downward fluctuations of gold and silver prices during the year of 2018.

Most of precious metals appeared at high prices in January 2018, and plunged to the year's lows in August 2018. Gold and silver prices stabilised after a gradual decline, yet they oscillated at a relatively low level.

Management Discussion and Analysis

BUSINESS REVIEW

Our Group is principally engaged in the business of mining, ore processing and sale of concentrates products in the PRC. Currently, we, through our wholly-owned subsidiaries, own the entire equity interest in 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.

In addition, the Group has, on 13 July 2017, 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

Xinzhuang 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) ("Nerin") for conducting a feasibility study on an expansion plan of our Xinzhuang Mine to 900,000 tpa. Nerin is still revising the feasibility study report and the Group expects to receive it by the end of 2019 for the purpose of commencing the 900,000 tpa expansion plan.

Walege Mine

We are in the progress of applying for the mining license for the Walege Mine. The industrial indicators' demonstration was completed in February 2018 and was registered and filed to the National Land Bureau Evaluation Centre (國土廳評審中心). Final draft of the exploration report which was revised based on the industrial indicators has been submitted in July 2018 for review by the National Land Bureau Evaluation Centre. Additional samplings and chemical tests have been finished and we are in the progress of updating exploration report for re-submission to National Land Bureau Evaluation Centre.

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.

Management Discussion and Analysis

HORIZONTAL EXPANSION

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

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

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

Pursuant to the terms of the Deed, on the completion date, both parties shall sign the Put Option Agreement, pursuant to which AXF Resources will agree to pay AUD10 to the Company and the Company will grant AXF Resources an option (the "Put Option") to require the Company to purchase all of the remaining interest in AXF Gold Ridge held by AXF Resources (i.e. 22.22% 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).

On 19 October 2018, AXF Resources and the Company entered into an amendment to the Deed to amend the payment schedule of the consideration for the acquisition.

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.

Management Discussion and Analysis

HORIZONTAL EXPANSION *(Continued)*

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 been 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.

Please refer to the announcements of the Company dated 22 February 2018, 30 April 2018, 31 July 2018, 28 September 2018, 22 October 2018 and 31 December 2018 respectively for details.

Subscription of new Shares under General Mandate

On 3 November 2017, the Company entered into a subscription agreement with Cheng Tun Prime Shine Limited (formerly known as Prime Shine Limited)(the "Subscriber"), an indirectly wholly owned subsidiary of Cheng Tun Mining Group Co., Ltd. ("Chengtun Mining") (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 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.

Management Discussion and Analysis

HORIZONTAL EXPANSION *(Continued)*

On 28 February 2018, the Subscription was completed where an aggregate of 120,000,000 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 Subscription was approximately HK$223.0 million. As at 31 December 2018, all the net proceeds from the Subscription has been utilised in accordance with the intended use of the net proceeds as follows:

	Net proceeds from the Subscription utilised (up to 31 December 2018) (HK$ million)
Net proceeds from the Subscription	223.0
Payment of the consideration in relation to the acquisition of 35% equity interest of Xizang Changdu by the Group;	(118.5)
Payment of the consideration in relation to the acquisition of majority shareholding of AXF Gold Ridge;	(86.2)
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.	(18.3)
Balance of the net proceeds	–

Possible Disposal and Subscription of Shares of the Company

On 14 November 2018, the Company, Victor Soar Investments Limited ("Victor Soar"), Achieve Ample Investments Limited ("Achieve Ample") and the potential buyer (the "Potential Buyer") entered into the memorandum of understanding (the "MOU") in respect of the possible disposal of 80,000,000 Shares from Victor Soar and Achieve Ample to the Potential Buyer (the "Possible Disposal") and the possible subscription of a new issue of 232,000,000 Shares from the Company to the Potential Buyer (the "Possible Subscription").

As at the date of this annual report, other than the MOU (not legally binding on the parties thereto, save for the clauses relating to exclusivity period, governing law and confidentiality), no formal or legally binding agreement has been entered into in respect of the Possible Disposal and/or the Possible Subscription and the negotiations are still in progress. For details, please refer to the Company's announcements dated 19 November 2018, 19 December 2018, 27 December 2018, 3 January 2019, 1 February 2019, 1 March 2019 and 29 March 2019 respectively.

Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules and The Code on Takeovers and Mergers and Share Buy-back.

Management Discussion and Analysis

MINERAL RESOURCES AND RESERVES

The Xinzhuang Mine Mineral Resource Summary – as at 31 December 2018

			Grades					Contained Metals				
Mineralization Type	**JORC Mineral Resource Category**	**Tonnage kt**	**Cu %**	**Pb %**	**Zn %**	**TFe %**	**mFe %**	**Cu Kt**	**Pb kt**	**Zn kt**	**TFe kt**	**mFe kt**
Cu-Fe	Measured	5,438	0.79	–	–	–	–	43.08	–	–	–	–
	Indicated	11,702	0.68	–	–	–	–	80.08	–	–	–	–
	Subtotal	**17,140**	**0.72**	**–**	**–**	**–**	**–**	**123.16**	**–**	**–**	**–**	**–**
	Inferred	845	0.47	–	–	–	–	3.93	–	–	–	–
	Total	**17,985**	**0.71**	**–**	**–**	**–**	**–**	**127.09**	**–**	**–**	**–**	**–**
Fe-Cu	Measured	1,998	0.18	–	–	43.93	30.94	3.50	–	–	877.98	618.23
	Indicated	3,327	0.34	–	–	39.27	24.19	11.44	–	–	1,306.81	805.00
	Subtotal	**5,325**	**0.28**	**–**	**–**	**41.02**	**26.72**	**14.94**	**–**	**–**	**2,184.79**	**1,423.23**
	Inferred	296	0.53	–	–	44.13	31.03	1.58	–	–	130.62	91.84
	Total	**5,621**	**0.29**	**–**	**–**	**41.19**	**26.95**	**16.52**	**–**	**–**	**2,315.41**	**1,515.07**
Cu-Pb-Zn	Measured	1,790	0.13	0.96	5.39	–	–	2.27	17.23	96.54	–	–
	Indicated	2,351	0.08	1.83	3.69	–	–	1.96	43.05	86.67	–	–
	Subtotal	**4,141**	**0.10**	**1.46**	**4.42**	**–**	**–**	**4.23**	**60.28**	**183.21**	**–**	**–**
	Inferred	340	0.13	0.39	4.44	–	–	0.43	1.34	15.08	–	–
	Total	**4,481**	**0.10**	**1.38**	**4.43**	**–**	**–**	**4.66**	**61.62**	**198.29**	**–**	**–**
Total	Measured	9,226	–	–	–	–	–	48.85	17.23	96.54	877.98	618.23
	Indicated	17,380	–	–	–	–	–	93.48	43.05	86.67	1,306.81	805.00
	Subtotal	**26,606**	**–**	**–**	**–**	**–**	**–**	**142.33**	**60.28**	**183.21**	**2,184.79**	**1,423.23**
	Inferred	1,481	–	–	–	–	–	5.94	1.34	15.08	130.62	91.84
	Total	**28,087**	**–**	**–**	**–**	**–**	**–**	**148.27**	**61.62**	**198.29**	**2,315.41**	**1,515.07**

Notes:

(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 2018.

MINERAL RESOURCES AND RESERVES *(Continued)*

The Xinzhuang Mine Ore Reserve Summary – as at 31 December 2018

			Grades					Contained Metals				
Mineralization Type	**JORC Ore Reserve Category**	**Tonnage kt**	**Cu %**	**Pb %**	**Zn %**	**TFe %**	**mFe %**	**Cu kt**	**Pb kt**	**Zn kt**	**TFe kt**	**mFe kt**
Cu-Fe	Proved	3,997	0.75	–	–	–	–	30.16	–	–	–	–
	Probable	4,403	0.65	–	–	–	–	28.64	–	–	–	–
	Total	**8,400**	**0.70**	**–**	**–**	**–**	**–**	**58.80**	**–**	**–**	**–**	**–**
Fe-Cu	Proved	2,098	0.21	–	–	37.57	32.89	4.30	–	–	786.98	690.23
	Probable	1,756	0.33	–	–	23.78	19.56	5.75	–	–	417.68	343.54
	Total	**3,854**	**0.26**	**–**	**–**	**31.25**	**26.82**	**10.05**	**–**	**–**	**1,204.66**	**1,033.77**
Cu-Pb-Zn	Proved	1,227	0.08	0.88	5.17	–	–	1.01	10.84	63.46	–	–
	Probable	923	0.03	1.35	2.96	–	–	0.32	12.47	27.30	–	–
	Total	**2,150**	**0.06**	**1.08**	**4.22**	**–**	**–**	**1.33**	**23.31**	**90.76**	**–**	**–**
Total	Proved	7,322	–	–	–	–	–	35.47	10.84	63.46	786.98	690.23
	Probable	7,082	–	–	–	–	–	34.71	12.47	27.30	417.68	343.54
	Total	**14,404**	**–**	**–**	**–**	**–**	**–**	**70.18**	**23.31**	**90.76**	**1,204.66**	**1,033.77**

Notes:

(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 2018.

The Walege Mine Mineral Resource Summary – as at 31 December 2018 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**

Notes:

(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 years ended 31 December 2017 and 2018.

Management Discussion and Analysis

FINANCE REVIEW

Revenue

The Group's revenue decreased by 8.0% from approximately RMB348.5 million in 2017 to approximately RMB320.7 million in 2018, which was primarily due to the decrease in volumes of concentrates sold during the year.

For the year ended 31 December 2018, we sold 3,446 tonnes of copper in copper concentrates, 111,153 tonnes of iron concentrates and 5,096 tonnes of zinc in zinc concentrates, compared to 3,490 tonnes, 127,594 tonnes and 5,478 tonnes respectively for the year ended 31 December 2017, representing decreases of approximately 1.3%, 12.9% and 7.0%, for copper in copper concentrates, iron concentrates and zinc in zinc concentrates, respectively. Such decreases were principally attributable to the unstable recovery rate and ore grade resulted from conducting process trials and technical transformation.

The average prices of copper in copper concentrates, iron concentrates and zinc in zinc concentrates in 2018 were RMB36,636, RMB376 and RMB14,946 per tonne respectively, compared to RMB35,235, RMB428 and RMB15,074 per tonne respectively in 2017, representing an increase of approximately 4.0%, and decreases of 12.1% and 0.8% respectively. During 2018, except for copper, most of the metals prices have dropped. Our Directors believe that such decrease was mainly due to the outbreak of US-China tensions in the second half of 2018.

Cost of sales

Overall, our cost of sales decreased by approximately 3.2% from approximately RMB191.1 million in 2017 to approximately RMB185.0 million in 2018, which was mainly due to the decrease in sales volume, cost of materials such as explosives and fee paid to a third-party contractor for underground mining works.

Gross profit and gross profit margin

The overall gross profit of our Group for the year ended 31 December 2018 was approximately RMB135.6 million, which represented a decrease of approximately 13.9% compared to approximately RMB157.4 million for the year ended 31 December 2017. Our overall gross profit margin decreased from approximately 45.2% for the year ended 31 December 2017 to approximately 42.3% for the year ended 31 December 2018. Such decrease was mainly attributable to the drop in the selling price of the concentrates.

Other income

Our other income mainly comprised bank interest income of approximately RMB0.5 million, sales of other ore of approximately RMB0.6 million, incentives received from a local governmental authority of approximately RMB0.3 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB1.5 million for the year ended 31 December 2018. Other income increased by approximately RMB0.4 million as compared with 2017, which was attributable to the increase in sales of other ore during 2018.

Other gains and losses

Our other gains and losses increased by approximately RMB8.3 million, which comprised mainly unrealised exchange gain of approximately RMB1.2 million as a result of the translation of Hong Kong dollars into Renminbi under the appreciation of Hong Kong dollars as at 31 December 2018, whereas for the year ended 31 December 2017, an impairment loss of approximately RMB5.7 million in respect of disposal of exploration activities in Australia and unrealised exchange loss of approximately RMB1.9 million incurred as a result of the depreciation of Hong Kong dollars against Renminbi.

Selling and distribution expenses

Our selling and distribution expenses were comparable in the two years.

Administrative expenses

Our administrative expenses increased by approximately 21.2% from approximately RMB33.0 million in 2017 to approximately RMB40.0 million in 2018. The increase was principally attributable to the research and development expenses incurred in connection with the technical transformation.

FINANCE REVIEW *(Continued)*

Finance costs

Our finance costs decreased by approximately 24.0% from approximately RMB12.5 million in 2017 to approximately RMB9.5 million in 2018, 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 RMB13.8 million in 2018, consisting of PRC corporate income tax payable of approximately RMB13.7 million, withholding tax payable of approximately RMB2.5 million, deferred tax credit of approximately RMB0.7 million and overprovision of income tax of approximately RMB1.6 million. 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.

The decrease in our income tax expense for the year ended 31 December 2018 was primarily due to the granting of the HNTE certificate to Yifeng Wanguo resulting in a reduction in the corporate income tax rate from 25% to 15% for three consecutive years from 2018 to 2020.

Profit for the year

As a result of the foregoing, our profit after taxation increased by approximately 2.3%, or approximately RMB1.6 million, from approximately RMB70.3 million for the year ended 31 December 2017 to approximately RMB71.9 million for the year ended 31 December 2018. Our net profit margin increased from approximately 20.2% for the year ended 31 December 2017 to approximately 22.4% for the year ended 31 December 2018 mainly resulted from the decrease in corporate income tax rate.

Profit attributable to owners of our Company

The profit attributable to the owners of our Company increased by approximately 1.8% or approximately RMB1.2 million, from approximately RMB70.9 million for the year ended 31 December 2017 to approximately RMB72.1 million for the year ended 31 December 2018.

Analysis of property, plant and equipment and construction in progress

As at 31 December 2018, the Group's property, plant and equipment and construction in progress were approximately RMB438.7 million, representing an increase of RMB42.7 million or 10.8% over last year mainly due to the purchase of mining equipment and construction of mining structures in the Xinzhuang Mine.

Analysis of inventories

Inventories consist of raw materials, ore and processed concentrates. Raw materials mainly include forged steel grinding balls, explosives, chemical products and diesel oil used for the production of concentrates. As at 31 December 2018 and 2017, our inventories were approximately RMB7.3 million and approximately RMB9.3 million respectively. The decrease in inventories was mainly due to substantial volume of concentrates sold in December 2018.

Analysis of trade receivables

Trade receivables represent receivables from the sale of processed concentrates. Our Group generally requests our concentrates customers to make a certain amount of down payment prior to delivery. For trade customers, our Group grants a credit period up to 60 days. As at 31 December 2018 and 2017, our trade receivables were approximately RMB4.5 million and RMB16.1 million respectively. The decrease in trade receivables as at 31 December 2018 was mainly due to no down payment being received prior to delivery from a reputable customer as at 31 December 2017.

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 2018 and 2017, our trade payables were approximately RMB15.9 million and approximately RMB16.0 million respectively. The balances were comparable in the two years.

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.

Our Group had cash and cash equivalents of approximately RMB22.0 million as at 31 December 2018, compared to approximately RMB108.6 million as at 31 December 2017, of which approximately RMB1.0 million (2017: approximately RMB79.1 million) was denominated in Hong Kong dollars, Australian dollars and US dollars.

As at 31 December 2018, the Group recorded net assets and net current liabilities of approximately RMB795.3 million (2017: RMB644.9 million) and approximately RMB233.2 million (2017: RMB227.7 million) respectively. The current ratio of the Group as at 31 December 2018 was 0.22 times as compared to 0.45 times as at 31 December 2017. The increase in net current liabilities and decrease in current ratio were attributable to the decrease in bank balance in relation to payment for acquisition of Xizang Changdu and deposits paid for acquisition of a subsidiary.

BORROWINGS

As at 31 December 2018, the Group had secured bank borrowings of RMB130.5 million in aggregate with maturity from one year to nine years and effective interest rate of 5.47%.

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 16.5% (2017: 20.8%). The decrease in gearing ratio was mainly attributable to increase in deposits for acquisition of a subsidiary and decrease in payables to former non-controlling shareholder of a subsidiary.

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 2018 and 2017:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net cash inflow from operating activities	**147,230**	141,534
Net cash outflow from investing activities	**(233,201)**	(80,075)
Net cash (outflow)/inflow from financing activities	**(1,941)**	43,825
Net (decrease)/increase in cash and cash equivalents	**(87,912)**	105,284
Effect of foreign exchange rate changes	**1,262**	(5,422)
Cash and cash equivalents at the beginning of the year	**108,639**	8,777
Cash and cash equivalents at the end of the year	**21,989**	108,639

CASH FLOWS *(Continued)*

Net cash flow from operating activities

For the year ended 31 December 2018, net cash inflow from operating activities amounted to approximately RMB147.2 million, which mainly comprised the profit before working capital changes of approximately RMB122.1 million, together with decrease in inventories of approximately RMB2.0 million, decrease in trade and other receivables of approximately RMB13.1 million, increase in trade and other payables of approximately RMB23.6 million and increase in contract liabilities of approximately RMB15.3 million and was offset by income tax paid of approximately RMB28.9 million.

Net cash flow from investment activities

Net cash outflow from investing activities amounted to approximately RMB233.2 million for the year ended 31 December 2018. It was primarily attributable to the purchase of property, plant and equipment and land use right of approximately RMB35.4 million, payment for evaluation and exploration assets of approximately RMB2.4 million, acquisition of a subsidiary approximately RMB113.6 million, deposit paid for acquisition of a subsidiary of approximately RMB112.3 million and was offset by release of restricted bank balances of approximately RMB25.0 million, proceeds from sales of evaluation and exploration assets of approximately RMB5.0 million and interest income of approximately RMB0.5 million.

Net cash flow from financing activities

Net cash outflow from financing activities amounted to approximately RMB1.9 million for the year ended 31 December 2018. This was principally due to new bank loan of approximately RMB107.0 million, net proceeds from issue of new shares of approximately RMB81.1 million and non-interest bearing and unsecured advance from related parties of approximately RMB4.5 million and was offset by repayment of bank loans and interests of approximately RMB130.0 million and dividend paid of approximately RMB28.0 million as well as redemption monies of approximately RMB36.5 million paid to a former non-controlling shareholder of a subsidiary.

CAPITAL EXPENDITURES

The total capital expenditure of the Group increased from approximately RMB89.4 million for the year ended 31 December 2017 to approximately RMB263.7 million for the year ended 31 December 2018, representing a increase of approximately 195.0%. The capital expenditure in 2018 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 2018, the Group has entered into a non-cancellable operating lease with future payable of approximately RMB1.2 million for Director's quarter in Hong Kong and offices in Australia and Xizang Changdu.

As at 31 December 2018, the Group's capital commitments amounted to approximately RMB298.0 million, which was attributable to the acquisition of equity interest in and the Reconstruction Works for the Gold Ridge Project.

As at 31 December 2018, the Group has also entered the following commitments in relation to the development of the Xinzhuang Mine.

	RMB'000
Three new shafts projects	195
Upgrading the processing plants	9,405
Other civil work	4,844
	14,444

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities or guarantees.

Management Discussion and Analysis

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

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 2018.

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 2018, the Group's prepaid lease payment, mining rights and buildings with carrying value of approximately RMB81.7 million (31 December 2017: RMB85.3 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 balances and cash, other receivables and other payables denominated in Hong Kong dollars, Australian dollars and US 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 2018, the Group had no material adverse exposure to foreign exchange fluctuations during the year 2018.

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 related parties, 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 RMB2.78 cents (equivalent to approximately HK$3.17 cents) per Share for the year ended 31 December 2018 (2017: RMB3.89 cents), representing approximately 27.2% 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, 4 June 2019. Based on the number of issued Shares as at the date of this annual report, this represents a total distribution of approximately RMB20.0 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, 24 May 2019, it is expected that the proposed final dividend will be paid on or before Tuesday, 31 December 2019.

Management Discussion and Analysis

ANNUAL GENERAL MEETING

The 2019 annual general meeting (the "AGM") of the Company will be held on Friday, 24 May 2019. 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 (the "Articles") 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, 21 May 2019 to Friday, 24 May 2019, 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, 20 May 2019.

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, 4 June 2019. For determination of entitlement to the final dividend, the register of members of the Company will be closed from Friday, 31 May 2019 to Tuesday, 4 June 2019, 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, 30 May 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, we had a total of 345 (2017: 330) 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	18
– Mining record and surveying staff	11
– Geological drilling operators	20
– Ventilation and hauling facilities and water-pump operators and maintenance staff	80
– Backfilling team	20
Processing plant workers	72
Mine management and supporting staff	101
	345

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, superannuation for our Australia employees, and social insurance together with housing provident funds for our PRC employees.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Xinzhuang Mine

Mineral exploration

During 2018, the exploration activities in the Xinzhuang Mine was within 4-29 exploration line. We have completed underground geological drilling of 16,255 m, with drill size of 60-90 mm for the year ended 31 December 2018. For the year ended 31 December 2018, we have also finished tunnel drilling of 368 m and completed adit mapping of 16,800 m.

For the year ended 31 December 2018, no expenditure of mineral exploration was incurred.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES *(Continued)*

Development

During 2018, the Group incurred development expenditure of approximately RMB35.4 million.

Details breakdown of development expenditure is as follows:

	RMB' (million)
Land use right	0.1
Mining structures	23.2
Office buildings	0.2
Machinery and electronic equipment for processing plants	11.3
Motor vehicles	0.6
	35.4

Mining activities

During 2018, we processed a total of 754,973 tonnes of ore in the Xinzhuang Mine. The following table shows the volume of our concentrates products sold during 2018.

Type of concentrates sold	**Volume**
Copper in copper concentrates	3,446 tonnes
Iron concentrates	111,153 tonnes
Zinc in zinc concentrates	5,096 tonnes
Sulfur concentrates	150,569 tonnes
Lead in lead concentrates	905 tonnes
Gold in copper concentrates	65 kg
Silver in copper concentrates	2,865 kg
Gold in zinc concentrates	1 kg
Silver in zinc concentrates	593 kg
Gold in lead concentrates	62 kg
Sliver in lead concentrates	3,486 kg
Copper in lead concentrates	341 kg

During 2018, the Group incurred expenditures for mining and processing activities were RMB106.2 million (2017: 109.7 million) and RMB54.5 million (2017: 57.6 million) respectively. The unit expenditures for mining and processing activities were RMB140.7/t (2017: RMB148.8/t) and RMB72.2/t (2017: RMB77.6/t) respectively.

Walege Mine

The Group owns 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. The Group is in the progress of converting its exploration license to mining license.

Mineral exploration

No mineral exploration was conducted in 2018. During 2018, the main activities were the license maintenance as well as application of conversion of exploration license to mining license.

Management Discussion and Analysis

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES *(Continued)*

Development

During 2018, the Group incurred the development expenditure of approximately RMB2.4 million in respect of preparation and submission of final draft geological prospecting report for Tibet Land Resources Department for review and comments, supplementing some samplings on site for the preparation work for the application of mining license.

Mining activities

Since the Walege Mine is still in development stage, no mining activities has incurred for the year ended 31 December 2018.

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.

OUTLOOK

The trade friction between China and the United States as well as the high deficit rate of Italy resulted in continuous global uncertainties. From the domestic side, weak real estate demand will put pressure on copper consumption but may be offset by the acceleration of electric grid investment. China's scrap copper import restrictions continue to support concentrate demand, and current domestic and international copper inventories continue to decline. An oscillating and unstable commodity prices are expected in 2019.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

In addition, as a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company is subject to, among others, the Rules Governing the Listing of Securities on the Stock Exchange (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 2018.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. GAO Mingqing (高明清), aged 66, 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 18 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 also a director of Victor Soar Investments Limited, a substantial and controlling shareholder of the Company. Mr. Gao is a cousin of Mr. Li Kwok Ping, our non-executive Director.

Ms. GAO Jinzhu (高金珠), aged 59, 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 18 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 55, 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 51, 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 20 years of experience in general marketing and sales of mining products. Prior to joining us in 2008, Mr. Liu worked in Hunan Province Chejiang Copper Mine (湖南省車江銅礦) from 1991 to 1997 where he last served as the deputy manager of the business department. Mr. Liu received a bachelor's degree in history from the Hunan Science and Technology University (湖南科技大學), previously known as the Xiangtan Normal University (湘潭師範學院), in June 1991.

Biographical Information of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. LI Kwok Ping (李國平), aged 56, 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 23 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 48, 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 22 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 26, 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 57, 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 18 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 51, 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.

Biographical Information of Directors and Senior Management

Mr. SHEN Peng (沈鵬), aged 43, is our independent non-executive Director and the chairman of each of the Audit Committee and Nomination Committee. He has more than 20 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 43, 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 44, 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 23 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 2018.

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 2018 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 2018.

BOARD OF DIRECTORS

Board Composition

During the year ended 31 December 2018 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 20 to 22 of this annual report. Save as disclosed in this annual report, and to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationships among the members of the Board.

During the year and as at 31 December 2018, 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.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

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.

ROLES AND RESPONSIBILITIES OF THE DIRECTORS

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;
- Delegating daily operational and financial decision to management;
- Review of remuneration of Directors; and
- Recommendation and declaration of any interim and final dividends.

The Board has established 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 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.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions of corporate governance. For the year ended 31 December 2018, the Board performed the functions of corporate governance as set out in the code provision D.3.1 of the CG Code.

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.

Corporate Governance Report

BOARD MEETINGS

The Company held eleven Board meetings during the year ended 31 December 2018, in which six Board meetings were held for reviewing and approving the financial and operating performance and considering the overall strategies and policies of the Group, one Board meeting was held for approving the supplementary agreement with AXF Resources, two Board meetings were held for reviewing and approving the issue of new Shares under the General Mandate and disposal of Shares from controlling shareholders, one Board meeting was held for reviewing and approving agreement in relation to disposal of explorations activities in Australia and another Board meeting was held for approving the appointment of two new Directors.

The following table shows the number of attendance of each Director at the Board meeting and the annual general meeting held during the year ended 31 December 2018:

	No. of Attendance	
Members	**Board meeting**	**Annual general meeting**
Executive Directors		
Mr. Gao Mingqing	11/11	1/1
Ms. Gao Jinzhu	11/11	1/1
Mr. Liu Zhichun	8/11	1/1
Mr. Xie Yaolin	11/11	1/1
Non-executive Directors		
Mr. Li Kwok Ping	4/11	1/1
Mr. Lee Hung Yuen	9/11	0/1
Ms. Iu Ching (appointed on 20 March 2018)	5/6	1/1
Independent non-executive Directors		
Dr. Lu Jian Zhong	8/11	1/1
Mr. Qi Yang	10/11	0/1
Mr. Shen Peng	5/11	1/1
Mr. Xiong Zeke (appointed on 20 March 2018)	5/6	0/1

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.

Corporate Governance Report

PRACTICES AND CONDUCT OF MEETINGS

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

The Directors will receive details of agenda and minutes of Committee/Board meetings in advance of and after each Committee/Board meeting respectively. The company secretary 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.

If a substantial Shareholder or Director has a conflict of interest in a matter to be discussed by the Board which the Board considers material, such matter shall be considered at a Board meeting instead of resolved by written resolutions. Independent non-executive Directors who and whose close associate(s) have no material interest in the matter should be present at such a Board meeting.

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 2018, 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 2018 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	✓	ABS
Ms. Iu Ching (appointed on 20 March 2018)	✓	✓
Independent non-executive Directors		
Dr. Lu Jian Zhong	✓	ABS
Mr. Qi Yang	✓	✓
Mr. Shen Peng	✓	ABS
Mr. Xiong Zeke (appointed on 20 March 2018)	✓	ABS

ABS: Absent

On 11 January 2019, 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. Xie Yaolin, Mr. Liu Zhichun, Ms. Iu Ching and Mr. Qi Yang, attended the aforesaid training provided by our legal adviser.

APPOINTMENT AND RE-ELECTION OF 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.

The procedures and process of appointment, re-election and removal of the Directors have been set out in the Articles. The Nomination Committee is responsible for reviewing the Board's composition, developing and formulating relevant procedures for nomination and appointment or re-appointment of the Directors, monitoring appointment and succession planning of the Directors, and assessing independence of the independent non-executive Directors. as detailed below under the sub-section headed "Nomination Committee".

According to the Articles, 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.

Mr. Gao Mingqing, Ms. Gao Jinzhu, Mr Li Kwok Ping, Mr. Shen Peng and Mr. Qi Yang will retire by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election. On 29 March 2019, the Board accepted the nomination from the Nomination Committee and recommended the retiring Directors to stand for re-election at the AGM.

NOMINATION COMMITTEE

The Nomination Committee was established on 12 June 2012 with written terms of reference in compliance with the CG Code. Its primary responsibilities include (i) conducting annual review of the Board composition and diversity; (ii) identifying, selecting and recommending individuals suitably qualified to become Board members and making recommendations to the Board on selection of individuals nominated for directorships; (iii) assessing the independence of the independent non-executive Directors; (iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and chief executives. 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.

Board Diversity

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.

All appointments to the Board will be based on merits against the selection criteria, having due regard to the benefits of diversity on the Board as well as the Company's own business model and specific needs arising from time to time. The Nomination Committee will review the Board Diversity Policy and its effectiveness regularly, monitor its implementation by conducting review of the Board composition under diversified perspectives and discuss any need for changes with the Board and recommend changes to the Board Diversity Policy to the Board for its consideration and approval.

Nomination Policy

On 29 March 2019, the Board has adopted a nomination policy (the "Nomination Policy") to assist the Board in identifying suitably qualified candidates and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors as well as providing the selection criteria and procedures adopted for making recommendations by the Nomination Committee. A summary of the selection criteria and procedures for recommendation and selection of candidates for directorship is disclosed below.

NOMINATION COMMITTEE *(Continued)*

Selection Criteria

In assessing the suitability of a proposed candidate, the Nomination Committee shall consider, among others, the following factors:

- reputation for integrity;
- accomplishment, experience and reputation of the relevant business of the Group;
- time to be devoted and attention to the affairs of the Company;
- diversity of the Board in all aspects, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience;
- compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and
- any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate(s) to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles and other applicable rules and regulations.

Nomination Procedures

To nominate a candidate for the appointment and/or re-appointment of Directors, the procedures are as follows:

- The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members;
- Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a director of the Company and to the public disclosure of their personal data on any documents or relevant website in connection with their nomination or otherwise pursuant to applicable rules and regulatory requirements; recommendation will then be made by the Nomination Committee upon review of the relevant documents for Board's consideration and approval. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;
- In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the candidates to stand for re-election at a general meeting;
- Please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director of the Company", which is available on the Company's website, for procedures for shareholders' nomination of any candidate for election as a Director; and
- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Board will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Committee.

NOMINATION COMMITTEE *(Continued)*

During the year ended 31 December 2018, 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. The following table shows the attendance of each member at the meeting of the Nomination Committee held during the year:

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

On 21 December 2018, the Nomination Committee had recommended to the Board the re appointment of Mr. Gao Mingqing, Ms. Gao Jinzhu, Mr Li Kwok Ping, Mr. Shen Peng and Mr. Qi Yang for re election at the forthcoming AGM. The Board had accepted the Nomination Committee's recommendation.

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 2018, two meetings were held by the Remuneration Committee, one meeting was held for recommending the remuneration package for Ms. Iu Ching and Mr. Xiong Zeke. The other meeting was held for reviewing, assessing and making recommendations to the Board on the remuneration packages of the Directors and senior management for 2019. The following table shows the attendance of each member at the meeting of the Remuneration Committee held during the year:

Members	**No. of Attendance**
Mr. Qi Yang *(Chairman)*	2/2
Dr. Lu Jian Zhong	2/2
Mr. Liu Zhichun	1/2

Details of the remuneration of each of the Directors for the year ended 31 December 2018 are set out in Note 11 to the financial statements of this annual report.

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. Mr. Shen Peng has been appointed as the chairman of the Audit Committee.

Corporate Governance Report

AUDIT COMMITTEE *(Continued)*

During the year ended 31 December 2018, 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	3/4
Mr. Xiong Zeke (appointed on 20 March 2018)	4/4

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 also 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 2018, 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	1,792

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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.

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 2018, 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

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.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

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

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

Risk assessment process consists 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 2018, 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 as well as providing any recommendations for material defects to the Group.

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.

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 2018.

Corporate Governance Report

DIVIDEND POLICY

On 29 March 2019, the Board has adopted a dividend policy (the "Dividend Policy") with an aim to provide the Shareholders with stable and sustainable returns.

The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, acquisitions, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors deem relevant. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

SHAREHOLDERS' RIGHTS

Pursuant to article 58 of the Articles, 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 2018, the Company has not made any changes to its memorandum and articles of association.

Environmental, Social and Governance Report

We committed to operating safety and responsibly. As 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 is the operating entity of the Group as at 31 December 2018, 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 recognised 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 increasing 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 555,000 tonnes (2017: 438,000 tonnes) of wastewater in production, which contained 23.3 tonnes (2017: 17.34 tonnes) of pollutants and effluent concentration was approximately 42.03mg/L (2017: 40.77mg/L) which is below the required standard of 60mg/L. The discharge of Chemical Oxygen Demand was 23.3 tonnes in 2018 (2017: 17.34 tonnes), which was below the allowable level of 38.72 tonnes per year set by local environmental bureau. In addition, the Group produced approximately 457,000 tonnes (2017: 450,000 tonnes) of tailings.

Use of resources

During the year, the Group consumed approximately total of 3,904,000 tonnes (2017: 3,100,000 tonnes) of water while it consumed approximately 550,000 tonnes (2017: 475,000 tonnes) of new water extracted from underground. The rate of water recycle was approximately 85.8% (2017: 86.3%) which was within our target of over 75%. During 2018, the Group optimised 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 39,802,259 kwh (2017: 40,661,741kwh), which comprised mining of 14,493,701 kwh (2017: 14,682,209kwh), processing of 24,438,603 kwh (2017: 25,298,085kwh) and back-filling of 869,955kwh (2017: 681,447kwh) while the total ore processed during the year was 754,973 tonnes (2017: 743,245 tonnes). The total carbon emission for electricity use during production in 2018 was approximately 31.9 million kg (2017: 32.6 million kg). The unit of production per electricity usage was 52.7kwh per tonne (2017: 54.7kwh per tonne), which was attribute to renovation in ore processing.

Diesel usage was 134,065 lite (2017: 166,600 lite). The total carbon emission for diesel usage in 2018 was approximately 0.3 million kg (2017: 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% (2017: 70%) of the tailings (coarse fraction) were mixed with cement and sent underground for back filling. The remaining 30% (2017: 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 2018, the Group had a total workforce of 345 (2017: 330) which comprised 331 (2017: 320) in Jiangxi Province of the PRC, 2 (2017: 2) in Hong Kong and 12 (2017: 8) in Australia. 269 (2017: 258) were male and 76 (2017: 72) 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	18	11.1%
– Mining record and Surveying staff	11	9.1%
– Geological drilling operators	20	0.0%
– Ventilation and hauling facilities and water-pump operators and maintenance staff	80	12.5%
– Backfilling team	20	0.0%
Processing plant workers	72	12.5%
Mine management and supporting staff	101	10.9%
	345	10.1%

B. SOCIAL *(Continued)*

Benefits and welfares *(Continued)*

By age group

	No. of workforce	Turnover rate
20 or below	1	100%
21-30	48	14.6%
31-40	62	8.1%
41-50	130	10.8%
51 or above	104	7.7%
Total	345	10.1%

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 533 days (2017: 962 days) while the number of incidents was 17 (2017: 20). Decrease in lost days in 2018 due to a work injury incurred in 2017 resulting from 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 2018, there was a total of 65 (2017: 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 2018, 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 2018, 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 RMB393,000 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 2018.

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 ended 31 December 2018 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 19 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 5 to 10 and "Prospect" of "Management Discussion and Analysis", on page 19.

The Group's environmental policies and performance are set out and included in the "Environmental, Social and Governance Report" from pages 36 to 41 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 19 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year 2018, 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 "Environmental, Social and Governance Report", from pages 38 to 41 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. The Group has completed the acquisition of Xizang Changdu since 2017 and was in the progress of completing the acquisition of a gold mine in Solomon Islands during 2018.

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 increasing the mining capacity set forth in its mining license. Additional reserves discovered during the aforesaid exploration allows us to upgrade the mining capacity.

(iii) Risks of safety production

Although the Group maintains a high standard in safety production, the non-ferrous 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 the use of hedging products available in the market to reduce the effect of such fluctuations. In addition, expansion of lead-silver mine in the Walege Mine and gold mine in Solomon Islands will further increase our product mix and thus strengthen the Group's capacity to fight 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 57.

The state of affairs of the Group and of the Company at 31 December 2018 are set out in the consolidated statement of financial position on pages 58 to 59 and statement of financial position of the Company on page 116 respectively.

4. SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 31 to the consolidated financial statements.

5. SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 41 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 118 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 43 to the consolidated financial statements.

8. DISTRIBUTABLE RESERVES

At 31 December 2018, the Company's reserves available for distribution to owners of the Company comprising share premium account less accumulated losses, and amounted to approximately RMB214.9 million (2017: RMB145.7 million).

9. FINAL DIVIDENDS

The Directors recommended the payment of a final dividend of RMB2.78 cents per Share (equivalent to approximately HK$3.17 cents) (2017: RMB3.89 cents) in respect of the year ended 31 December 2018 to the Shareholders whose name appear on the register of members of the Company on Tuesday, 4 June 2019. Based on the number of issued Shares as at the date of this annual report, this represents a total distribution of approximately RMB20.0 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, 24 May 2019, it is expected that the proposed final dividend will be paid on or before Tuesday, 31 December 2019.

10. PROPERTY, PLANT, AND EQUIPMENT

Additions to the property, plant and equipment of the Group was approximately RMB69.0 million for the year ended 31 December 2018. Details of the movements during the year in the Group's property, plant and equipment are set out in Note 15 to the consolidated financial statements in this annual report.

11. DONATIONS

Donations made by the Group during the year amounted to approximately RMB393,000.

12. MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers in aggregate accounted for approximately 81.0% (2017: 76.7%) of the total sales for the year and sales to the largest customer accounted for approximately 25.6% (2017: 25.5%) of total sales.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 68.5% (2017: 70.7%) of the total purchases for the year and purchases from the largest supplier accounted for approximately 32.8% (2017: 27.5%) 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 during the year and up to the date of this annual report were as follows:

Executive Directors:
Mr. Gao Mingqing
Ms. Gao Jinzhu
Mr. Xie Yaolin
Mr. Liu Zhichun

Non-executive Directors:
Mr. Li Kwok Ping
Mr. Lee Hung Yuen
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 Articles, all Directors are subject to retirement by rotation at least once every three years. Mr. Gao Mingqing, Ms. Gao Jinzhu, Mr. Li Kwok Ping, Mr. Shen Peng, and Mr. Qi Yang will retire by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election.

15. BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 20 to 22 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 20 to 22 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 and 12 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 independence pursuant to Rule 3.13 of the Listing Rules. The Company has reviewed the independentce of each of the independent non-executive Directors and considers all the independent non-executive Directors to be independent in accordance.

22. CODE OF CONDUCT REGARDING 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 2018 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 2018.

23. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2018, 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	281,400,000(1)	39.08%
Ms. Gao Jinzhu	Interest in controlled corporation	138,600,000(2)	19.25%

Notes:

1. The 281,400,000 Shares were owned by Victor Soar Investments Limited which is wholly owned and controlled by Mr. Gao Mingqing.

2. The 138,600,000 Shares were owned by Achieve Ample Investments Limited which is wholly owned and controlled by Ms. Gao Jinzhu.

Save as disclosed above, as at 31 December 2018, 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 2018, 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	281,400,000[1]	39.08%
Ms. Lin Yinyin	Interest of spouse	281,400,000[2]	39.08%
Achieve Ample Investments Limited	Beneficial owner	138,600,000[3]	19.25%
Mr. Wang Weimian	Interest of spouse	138,600,000[4]	19.25%
Cheng Tun Prime Shine Limited	Beneficial owner	120,000,000[5]	16.67%
Shenzhen Chengtun Equity Investments Company Limited	Interest in controlled corporation	120,000,000[5]	16.67%
Haitong International Financial Solutions Limited	Security interest	450,000,000[6]	62.50%
Haitong International Securities Group Limited	Interest in controlled corporation	450,000,000[6]	62.50%
Haitong International Holdings Limited	Interest in controlled corporation	450,000,000[6]	62.50%
Haitong Securities Co., Ltd.	Interest in controlled corporation	450,000,000[6]	62.50%

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 281,400,000 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 138,600,000 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.

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

(Continued)

Other than as disclosed above, as at 31 December 2018, 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 2018 or at any time during the financial year 2018.

27. CONNECTED TRANSACTION

Except for those disclosed in note 27 to the consolidated financial statements, no contract of significance to which the Company, or any of its subsidiaries, and a controlling shareholder 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 2018.

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 2018.

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 2018.

Directors' Report

31. RELATED PARTY TRANSACTIONS

During the year, except for those disclosed in note 37 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 2018, 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 2018 are set out in note 28 to the consolidated financial statements.

34. RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in note 35 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.

During the year ended 31 December 2018, no share options was granted, exercised, expired or lapsed and there is no outstanding share options under the Share Option Scheme.

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 2018 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 23 to 35 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 2018, there were no work-related fatalities. Lost days due to work injury were 533 days while the number of incidents was 17.

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 the Environmental, Social and Governance Report set out from pages 36 to 41 of this annual report.

39. EVENTS AFTER THE REPORTING PERIOD

Up to 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, 29 March 2019

Independent Auditor's Report

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 57 to 117, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 the 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 the 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 to the consolidated financial statements, which indicates that as at 31 December 2018 the Group's current liabilities exceeded its current assets by RMB233,161,000 and the Group had capital commitments contracted for but not provided in the consolidated financial statements of RMB312,426,000, of which approximately RMB79,429,000 is due for payments in the next twelve months from the date of approval of these consolidated financial statements. The Group has also incurred a net cash outflow of RMB87,912,000 for the year ended 31 December 2018, comprising net cash from operating activities of RMB147,230,000, net cash used in investing activities of RMB233,201,000 and net cash used in financing activities of RMB1,941,000. The Company is in the process of renewing its existing loan facilities and is actively identifying alternative sources of funding to meet its liquidity needs for the next twelve months from the end of the reporting period. However, the ultimate success of the renewal of its loan facilities or implementation of other fund raising activities could not be determined as at the date of our report. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 RMB503,370,000 as at 31 December 2018. 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 2018.	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 the 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 management'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
29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	5	**320,669**	348,494
Cost of sales		**(185,039)**	(191,063)
Gross profit		**135,630**	157,431
Other income	6	**2,949**	2,559
Other gains and losses	7	**340**	(7,915)
Distribution and selling expenses		**(3,745)**	(3,735)
Administrative expenses		**(40,034)**	(33,042)
Finance costs	8	**(9,480)**	(12,479)
Profit before tax		**85,660**	102,819
Income tax expense	9	**(13,802)**	(32,534)
Profit for the year	10	**71,858**	70,285
Other comprehensive income for the year			
– Exchange differences arising on translation of a foreign operation, which may be reclassified subsequently to profit or loss		**1,287**	–
Total comprehensive income for the year		**73,145**	70,285
Profit (loss) for the year attributable to:			
Owners of the company		**72,145**	70,864
Non-controlling interests		**(287)**	(579)
		71,858	70,285
Total comprehensive income attributable to:			
Owners of the Company		**73,432**	70,864
Non-controlling interests		**(287)**	(579)
		73,145	70,285
Earnings per share			
Basic (RMB cents)	13	**10.1**	11.7

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**438,651**	395,955
Mining right	16	**14,755**	15,822
Exploration and evaluation assets	17	**184,548**	187,139
Other intangible asset	36	**319,288**	319,288
Prepaid lease payments	18	**58,455**	59,729
Deposit for purchase of property, plant and equipment		**2,067**	6,376
Deposits for acquisition of a subsidiary	19	**147,669**	35,393
Deferred tax assets	20	**3,903**	3,170
Restricted bank balances	21	**2,655**	7,615
		1,171,991	1,030,487
CURRENT ASSETS			
Inventories	22	**7,314**	9,302
Trade and other receivables	23	**29,930**	42,657
Prepaid lease payments	18	**1,379**	1,377
Bank balances and cash	21		
– cash and cash equivalents		**21,989**	108,639
– restricted bank balances		**5,000**	25,000
		65,612	186,975
CURRENT LIABILITIES			
Trade and other payables	24	**98,939**	79,671
Contract liabilities	25	**24,633**	–
Tax payable		**11,392**	26,214
Amounts due to related parties	26	**4,780**	351
Consideration payable for acquisition of a subsidiary	36	**–**	113,610
Consideration payable to a former non-controlling shareholder of a subsidiary	27	**32,333**	72,378
Secured bank borrowings	28	**126,696**	122,411
		298,773	414,635
NET CURRENT LIABILITIES		**(233,161)**	(227,660)
TOTAL ASSETS LESS CURRENT LIABILITIES		**938,830**	802,827

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Consideration payable to a former non-controlling shareholder of a subsidiary	27	**40,823**	35,356
Secured bank borrowings	28	**3,792**	23,293
Deferred income	29	**11,042**	12,565
Deferred tax liabilities	20	**82,822**	82,322
Provisions	30	**5,050**	4,399
		143,529	157,935
CAPITAL AND RESERVES			
Share capital	31	**58,882**	54,516
Reserves		**525,843**	403,641
Equity attributable to owners of the Company		**584,725**	458,157
Non-controlling interests		**210,576**	186,735
TOTAL EQUITY		**795,301**	644,892
		938,830	802,827

The consolidated financial statements on pages 57 to 117 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

Gao Mingqing	Gao Jinzhu
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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)	Translation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	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 ordinary shares	–	(114)	–	–	–	–	(114)	–	(114)
Acquisition of a subsidiary	–	–	–	–	–	–	–	187,314	187,314
Dividend recognised as distribution (note 14)	–	(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
Profit (loss) for the year	–	–	–	–	–	72,145	72,145	(287)	71,858
Other comprehensive income for the year	–	–	–	–	1,287	–	1,287	–	1,287
Total comprehensive income for the year	–	–	–	–	1,287	72,145	73,432	(287)	73,145
Issue of new shares	4,366	76,848	–	–	–	–	81,214	–	81,214
Transaction costs attributable to issue of new ordinary shares	–	(78)	–	–	–	–	(78)	–	(78)
Capitalisation of amounts due to non-controlling interests of a subsidiary (note 37)	–	–	–	–	–	–	–	24,128	24,128
Dividend recognised as distribution (note 14)	–	(28,000)	–	–	–	–	(28,000)	–	(28,000)
Transfers	–	–	–	28,955	–	(28,955)	–	–	–
At 31 December 2018	58,882	213,956	71,005	152,844	1,287	86,751	584,725	210,576	795,301

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 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**85,660**	102,819
Adjustments for:		
Depreciation of property, plant and equipment	**26,206**	24,937
Amortisation of mining right	**1,067**	1,067
Release of prepaid lease payments	**1,379**	1,383
Provision for restoration cost	**651**	608
Write-down of inventories	**–**	496
Write off of other receivables	**503**	–
Impairment loss in respect of exploration and evaluation assets	**–**	5,744
Finance costs	**9,480**	12,479
Interest income	**(512)**	(628)
Loss on disposal of property, plant and equipment	**383**	289
Release of deferred income	**(1,523)**	(1,231)
Exchange (gain) loss	**(1,226)**	1,882
Operating cash flows before movements in working capital	**122,068**	149,845
Decrease in inventories	**1,988**	1,216
Decrease (increase) in trade and other receivables	**13,112**	(16,002)
Increase in trade and other payables	**23,549**	19,408
Increase in contract liabilities	**15,370**	–
Cash generated from operations	**176,087**	154,467
Income taxes paid	**(28,857)**	(12,933)
NET CASH FROM OPERATING ACTIVITIES	**147,230**	141,534
INVESTING ACTIVITIES		
Acquisition of a subsidiary in 2017, net of cash acquired (note 36)	**(113,610)**	(20,177)
Deposit paid for acquisition of a subsidiary	**(112,276)**	(31,285)
Purchase of property, plant and equipment	**(35,285)**	(34,465)
Payment for evaluation and exploration assets	**(2,409)**	(3,487)
Payment for land use right	**(107)**	–
Proceeds from disposal of property, plant and equipment	**14**	–
Interest received	**512**	628
Proceeds from disposal of exploration and evaluation assets	**5,000**	–
Release of restricted bank balances	**24,960**	7,711
Redemption of structured deposits	**–**	1,000
NET CASH USED IN INVESTING ACTIVITIES	**(233,201)**	(80,075)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(122,430)**	(116,686)
Consideration paid for redemption of non-controlling interests	**(36,470)**	(32,000)
Dividend paid	**(28,000)**	(3,000)
Interest paid	**(7,588)**	(7,995)
Repayment to related parties	**(5,837)**	(6,120)
Advance from related parties	**10,249**	351
Proceeds from issue of shares, net (note 31)	**81,136**	103,329
New bank borrowing raised	**106,999**	105,946
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(1,941)**	43,825
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(87,912)**	105,284
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**108,639**	8,777
Effect of foreign exchange rate changes	**1,262**	(5,422)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**21,989**	108,639

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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").

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, the 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 41.

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the fact that as at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB233,161,000; and had capital commitments contracted for but not provided in the consolidated financial statements of RMB312,426,000, of which approximately RMB79,429,000 is due for payment in the next twelve months from the date of approval of these consolidated financial statements. The Group had also incurred a net cash outflow of RMB87,912,000 for the year ended 31 December 2018, comprising net cash from operating activities of RMB147,230,000, net cash used in investing activities of RMB233,201,000 and net cash used in financing activities of RMB1,941,000.

Subsequent to the end of the reporting period, Mr. Gao Mingqing and Ms. Gao Jinzhu, substantial shareholders and executive directors of the Company, advanced an aggregate amount of RMB24,000,000 to the Group, which are agreed to be repayable only after the liquidity position of the Group is improved. Mr. Gao Mingqing had also committed to further support the Group financially to enable it to meet its financial obligations as they fall due for the foreseeable future.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) Renewal of a loan facility

A loan facility granted by a bank of RMB600,000,000 expired in March 2019, of which RMB503,742,000 was unutilised as at 31 December 2018. The renewal of the relevant loan facility is currently undergoing the internal approval procedures of the bank which, based on the best estimation of the directors of the Company, the approval for the renewal will be obtained from the bank in the near future.

(ii) Issues of new shares to a potential investor

Pursuant to a memorandum of understanding entered into on 14 November 2018, which is not legally binding on the parties thereto, the Company intends to issue, and a potential investor intends to subscribe 232,000,000 new shares of the Company. The potential investor has completed its due diligence review of the Group subsequent to the end of reporting period and, based on the best estimation of the directors of the Company, the formal share subscription agreement will be entered into in the near future.

The directors of the Company consider that after taking into account the abovementioned financing plans and financial supports of the substantial shareholders, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated.

The Group recognises revenue from sales of processed concentrates of various metals which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	**Carrying amounts under HKFRS 15 at 1 January 2018* RMB'000**
Current liabilities			
Receipts in advance from customers (included in trade and other payables)	9,263	(9,263)	**–**
Contract liabilities	–	9,263	**9,263**

* The amounts in this column are before the adjustments from the application of HKFRS 9.

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

HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018. Line items that were not affected by the changes have not been included.

	As report RMB'000	Reclassification RMB'000	Amounts without application of HKFRS 15 RMB'000
Current liabilities			
Receipts in advance from customers (included in trade and other payables)	–	24,633	24,633
Contract liabilities	24,633	(24,633)	–

The application of HKFRS 15 had no impact on the consolidated statement of profit or loss and other comprehensive income for the current year.

HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

The application of HKFRS 9 in the current year had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for as mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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 presented as financing cash flows by the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO 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.

Other than certain requirements which are also applicable to lessor, 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 2018, the Group has non-cancellable operating lease commitments of RMB1,172,000 as disclosed in note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 ("Listing Rules") and by the Hong Kong Companies Ordinance ("HKCO").

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)*

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 are set out below.

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 Group 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transactions in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (prior to 1 January 2018) *(Continued)*

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 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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 period 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 PRC state-managed retirement benefits schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Short-term 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, annual leave and sick leave) after deducting any account already paid.

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 because of income or expense that are taxable or deductible in other years and items that are never taxable or 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 bases 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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 and interests 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 each 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when they relate 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 cost 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).

The recoverable amount of tangible and intangible assets are estimated individually. 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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (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 financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 including trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables. The ECL on these assets are assessed collectively with similar credit risk characteristics based primarily on the debtors' aging profiles.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

Significant increase in credit risk *(Continued)*

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that result in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is creditimpaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped by considering the following factors:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

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.

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 impairment.

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 (before application of HKFRS 9 on 1 January 2018)

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a 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 of 90 days, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

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 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.

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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 at amortised cost

The Group's financial liabilities, including trade and other payables, amounts due to a shareholder, 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.

Provision for restoration cost

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting periods, 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 2018 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 2018, the aggregate carrying value of the mining assets of the Yifeng Projects amounted to RMB503,370,000 (2017: RMB462,895,000). No impairment losses has been recognised in profit or loss during the years ended 31 December 2018 or 2017.

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. All of the revenue of the Group is recognised at a point in time. An analysis of the Group's revenue from its major products for the reporting period is as follows:

	2018 **RMB'000**	2017 RMB'000
Sales of processed concentrates		
– Copper concentrates	**126,249**	122,971
– Zinc concentrates	**76,167**	82,575
– Iron concentrates	**41,813**	54,652
– Sulfur concentrates	**14,656**	15,330
– Gold in copper concentrates	**14,288**	13,953
– Gold in lead concentrates	**14,085**	14,623
– Lead concentrates	**11,606**	15,743
– Silver in lead concentrates	**9,288**	11,258
– Silver in copper and zinc concentrates	**6,454**	11,271
– Copper in lead concentrates	**6,028**	6,118
– Gold in zinc concentrates	**35**	–
	320,669	348,494

Performance obligations for contracts with customers

The Group's sales of the processed concentrates products to mineral trading enterprises is recognised when control of the goods has been transferred, being when the goods have been shipped to the customers' specific locations (delivery) or when they are collected by customers at the Group's ore processing plant at their choices. The payment terms and credit terms (if any) are set out in note 23. A contract liability is recognised for sales in which revenue has yet been recognised. In each transaction, a sample of the ore concentrates is inspected to determine the mineral content to be adopted as the basis of calculation of transaction price. The directors of the Company consider that in general the grades of the Group's concentrates products can meet the customers' requirements and no further processing is required to improve the grades of the goods before delivery to or collection by its customers.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2018 RMB'000	2017 RMB'000
Customer A[1]	82,168	88,903
Customer B[1]	64,438	58,747
Customer C[2]	57,854	48,082
Customer D[3]	41,007	47,742

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

6. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Government grants:		
– Related to assets (note i)	1,523	1,231
– Others (note ii)	300	600
Bank interest income	512	628
Others	614	100
	2,949	2,559

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 29).

(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

	2018 RMB'000	2017 RMB'000
Net foreign exchange gain (loss)	**1,226**	(1,882)
Loss on disposal of property, plant and equipment	**(383)**	(289)
Write-off of other receivables	**(503)**	–
Impairment loss in respect of exploration and evaluation assets (note 17)	**–**	(5,744)
	340	(7,915)

8. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on bank borrowings	**7,588**	7,995
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**1,892**	4,484
	9,480	12,479

9. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")		
– Current year	**13,671**	30,666
– (Over)underprovision in prior years	**(1,636)**	78
	12,035	30,744
Deferred tax (note 20)		
– Current year	**1,767**	1,790
	13,802	32,534

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, except for as set out below.

During the current year, Yifang Wanguo is approved as an enterprise that satisfied the conditions as high and new technology enterprises and obtained the Certificate of High and New Technology Enterprises enjoying the preferential enterprise income tax rate of 15% for a consecutive three calendar years from 2018 to 2020.

9. INCOME TAX EXPENSE *(Continued)*

In addition, pursuant to the relevant rules and regulations, certain qualified research and development costs incurred by the Group during the year and endorsed by a local tax authority in the PRC is eligible for further deduction for PRC EIT up to 75% of the relevant costs incurred.

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.

	2018 **RMB'000**	2017 RMB'000
Profit before tax	**85,660**	102,819
Tax at the EIT rate of 25%	**21,415**	25,705
Tax effect of expenses not deductible for tax purpose	**444**	2,814
(Over)underprovision in respect of prior years	**(1,636)**	78
Tax effect of tax losses not recognised	**1,482**	501
Tax effect of deductible temporary differences not recognised	**–**	1,436
Income tax at concessionary rate	**(9,011)**	–
Tax effect of additional tax benefit on research and development expenses	**(1,392)**	–
Withholding tax on distributable earnings of a subsidiary established in the PRC	**2,500**	2,000
Income tax expense for the year	**13,802**	32,534

10. PROFIT FOR THE YEAR

	2018 **RMB'000**	2017 RMB'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 11)	**3,875**	3,000
Other staff costs	**30,525**	29,462
Retirement benefit scheme contributions, excluding those of directors	**1,732**	1,719
Total staff costs	**36,132**	34,181
Depreciation of property, plant and equipment	**26,206**	24,937
Amortisation of mining right	**1,067**	1,067
Release of prepaid lease payments	**1,379**	1,383
Total depreciation and amortisation	**28,652**	27,387
Auditor's remuneration (including audit and non-audit services)	**1,792**	1,345
Minimum lease payments under operating leases in respect of properties	**507**	356
Cost of inventories recognised as an expense	**185,039**	191,063
Write-down of inventories (included in cost of sales)	**–**	496

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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 2018				
Executive directors:				
Mr. Gao Mingqing	–	–	1,033	1,033
Ms. Gao Jinzhu	–	–	593	593
Mr. Xie Yaolin	–	9	800	809
Mr. Liu Zhichun	–	9	465	474
Non-executive directors:				
Mr. Li Kwok Ping	–	–	200	200
Mr. Lee Hung Yuen	–	–	200	200
Ms. Iu Ching (appointed on 20 March 2018)	–	–	–	–
Independent and non-executive directors:				
Dr. Lu Jian Zhong	150	–	–	150
Mr. Qi Yang	150	–	–	150
Mr. Shen Peng	200	–	–	200
Mr. Xiong Zeke (appointed on 20 March 2018)	66	–	–	66
	566	18	3,291	3,875
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

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(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 for their services as directors of the Company or its subsidiaries.

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

Except for the remuneration of Mr. Gao Mingqing for the year ended 31 December 2018 fell within the band of HK$1,000,001 to HK$1,500,000, the remuneration of each of the other directors for each of the years ended 31 December 2018 and 2017 as set out above fell within the band of nil to HK$1,000,000.

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.

12. EMPLOYEES' EMOLUMENTS

(a) Emoluments of senior management

Of the six (2017: five) senior management of the Company for the year ended 31 December 2018, four (2017: four) of them are directors of the Company and their remuneration has been disclosed in note 11. The total emoluments of the remaining two (2017: one) senior management are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, other allowances and benefit-in-kinds	1,546	707
Retirement benefits scheme contributions	15	16
	1,561	723

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

(b) Five highest paid employees

The five highest paid employees of the Group during the year included three (2017: four) directors and two (2017: one) senior management, detail of whose remuneration are set out in the disclosures in notes 11 and 12(a) above.

During both years, no emoluments were paid by the Group to any of the directors of the Company as set out in note 11 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.

13. EARNINGS PER SHARE

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

	2018	2017
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)	**72,145**	70,864
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**711,419**	606,871

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

14. DIVIDEND

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

	2018 RMB'000	2017 RMB'000
Interim dividend for the year ended 31 December 2018 of nil (2017: RMB0.5 cents) per share	**–**	3,000
Final dividend for the year ended 31 December 2017 of RMB3.89 cents (2017: final dividend for the year ended 31 December 2016: nil) per share	**28,000**	–
	28,000	3,000

The board of directors of the Company recommends final dividend for the year ended 31 December 2018 of RMB2.78 cents per share, amounting to approximately RMB20,000,000.

15. 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 2017	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 36)	–	549	255	100	16	–	920
Transfer	16,676	20,209	6,227	–	831	(43,943)	–
Disposals	–	(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
Effect of foreign currency exchange differences	**–**	**427**	**(9)**	**–**	**27**	**–**	**445**
Additions	**–**	**–**	**1,106**	**284**	**96**	**67,474**	**68,960**
Transfer	**89,844**	**8,101**	**4,330**	**204**	**340**	**(102,819)**	**–**
Disposals	**–**	**(411)**	**(85)**	**(86)**	**(147)**	**–**	**(729)**
At 31 December 2018	**318,812**	**135,965**	**99,334**	**6,052**	**8,423**	**40,164**	**608,750**
DEPRECIATION							
At 1 January 2017	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
Effect of foreign currency exchange differences	**–**	**81**	**(3)**	**–**	**28**	**–**	**106**
Provided for the year	**11,482**	**5,873**	**8,020**	**448**	**383**	**–**	**26,206**
Eliminated on disposals	**–**	**(57)**	**(43)**	**(86)**	**(146)**	**–**	**(332)**
At 31 December 2018	**74,261**	**34,558**	**48,625**	**5,606**	**7,049**	**–**	**170,099**
CARRYING VALUES							
At 31 December 2018	**244,551**	**101,407**	**50,709**	**446**	**1,374**	**40,164**	**438,651**
At 31 December 2017	166,189	99,187	53,341	406	1,323	75,509	395,955

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

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

	2018 RMB'000	2017 RMB'000
In Hong Kong	**7,457**	7,408
Outside Hong Kong	**93,950**	91,779
	101,407	99,187

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 is set out in note 32.

16. MINING RIGHT

	2018 RMB'000	2017 RMB'000
COST		
At beginning and end of the year	**22,233**	22,233
AMORTISATION		
At beginning of the year	**6,411**	5,344
Provided for the year	**1,067**	1,067
At end of the year	**7,478**	6,411
CARRYING VALUES	**14,755**	15,822

As at 31 December 2018 and 2017, the mining right was pledged to a bank to secure loan facilities granted to the Group as set out in note 32.

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

The mining right is amortised using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mine within the terms of licence. The extension of the mining period and the enlargement of the annual production limit as mentioned above may change the total proven and probable reserves of the ore mine over the terms of the licenced period.

17. EXPLORATION AND EVALUATION ASSETS

The exploration and evaluation assets represent all costs directly associated with exploration and evaluation and are initially capitalised. As at 31 December 2018 and 2017, the exploration and evaluation activities occurred in the area of Changdu, Tibet Autonomous Region, the PRC, which is the principal place of business of a subsidiary incorporated in Tibet Autonomous Region, the PRC. In addition, as at 31 December 2017, the exploration and evaluation activities also occurred in the Balcooma District and the Einasleigh District, Australia, which are the principal places of business of a subsidiary incorporated in Australia, where the relevant exploration and evaluation assets have been disposal of during the current year as set out below.

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, all the geological data, exploration results and interests in relation to the projects in Australia and all related data at a consideration of RMB5,000,000 ("Disposal"). The Group expects the then 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. The Disposal has been completed during the year.

During the current year, the Group incurred costs directly associated with the exploration and evaluation assets of RMB2,409,000 (2017: RMB3,298,000).

18. 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:

	2018 RMB'000	2017 RMB'000
Current portion	1,379	1,377
Non-current portion	58,455	59,729
	59,834	61,106

Details of the prepaid lease payments pledged to banks to secure loan facilities granted to the Group is set out in note 32.

19. DEPOSITS FOR ACQUISITION OF A SUBSIDIARY

On 16 July 2017, the Group entered into a share sales and purchase 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 61.1% equity interest of AXF Gold Ridge Pty Limited ("AXF Gold Ridge") for a consideration of approximately Australian dollar ("AU$") 58.35 million. Pursuant to the terms of the agreement, the Company has agreed an estimated maximum commitment of approximately AU$50 million 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$108.35 million.

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 revised aggregate consideration of AU$53,473,000 (equivalent to RMB258,007,000, including the maximum committed rebuilding costs of AU$11,110,000 (equivalent to RMB53,606,000) attributable to the 22.22% equity interest in AXF Gold Ridge held by AXF Resources following the completion of the acquisition as set out below). Pursuant to the terms of the Deed, the Group has committed to invest a maximum amount of AU$50,000,000 (equivalent to RMB241,250,000, including the said amount of AU$11,110,000 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 put option can only be exercised by AXF Resources within 12 months after the first gold (or gold ore) be extracted and sold from this gold mine project. The consideration to be paid by the Group on exercise of the put option shall be AU$26,388,000 (equivalent to RMB127,322,000) 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 RMB572,973,000), of which the consideration amount of AU$10,878,000 (equivalent to RMB52,486,000) will be due for payments within one year and the committed amount for the rebuilding of the project will be injected into AXF Gold Ridge according to the progress of the rebuilding work.

As at 31 December 2018 and 2017, the balances represent the deposits paid by the Group to AXF Resources for this transaction.

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

20. DEFERRED TAX ASSETS/LIABILITIES

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

	2018 **RMB'000**	2017 RMB'000
Deferred tax assets	**3,903**	3,170
Deferred tax liabilities	**(82,822)**	(82,322)
	(78,919)	(79,152)

20. DEFERRED TAX ASSETS/LIABILITIES *(Continued)*

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

	Undistributed earnings of 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 2017	(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 36)	–	(79,822)	–	–	(79,822)
At 31 December 2017	(2,500)	(79,822)	1,298	1,872	(79,152)
(Charge) credit to profit or loss	**(2,500)**	**–**	**84**	**649**	**(1,767)**
Settlements of withholding income tax relating to earnings of a subsidiary established in the PRC	**2,000**	**–**	**–**	**–**	**2,000**
At 31 December 2018	**(3,000)**	**(79,822)**	**1,382**	**2,521**	**(78,919)**

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. Taylor Investment International Limited ("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 RMB10,140,000 (2017: RMB4,208,000) available for offset against future profits.

At the end of the reporting period, the Group has deductible temporary differences of RMB nil (2017: RMB5,744,000). 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.

21. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

The restricted bank balances carry interest at a fixed rate of 1.5% (2017: 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:

	2018 %	2017 %
Range of interest rates (per annum)	**0.00 to 1.50**	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:

	2018 RMB'000	2017 RMB'000
HK$	**273**	77,701
AU$	**30**	11
US$	**27**	–

22. INVENTORIES

	2018 RMB'000	2017 RMB'000
Mining products		
– Raw materials	**6,857**	6,640
– Finished goods	**457**	2,662
	7,314	9,302

23. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables from contracts with customers	**4,484**	14,498
Bills receivables	**–**	1,600
	4,484	16,098
Prepayments and other receivables	**25,446**	26,559
Total trade and other receivables	**29,930**	42,657

23. TRADE AND OTHER RECEIVABLES *(Continued)*

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 notes 5, 24 and 25). 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:

	2018 RMB'000	2017 RMB'000
Within 30 days	4,484	16,098

No trade receivables are past due as at the end of the reporting period. The Group does not hold any collateral over these balances.

The ECL for trade receivables as at 31 December 2018 have been assessed collectively based on the trade debtors' aging, grouped by debtor balances that are not yet due and different aging brackets of numbers of days past due (if any). Based on the assessment of the management of the Group, allowance for credit losses from the trade receivables as at 31 December 2018 is insignificant.

As at 31 December 2017, the above bills received are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 39.

24. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	15,924	16,013
Receipts in advance from customers	–	9,263
Value-added tax, resource tax and other tax payables	30,068	18,085
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	43,118	14,048
Payables for evaluation and exploration assets	–	115
Accrued expenses and other payables	9,829	4,717
	83,015	63,658
	98,939	79,671

Note: The amounts at 31 December 2017 were non-trade in nature, interest free and repayable on demand. Further amounts of RMB17,028,000 have been granted by the non-controlling interests of the subsidiary during the year. The full amounts of RMB24,128,000 have been capitalised as contributions to the relevant subsidiary during the current year pursuant to a shareholders' agreement.

24. TRADE AND OTHER PAYABLES *(Continued)*

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

	2018	2017
	RMB'000	RMB'000
Within 30 days	**7,693**	10,962
31-60 days	**5,004**	2,397
61-90 days	**1,180**	613
91-180 days	**1,596**	1,234
Over 180 days	**451**	807
	15,924	16,013

25. CONTRACT LIABILITIES

	31/12/2018	1/1/2018
	RMB'000	RMB'000
Sales of processed concentrates products and analysed for reporting purpose as current liabilities	**24,633**	9,263

Contract liabilities represent the deposit amounts received from certain customers at the requests of the Group when they place confirmed orders. The entire balance of contract liabilities as at 1 January 2018 has been recognised as revenue during the current year.

26. AMOUNTS DUE TO RELATED PARTIES

	2018	2017
	RMB'000	RMB'000
Victor Soar Investments Limited ("Victor Soar")	**1,512**	351
Mr. Gao Mingqing	**174**	–
Fujian Jianyang Wanguo Electric Applicane Co., Ltd. ("Jianyang Wanguo")	**2,563**	–
Ms. Gao Jinzhu	**531**	–
	4,780	351

All of the amounts above are non-trade in nature, interest free, unsecured and repayable on demand, of which RMB2,217,000 (2017: RMB351,000) are denominated in HK$.

Victor Soar held approximately 39.08% (2017: 45.27%) of the issued share capital of the Company and is wholly owned and controlled by Mr. Gao Mingqing.

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

Ms. Gao Jinzhu is interested in 19.25% (2017: 22.30%) of the issued share capital of the Company via an entity wholly owned and controlled by her.

27. 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.

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

During the year ended 31 December 2018, amounts of RMB 42,468,000 fall due in the year was agreed to be extended to 2021.

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

	2018 RMB'000	2017 RMB'000
Within one year	**32,333**	72,378
More than one year, but not exceeding two years	**34,212**	35,356
More than two years, but not exceeding five years	**6,611**	–
	73,156	107,734
Less: amount due within one year shown under current liabilities	**(32,333)**	(72,378)
Amount shown under non-current liabilities	**40,823**	35,356

28. SECURED BANK BORROWINGS

	2018	2017
	RMB'000	RMB'000
Secured bank borrowings, at:		
– fixed rate	**49,257**	64,758
– floating rate	**81,231**	80,946
	130,488	145,704
The carrying amounts of the above borrowing are repayable:		
– within one year	**126,696**	122,411
– within a period of more than one year but not exceeding two years	**450**	19,678
– within a period of more than two years but not exceeding five years	**1,417**	1,322
– a period of more than five years	**1,925**	2,293
	130,488	145,704
Less: amount due within one year shown under current liabilities	**(126,696)**	(122,411)
Amount shown under non-current liabilities	**3,792**	23,293

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

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

	2018	2017
	%	%
Effective interest rate (per annum)	**2.35 to 6.50**	2.22 to 6.50

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

	2018	2017
	RMB'000	RMB'000
HK$	**4,230**	4,446

29. 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:

	2018 RMB'000	2017 RMB'000
Government grant related to assets:		
At the beginning of the year	12,565	13,796
Released to profit or loss	(1,523)	(1,231)
At the end of the year	11,042	12,565

30. PROVISIONS

	2018 RMB'000	2017 RMB'000
At beginning of the year	4,399	3,791
Provisions	651	608
At end of the year	5,050	4,399

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

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

31. 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 2017, 31 December 2017 and 31 December 2018	1,000,000	100,000
Issued:		
At 1 January 2017	600,000	60,000
Issue of shares	66,000	6,600
At 31 December 2017	666,000	66,600
Issue of shares	54,000	5,400
At 31 December 2018	720,000	72,000

	2018 RMB'000	2017 RMB'000
Shown in the consolidated statement of financial position	58,882	54,516

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.

During the year ended 31 December 2018, 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.

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 the directors' report section of the annual report. No share options have been granted, exercised, cancelled or lapsed under the Scheme during the year ended 31 December 2018 and 2017.

32. PLEDGE OF ASSETS

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

	2018 RMB'000	2017 RMB'000
Property, plant and equipment	**40,912**	42,779
Prepaid lease payments	**26,028**	26,674
Mining right	**14,755**	15,822
	81,695	85,275

In addition to the above, the entire shareholding of Yifeng Wanguo as at 31 December 2018 and 2017 was also pledged to a bank for a bank facility provided to the Group.

33. CAPITAL COMMITMENTS

	2018 RMB'000	2017 RMB'000
Capital expenditure 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 19)		
– contracted for but not provided in the consolidated financial statements	**105,933**	273,209
– authorised but not contracted for	**192,049**	243,203
	297,982	516,412
– acquisition property plant and equipment contracted for but not provided in the consolidated financial statements	**14,444**	6,837
	312,426	523,249

34. LEASE COMMITMENTS

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

	2018 RMB'000	2017 RMB'000
Within one year	**539**	176
More than one year, but not exceeding two years	**418**	–
More than two years, but not exceeding five years	**215**	–
	1,172	176

Operating lease payments represent rentals payable by the Group for provision of office and housing premises to certain of its directors.

35. RETIREMENT BENEFIT SCHEMES

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

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

During the year, the retirement benefit scheme contributions amounted to RMB1,750,000 (2017: RMB1,737,000).

36. ACQUISITION OF A SUBSIDIARY

On 13 July 2017, the Group completed the acquisition of 51% equity interest in Xizang Changdu County Dadi Mining Company Limited ("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.

36. ACQUISITION OF A SUBSIDIARY *(Continued)*

	RMB'000
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
Satisfied by:	
Cash paid in prior years	61,163
Cash paid during the year ended 31 December 2017	20,185
Cash paid during the year ended 31 December 2018 (included in consideration payable as at 31 December 2017)	113,610
	194,958
Net cash outflow arising on acquisition:	
Cash consideration paid during the year ended 31 December 2017	20,185
Less: Bank balances and cash acquired	(8)
Net cash outflow in respect of the acquisition of a subsidiary for the year ended 31 December 2017	20,177
Cash consideration paid during the year ended 31 December 2018	113,610

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 was measured by reference to the fair value of the identifiable assets acquired and liabilities assumed and amounted to RMB187,314,000.

36. ACQUISITION OF A SUBSIDIARY *(Continued)*

Acquisition-related costs amounting to RMB6,000 have been excluded from the consideration transferred and have been recognised as an expense in the year ended 31 December 2017, within the administrative expenses, in profit or loss.

Included in the profit of the Group for the year ended 31 December 2017 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 ended 31 December 2017 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 year ended 31 December 2017, 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.

37. RELATED PARTY TRANSACTIONS

(a) Related party balances and transactions

Details of the balances with related parties as at 31 December 2018 and 2017 are set out in the consolidated statement of financial position and in note 26. During the year ended 31 December 2018, an aggregate amount of RMB24,128,000 due to the non-controlling interests of a subsidiary, Xizang Changdu, was capitalised as contributions from shareholders. During the year ended 31 December 2017, there was no material transaction occurred between the Group and any related party.

In addition, certain of the Group's bank borrowing as set out in note 28 as at 31 December 2018 and 2017 were personally guaranteed by Mr. Gao Mingqing and Ms. Gao Jinzhu.

(b) Compensation of key management personnel

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

	2018 RMB'000	2017 RMB'000
Fees, salaries and other allowances	5,403	3,689
Retirement benefit scheme contributions	33	34
	5,436	3,723

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

38. 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 (note 28), and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company 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 redemption of existing debt.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets:		
Amortised cost	46,213	–
Loans and receivables (including cash and cash equivalents)	–	160,795
Financial liabilities:		
Amortised cost	274,271	415,718

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, 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 related parties and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with the 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.

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

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$, AU$ and US$.

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

	2018 **RMB'000**	2017 RMB'000
Assets		
HK$	**2,499**	77,747
AU$	**30**	2,750
US$	**27**	–
Liabilities		
HK$	**7,045**	4,797

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2017: 5%) increase or decrease in RMB against HK$, AU$ and US$. 5% (2017: 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% (2017: 5%) change in foreign currency rates.

	2018 **RMB'000**	2017 RMB'000
HK$ impact:		
5% increase in the value of the functional currency RMB		
(Decrease) increase in post-tax profit for the year	**(171)**	2,736
5% decrease in the value of the functional currency RMB		
Increase (decrease) in post-tax profit for the year	**171**	(2,736)
AU$ impact:		
5% increase in the value of the functional currency RMB		
Increase in post-tax profit for the year	**1**	103
5% decrease in the value of the functional currency RMB		
Decrease post-tax profit for the year	**(1)**	(103)
US$ impact:		
5% increase in the value of the functional currency RMB		
Increase in post-tax profit for the year	**1**	–
5% decrease in the value of the functional currency RMB		
Decrease post-tax profit for the year	**(1)**	–

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis *(Continued)*

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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate restricted bank balance (note 21) and secured bank borrowings (note 28).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 21) and secured bank borrowings (note 28).

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 financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or 50 basis points decrease (2017: 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 (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2018 would decrease/increase by RMB218,000 (2017: RMB17,000).

Credit risk and impairment assessment

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 63% of total trade receivables as at 31 December 2018 (2017: 78%) was due from one customer.

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

The Group has concentration of credit risk by geographical location as the entire balance of its trade receivable as at 31 December 2017 and 2018 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. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade receivables collectively for those with similar credit risk characteristics based primarily on the trade debtors' aging profiles. The Group has been exploring new customers in order to reduce the concentration of credit risk.

The credit risk associated with bills receivables, which are all bank acceptance drafts, is limited because the accepting bank will cashes the bills unconditionally when the entity presents these bills.

The credit risk of the Group on the deposit paid for purchase of property, plant and equipment is limited because of the credit qualities of the counterparties. Based on past experience, management believes that no allowance for credit losses is necessary in respect of these balances.

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.

The credit risk on other receivables is also limited because of the natures of these balances, credit quality of the counterparties and the historical settlement record.

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised costs				
Bank balances and cash	21	N/A	12-month ECL	29,644
Trade receivables	23	(note i)	Lifetime ECL	4,484
Other receivables	23	(note ii)	12-month ECL	12,085

Notes:

(i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by past due status.

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2018, these balances are either not past due or doesn't have fixed repayment.

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 RMB233,161,000 as at 31 December 2018, 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.

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity tables (Continued)

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.

	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 2018							
Non-derivative financial liabilities							
Trade and other payables	–	56,599	9,248	–	–	65,847	65,847
Amounts due to related parties	–	4,780	–	–	–	4,780	4,780
Consideration payable to a former non-controlling shareholder of a subsidiary	7.05	9,000	27,468	42,468	–	78,936	73,156
Secured bank borrowings							
– fixed rate	4.91	15,027	34,888	–	–	49,915	49,257
– floating rate	5.67	5,142	74,794	2,153	2,018	84,107	81,231
		90,548	146,398	44,621	2,018	283,585	274,271
As at 31 December 2017							
Non-derivative financial liabilities							
Trade and other payables	–	14,774	33,545	–	–	48,319	48,319
Amounts due to a shareholder	–	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	107,734
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
		29,263	338,563	59,037	2,426	429,289	415,718

39. FINANCIAL INSTRUMENTS *(Continued)*

(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.

40. 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 statements of cash flows as cash flows from financing activities.

	Secured bank borrowings RMB'000	Amounts due to related parties 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
Financing cash flows	(23,019)	4,412	(28,000)	(36,470)	(83,077)
Non-cash changes					
Interest expenses	7,588	–	–	1,892	9,480
Dividend declared	–	–	28,000	–	28,000
Effect of foreign currency exchange differences	215	17	–	–	232
At 31 December 2018	130,488	4,780	–	73,156	208,424

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2018 and 2017 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
			2018	2017	
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	The PRC	RMB195,000,000	51%	51%	Exploration of mineral resources
Wanguo Australia	Australia	AU$1,000	100%	100%	Exploration of mineral resources
Wanguo Ascendant Holding Limited	Hong Kong	HK$1	100%	100%	Investment holding
Mega Harvest International Development Limited	Hong Kong	HK$1	100%	100%	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) During the year ended 31 December 2017, 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 ended 31 December 2017.

42. 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:

	1/1/2018–31/12/2018 RMB'000	13/7/2017–31/12/2017 RMB'000
Financial information of statement of profit or loss and other comprehensive income		
Revenue	**–**	–
Expenses and taxation	**(585)**	(1,182)
Loss for the year/period	**(585)**	(1,182)
Loss for the year/period, attributable to:		
Equity holders of the Company	**(298)**	(603)
Non-controlling interests of the Group	**(287)**	(579)
	(585)	(1,182)

42. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARY THAT HAS MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Financial information of consolidated statement of financial position

	2018 RMB'000	2017 RMB'000
Non-current assets	504,334	502,217
Current assets	5,586	4,804
Current liabilities	(351)	(46,107)
Non-current liabilities	(79,822)	(79,822)
	429,747	381,092
Equity attributable to:		
Equity holders of the Company	219,171	194,357
Non-controlling interests of the Group	210,576	186,735
	429,747	381,092

Financial information of statement of cash flows

	1/1/2018– 31/12/2018 RMB'000	13/7/2017– 31/12/2017 RMB'000
Net cash outflow from operating activities	(11,483)	(3,566)
Net cash outflow from investing activities	(2,407)	(3,487)
Net cash inflow from financing activities	9,406	11,528
Net cash (outflow)/inflow	(4,484)	4,475

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Interest in subsidiaries	**1**	1
Amounts due from subsidiaries	**267,423**	118,651
Deposits for acquisition of a subsidiary	**5,321**	3,838
	272,745	122,490
CURRENT ASSETS		
Other receivables and prepayments	**3,379**	1,171
Bank balances and cash	**83**	76,569
	3,462	77,740
CURRENT LIABILITIES		
Amount due to shareholders	**1,144**	–
Other payables	**1,252**	–
	2,396	–
NET CURRENT ASSETS	**1,066**	77,740
TOTAL ASSETS LESS CURRENT LIABILITIES	**273,811**	200,230
CAPITAL AND RESERVES		
Share capital	**58,882**	54,516
Reserves	**214,929**	145,714
TOTAL EQUITY	**273,811**	200,230

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in reserves:

	Share premium	Accumulated (loss) retained profits	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2017	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
Transation 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
Gain and total comprehensive expense for the year	–	20,445	20,445
Issue of new shares	76,848	–	76,848
Transation costs attributable to issue of new shares	(78)	–	(78)
Dividend recognised as distribution	(28,000)	–	(28,000)
At 31 December 2018	213,956	973	214,929

Summary Financial Information

RESULTS

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**320,669**	348,494	206,875	220,787	219,163
Profit before tax	**85,660**	102,819	33,026	27,285	39,178
Income tax expenses	**(13,802)**	(32,534)	(11,054)	(10,712)	(15,131)
Profit for the year	**71,858**	70,285	21,972	16,573	24,047
Profit attributable to owners of the Company	**72,145**	70,864	21,972	16,573	24,047

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,171,991**	1,030,487	576,054	502,854	440,157
Current assets	**65,612**	186,975	72,827	47,446	104,439
Current liabilities	**(298,773)**	(414,635)	(225,129)	(156,597)	(138,456)
Total assets less current liabilities	**938,830**	802,827	423,752	393,703	406,140
Non-current liabilities	**(143,529)**	(157,935)	(136,788)	(120,711)	(133,721)
Non-controlling interests	**(210,576)**	(186,735)	–	–	–
Equity attributable to owners of the Company	**584,725**	458,157	286,964	272,992	272,419