# Wanguo International Mining Group Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3939)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

**FINANCIAL HIGHLIGHT:**

| | Year ended 31 December | | |
|---|---|---|---|
| | **2013** | 2012 | **Increase/** |
| | ***RMB'000*** | *RMB'000* | **(Decrease)** |
| **Revenue** | **261,438** | 293,634 | (11.0%) |
| Cost of sales | **(128,939)** | (154,454) | (16.5%) |
| Gross profit | **132,499** | 139,180 | (4.8%) |
| Gross profit margin | **50.7%** | 47.4% | 3.3% |
| Profit before tax | **95,053** | 86,143 | 10.3% |
| Profit attributable to owners of the Company | **66,321** | 60,229 | 10.1% |

- Revenue decreased by 11.0% to approximately RMB261.4 million.
- Gross profit decreased by 4.8% to approximately RMB132.5 million.
- Gross profit margin increased by 3.3% to 50.7%.
- Profit attributable to owners of the Company increased by 10.1% to RMB66.3 million.
- Basic earnings per share was RMB11 cents (2012: RMB12 cents).
- The Board recommends a final dividend of RMB4.2 cents (2012: RMB3.6 cents) per share and a special dividend of RMB3.1 cents (2012: RMB3.1 cents) per share.

The board of Directors (the "Board") of Wanguo International Mining Group Limited (the "Company") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013 together with comparative figures for the year ended 31 December 2012.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2013*

| | *Notes* | **2013** *RMB'000* | 2012 *RMB'000* |
|---|---|---|---|
| Revenue | *4* | **261,438** | 293,634 |
| Cost of sales | | **(128,939)** | (154,454) |
| Gross profit | | **132,499** | 139,180 |
| Other income | *5* | **10,940** | 3,390 |
| Other gains and losses | *6* | **(11,638)** | (1,123) |
| Selling and distribution expenses | | **(2,859)** | (2,949) |
| Administrative expenses | | **(32,684)** | (30,570) |
| Listing expenses | | **–** | (14,015) |
| Fair value gain on forward contracts | | **10,818** | 1,189 |
| Finance costs | *7* | **(12,023)** | (8,959) |
| Profit before tax | | **95,053** | 86,143 |
| Income tax expense | *8* | **(28,732)** | (22,145) |
| Profit and total comprehensive income for the year | *9* | **66,321** | 63,998 |
| Attributable to | | | |
| Owners of the Company | | **66,321** | 60,229 |
| Non-controlling interests | | **–** | 3,769 |
| | | **66,321** | 63,998 |
| Earnings per share | | | |
| Basic (RMB cents) | *10* | **11** | 12 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2013*

| | Notes | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **290,465** | 198,722 |
| Mining right | | **8,620** | 9,034 |
| Exploration and evaluation assets | | **8,894** | – |
| Prepaid lease payments | | **28,635** | 21,142 |
| Deposit for acquisition of land use rights | | **29,891** | 35,899 |
| Deposit for purchase of property, plant and equipment | | **10,931** | 7,354 |
| Deposit for acquisition of a subsidiary | | **9,600** | – |
| Deferred tax assets | | **2,242** | 2,204 |
| Restricted bank balances | | **2,348** | 2,222 |
| | | **391,626** | 276,577 |
| CURRENT ASSETS | | | |
| Prepaid lease payments | | **629** | 484 |
| Inventories | | **13,930** | 13,843 |
| Trade and other receivables | *12* | **10,887** | 13,373 |
| Structured deposit | | **–** | 10,000 |
| Derivative financial instruments | | **–** | 1,245 |
| Pledged bank deposits | | **–** | 6,619 |
| Bank balances and cash | | | |
| — cash and cash equivalents | | **133,447** | 68,314 |
| — other bank deposits | | **–** | 123,710 |
| | | **158,893** | 237,588 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | *13* | **34,767** | 27,003 |
| Tax payable | | **17,754** | 12,148 |
| Consideration payable to a former non-controlling shareholder of a subsidiary | | **24,683** | 11,605 |
| Derivative financial instrument | | **–** | 56 |
| Secured bank borrowings | *14* | **9,000** | 9,000 |
| | | **86,204** | 59,812 |
| NET CURRENT ASSETS | | **72,689** | 177,776 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **464,315** | 454,353 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued**
*AT 31 DECEMBER 2013*

| | Notes | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Secured bank borrowings | 14 | **18,000** | 27,000 |
| Consideration payable to a former non-controlling shareholder of a subsidiary | | **134,308** | 142,915 |
| Deferred income | | **16,138** | 16,653 |
| Deferred tax liabilities | | **1,500** | – |
| Provision | | **2,197** | 1,734 |
| | | **172,143** | 188,302 |
| CAPITAL AND RESERVES | | | |
| Share capital | 15 | **48,955** | 48,955 |
| Reserves | | **243,217** | 217,096 |
| Equity attributable to owners of the Company | | **292,172** | 266,051 |
| | | **464,315** | 454,353 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The Company's principal subsidiary, Jiangxi Province Yifeng Wanguo Mining Company Limited ("Yifeng Wanguo"), located in Jiangxi Province, the People's Republic of China ("PRC"), is engaged in mining and processing of ores and sales of processed concentrates in the PRC.

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

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

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

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009–2011 Cycle |
| Amendments to HKFRS 7 | Disclosures-Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 27 (as revised in 2011) | Separate Financial Statements |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine; and |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |

Except as disclosed below, the application of the above new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

**New and revised standards on consolidation, joint arrangements, associates and disclosures**

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC 12 *Consolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Additional guidance has been added in HKFRS 10 to deal with complex scenarios.

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

**New and revised standards on consolidation, joint arrangements, associates and disclosures — continued**

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC)-Int13 *Jointly Controlled Entities — Non-Monetary Contributions* by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for.

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

The amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

*HKFRS 13 Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, 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 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

*Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

*HKAS 19 Employee Benefits (as revised in 2011)*

In the current year, the Group has applied HKAS 19 *Employee Benefits (as revised in 2011)* and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

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

The directors anticipate that other amendments will have no effect on the Group's consolidated financial statements.

**New and revised HKFRSs issued but not yet effective**

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

| | |
|---|---|
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 14 | Regulatory Deferral Accounts[5] |
| HK(IFRIC)-Int 21 | Levies[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010–2012 Cycle[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011–2013 Cycle[2] |

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for annual periods beginning on or after 1 January 2016.

## 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 of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

The principal accounting policies adopted are as follows:

**Basis of consolidation**

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES — continued

### Basis of consolidation — continued

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

## 4. REVENUE AND SEGMENT INFORMATION

### Segment revenue

Revenue represents revenue arising on sales of processed concentrates which comprise copper, iron, zinc, sulfur, gold in copper concentrates, silver in copper and zinc concentrates, and sales of other ore commodities such as ingots of lead, zinc and aluminium. An analysis of the Group's revenue for the year is as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sales of processed concentrates | **261,438** | 258,135 |
| Sales of other ore commodities | **–** | 35,499 |
| | **261,438** | 293,634 |

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. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group is engaged in the following reportable and operating segments:

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

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

## 4. REVENUE AND SEGMENT INFORMATION — continued

**Segment revenue and result**

The accounting policies of the operating segments are the same as the Group's accounting policies except for the accounting policy of the mining right which is amortised over twenty-six years using straight-line method in preparing the internal report of the Mining operation segment. Segment profits represent the profit earned by each segment without allocation of other income, other gains and losses, fair value gain on forward contracts, listing expenses, certain administrative expenses and certain finance costs. This is the measure reported to CODM for the purpose of resource allocation and performance assessment. Reconciliations from the segment profit to the profit before tax as stated in the consolidated statement of profit or loss and other comprehensive income are as follows:

**For the year ended 31 December 2013**

| | **Mining operation** *RMB'000* | **Trading operation** *RMB'000* *(note)* | **Total** *RMB'000* |
|---|---|---|---|
| Revenue | | | |
| External sales | **261,438** | **–** | **261,438** |
| Segment profit | **99,596** | **–** | **99,596** |
| Other income | | | **10,940** |
| Other gains and losses | | | **(11,638)** |
| Fair value gain on forward contracts | | | **10,818** |
| Unallocated administrative expenses | | | **(4,204)** |
| Unallocated finance costs | | | **(10,471)** |
| Accounting difference on amortisation of mining right | | | **12** |
| Profit before tax | | | **95,053** |
| *Amounts included in the measure of segment profit or loss* | | | |
| Depreciation and amortisation | **15,594** | **–** | **15,594** |

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

## 4. REVENUE AND SEGMENT INFORMATION — continued

**Segment revenue and result — continued**

**For the year ended 31 December 2012**

| | Mining operation *RMB'000* | Trading operation *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Revenue | | | |
| External sales | 258,135 | 35,499 | 293,634 |
| Segment profit (loss) | 107,126 | (675) | 106,451 |
| Other income | | | 3,390 |
| Other gains and losses | | | (1,123) |
| Listing expenses | | | (14,015) |
| Fair value gain on forward contracts | | | 1,189 |
| Unallocated administrative expenses | | | (2,808) |
| Unallocated finance costs | | | (6,936) |
| Accounting difference on amortisation of mining right | | | (5) |
| Profit before tax | | | 86,143 |
| *Amounts included in the measure of segment profit or loss* | | | |
| Depreciation and amortisation | 12,565 | – | 12,565 |

The Group operates within one geographical location because its revenue is generated in the PRC and all of its assets are located in the PRC. Accordingly, no geographical segment information is presented.

### 4. REVENUE AND SEGMENT INFORMATION — continued

**Segment assets and liabilities**

**As at 31 December 2013**

| | **Mining operation** *RMB'000* | **Trading operation** *RMB'000* *(note)* | **Total** *RMB'000* |
|---|---|---|---|
| Segment assets | **512,699** | **–** | **512,699** |
| Unallocated assets | | | **37,467** |
| Accounting difference on amortisation of mining right | | | **353** |
| Consolidated assets | | | **550,519** |
| Segment liabilities | **81,707** | **–** | **81,707** |
| Unallocated liabilities | | | **176,640** |
| Consolidated liabilities | | | **258,347** |

*Note:* No assets and liabilities are related to the Trading operation as at 31 December 2013.

**As at 31 December 2012**

| | Mining operation *RMB'000* | Trading operation *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Segment assets | 359,134 | 2,629 | 361,763 |
| Unallocated assets | | | 152,061 |
| Accounting difference on amortisation of mining right | | | 341 |
| Consolidated assets | | | 514,165 |
| Segment liabilities | 76,798 | – | 76,798 |
| Unallocated liabilities | | | 171,316 |
| Consolidated liabilities | | | 248,114 |

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

— all assets are allocated to reportable segment other than derivative financial instruments, deferred tax assets, deposit for acquisition of a subsidiary, certain properties and equipment, certain bank balances and cash and certain other receivables.

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

## 4. REVENUE AND SEGMENT INFORMATION — continued

### Information about products

Revenues from each group of similar products within the reportable segments are as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| *Sales of processed concentrates* | | |
| — Copper concentrates | **107,966** | 114,707 |
| — Iron concentrates | **75,144** | 63,467 |
| — Zinc concentrates | **23,850** | 18,871 |
| — Sulfur concentrates | **23,622** | 32,562 |
| — Gold in copper concentrates | **12,978** | 11,287 |
| — Silver in copper and zinc concentrates | **17,878** | 17,241 |
| Sub-total | **261,438** | 258,135 |
| *Sales of other ore commodities* | | |
| — Lead ingots | **–** | 2,390 |
| — Zinc ingots | **–** | 33,109 |
| Sub-total | **–** | 35,499 |
| | **261,438** | 293,634 |

### Information about major customers

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

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer A[1] | **127,559** | 141,443 |
| Customer B[2] | **–** | 33,109 |
| Customer C[3] | **47,388** | N/A[4] |
| Customer D[3] | **27,755** | N/A[4] |

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

2 Revenue for sales of zinc ingots

3 Revenue for sales of iron concentrates

4 The corresponding revenue did not contribute over 10% of the total sales of the Group in the relevant year

## 5. OTHER INCOME

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Bank interest income | **3,956** | 2,634 |
| Investment income from structured deposits | **1,631** | 97 |
| Government grant related to assets *(note i)* | **515** | 513 |
| Government subsidy *(note ii)* | **4,815** | 107 |
| Others | **23** | 39 |
| | **10,940** | 3,390 |

*Notes:*

(i) Government grant represents the amount granted from the local government to Yifeng Wanguo for mining technology improvement and is released to income over the expected useful lives of the relevant assets resulting from the mining technology improvement.

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

## 6. OTHER GAINS AND LOSSES

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Exchange loss | **(11,742)** | (1,123) |
| Gain on disposal of property, plant and equipment | **104** | – |
| | **(11,638)** | (1,123) |

## 7. FINANCE COSTS

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank borrowings wholly repayable within five years | **2,182** | 3,127 |
| Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary | **10,471** | 6,936 |
| Total borrowing costs | **12,653** | 10,063 |
| Less: amount capitalised | **(630)** | (1,104) |
| | **12,023** | 8,959 |

## 8. INCOME TAX EXPENSE

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Current tax: | | |
| — PRC Enterprise Income Tax ("EIT") | **27,270** | 24,599 |
| — Withholding tax on distribution of earnings of PRC subsidiary | **–** | 1,964 |
| Deferred tax | | |
| Current year | **1,462** | (4,418) |
| | **28,732** | 22,145 |

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

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

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

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Profit before tax | **95,053** | 86,143 |
| Tax at the EIT rate of 25% | **23,763** | 21,536 |
| Tax effect of expenses not deductible for tax purpose | **7,037** | 2,685 |
| Tax effect of income not taxable for tax purpose | **(3,568)** | (514) |
| Withholding tax on distributable earnings of PRC subsidiary | **1,500** | (1,562) |
| Tax charge for the year | **28,732** | 22,145 |

## 9. PROFIT FOR THE YEAR

| | 2013 | 2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Profit for the year has been arrived at after charging: | | |
| Directors' emoluments | **3,364** | 2,739 |
| Other staff costs | **23,923** | 23,661 |
| Retirement benefit scheme contributions, excluding those of directors | **943** | 797 |
| Total staff costs | **28,230** | 27,197 |
| Depreciation of property, plant and equipment | **14,677** | 11,599 |
| Amortisation of mining right | **414** | 487 |
| Release of prepaid lease payments | **491** | 484 |
| Total depreciation and amortisation | **15,582** | 12,570 |
| Auditor's remuneration | **1,295** | 1,423 |
| Minimum lease payments under operating leases in respect of properties | **26** | 217 |
| Cost of inventories recognised as an expense | **128,939** | 154,454 |

## 10. EARNINGS PER SHARE

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

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Earnings: | | |
| Profit for the year attributable to owners of the Company for the purpose of basic earnings per share | **66,321** | 60,229 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands) | **600,000** | 521,721 |

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

## 11. DIVIDEND

During the year ended 31 December 2013, a final dividend of RMB3.6 cents per share on 600,000,000 ordinary shares and a special dividend of RMB3.1 cents per share in respect of the year ended 31 December 2012, amounting to RMB40,200,000 in aggregate, were declared and paid to the shareholders of the Company whose names appeared on the register of members of the Company on 10 May 2013.

During the year ended 31 December 2012, special dividends of HK$2,000,000 (equivalent to RMB1,618,000) (HK$40 per share) and RMB32,400,000 (RMB648 per share) have been declared and payable to the then shareholders of the Company prior to the listing of the Company's shares on the Stock Exchange on 10 July 2012. In addition, Yifeng Wanguo declared and paid a final dividend of 2011 of RMB5,240,000 to West-Jiangxi of the Bureau of Geology and Mineral Exploration of Jiangxi Province ("West-Jiangxi Brigade"), the former non-controlling shareholder of Yifeng Wanguo.

A final dividend of RMB4.2 cents per share and a special dividend of RMB3.1 cents per share in respect of the year ended 31 December 2013, amounting to RMB43,800,000 in aggregate, has been proposed by the board of directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 12. TRADE AND OTHER RECEIVABLES

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **9,295** | 7,483 |
| Notes receivable | **–** | 1,817 |
| Prepayments | **1,466** | 1,521 |
| Other receivables | **126** | 2,552 |
| | **1,592** | 5,890 |
| Total | **10,887** | 13,373 |

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

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0–30 days | **9,295** | 7,265 |
| Over 90 days | **–** | 218 |
| | **9,295** | 7,483 |

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

Included in the Group's trade receivables are receivables with the following carrying amounts which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

Aging of trade receivables which are past due but not impaired

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Over 90 days | **–** | 218 |

The Group does not hold any collateral over these balances.

## 13. TRADE AND OTHER PAYABLES

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **6,878** | 6,217 |
| Advance from customers | **1,039** | 3,180 |
| Value-added tax, resource tax and other tax payables | **9,902** | 11,368 |
| Accrued expenses | **3,439** | 3,514 |
| Other payables for construction in progress and property, plant and equipment | **10,957** | 2,724 |
| Other payables for evaluation and exploration assets | **2,552** | – |
| | **27,889** | 20,786 |
| | **34,767** | 27,003 |

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

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0–30 days | **4,580** | 5,281 |
| 31–60 days | **944** | 393 |
| 61–90 days | **559** | 235 |
| 91–180 days | **204** | 169 |
| Over 180 days | **591** | 139 |
| | **6,878** | 6,217 |

## 14. SECURED BANK BORROWINGS

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Secured bank borrowings | | |
| — Floating rate | **27,000** | 36,000 |
| Carrying amount repayable: | | |
| — within one year | **9,000** | 9,000 |
| — more than one year, but not exceeding two years | **18,000** | 9,000 |
| — more than two year, but not exceeding five years | **–** | 18,000 |
| | **27,000** | 36,000 |
| Less: amount due within one year shown under current liabilities | **9,000** | 9,000 |
| Amount shown under non-current liabilities | **18,000** | 27,000 |

### 14. SECURED BANK BORROWINGS — continued

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

| | **2013** | 2012 |
|---|---|---|
| | **%** | % |
| Effective interest rate (per annum) | **6.67** | 5.94 to 7.10 |

### 15. SHARE CAPITAL

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

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

*Notes:*

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

Affected by world economic slowdown, the growth momentum of the global mining industry decelerated, as reflected in shrinking market indicators including the price, trading and mining investment of mineral products. However, the mining industry, as a whole, continued to sustain growth momentum. In 2013, different metal markets in China experienced price fluctuations, in particular, copper price dropped significantly in the first half of the year, became stable at the end of the year.

### Copper

According to World Bureau of Metal Statistics (世界金屬統計局), between January and November 2013, there was an excess supply of approximately 375,000 tonnes of copper in the global market, while global copper consumption was approximately 19.285 million tonnes. The China's apparent copper demand increased by approximately 845,000 tonnes to approximately 8.919 million tonnes.

### Iron

According to World Steel Association (世界鋼鐵協會), from January to October 2013, the total global steel production increased year-on-year by 4.18% to 1,319.87 million tonnes. Being the world's largest steel production country, China's steel output accounted for 49.34% of total global steel production, and rose by 57.69 million tonnes or 9.72% from 593.66 million tonnes in the same period of 2012. Of the global steel output growth of 52.93 million tonnes, China's increased steel production volume represented 108.98%.

### Zinc

According to World Bureau of Metal Statistics (世界金屬統計局), from January to November 2013, there was an excess supply of approximately 33,000 tonnes in the global zinc market, against an excess supply of 343,000 tonnes in the full year of 2012. The demand for zinc in China increased by 13.8% year-on-year, while the domestic production volume of refined zinc increased by 12.4% year-on-year. China imported approximately 73.7 tonnes of zinc in November 2013, and approximately 52.1 tonnes, 60.4 tonnes and 74.4 tonnes of zinc in August, September and October respectively. The global refined zinc production volume increased by 6.4% year-on-year, while consumption increased by 9% year-on-year. Between January and November 2013, China's apparent demand for refined zinc was about 5.532 million tonnes, representing 46% of the global total.

### Gold and Sliver

In 2013, the international spot gold price opened at US$1,675.35 per ounce, and closed at US$1,201.64 per ounce as at 31 December, representing a decrease of 28.3%, which was the first annual drop in 13 years. However, according to World Gold Council, China's gold consumption rose by 18% year-on-year to 210 tonnes in the third quarter, indicated that the demand for gold is still raising in China.

According to Bloomberg, the price of silver kept falling after opening high at the beginning of 2013. With regard to industrial use, driven by recovering demand in the US and China, the industrial demand for silver was expected to rise by 1.1% to approximately 475 million ounces. Demand for silver jewellery was expected to rise by 5.7% to approximately 193 million ounces.

## BUSINESS REVIEW

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

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

## EXPANSION IN EXISTING MINE

We continued to develop the Xinzhuang Mine during the year. We had reached 500,000 tpa in both mining capacity and processing capacity by the end of 2013 from 450,000 tpa in 2012.

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

## EXPANSION IN SURROUNDING AREAS

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, it is expected the relevant report will be finished in 2014. The Board believes that the engagement of Jiangxi Geology Bureau for the exploration work at the Xinzhuang Mine will potentially increase the Group's mineral resources and allow the Group to apply for an increase in its mining capacity set forth in its mining license, thereby enhancing the competitiveness of the Group in the future with the increased capacities and annual total production volume.

## POTENTIAL HORIZONTAL EXPANSION

On 26 October 2013, Jiangxi Province Yifeng Wanguo Mining Company Limited, a wholly-owned subsidiary of the Company ("Yifeng Wanguo"), entered into a framework agreement with Mr. Liu Dingbo, Mr. Yang Zhi and Mr. Wen Baolin (collectively referred as the "Vendor"), pursuant to which Yifeng Wanguo intended to acquire and the Vendor intended to sell 51% equity interest in Xizang Changdu-County Dadi Mining Company Limited ("Xizang Changdu"), which owns the exploration license of Walege lead-mine, located in Changdu County, Tibet Autonomous Region, the People' Republic of China.

The exploration license of Xizang Changdu covers an area for exploration of approximately 21.87 sq. km. As of the date of Framework Agreement, it had completed a detailed exploration stage. In accordance with resources and reserves under Chinese Mining Resources and Reserve, there are more than 1,000,000 tons of contained lead and more than 1,100 tons of contained silver.

Since Xizang Changdu has substantial reserves of lead and silver, which is expected to be further exploited, and upon completion of the processing plant, it will then contribute sales revenue and profits to the Group.

## MINERAL RESOURCES AND RESERVES

**The Xinzhuang Mine Mineral Resource Summary — as at 31 December 2013**

| Mineralization Type | JORC Mineral Resource Category | Tonnage | Grades Cu | Grades Pb | Grades Zn | Grades TFe | Grades mFe | Contained Metals Cu | Contained Metals Pb | Contained Metals Zn | Contained Metals TFe | Contained Metals mFe |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *kt* | *%* | *%* | *%* | *%* | *%* | *kt* | *kt* | *kt* | *kt* | *kt* |
| Cu-Fe | Measured | 5,911 | 0.80 | – | – | – | – | 47.42 | – | – | – | – |
| | Indicated | 12,784 | 0.69 | – | – | – | – | 88.60 | – | – | – | – |
| | Subtotal | 18,695 | 0.73 | – | – | – | – | 136.02 | – | – | – | – |
| | Inferred | 900 | 0.46 | – | – | – | – | 4.16 | – | – | – | – |
| | Total | 19,595 | 0.72 | – | – | – | – | 140.18 | – | – | – | – |
| Fe-Cu | Measured | 2,307 | 0.21 | – | – | 43.57 | 31.22 | 4.80 | – | – | 1,005.37 | 720.33 |
| | Indicated | 4,058 | 0.35 | – | – | 40.15 | 26.63 | 14.04 | – | – | 1,629.28 | 1,080.56 |
| | Subtotal | 6,366 | 0.30 | – | – | 41.39 | 28.29 | 18.85 | – | – | 2,634.65 | 1,800.89 |
| | Inferred | 319 | 0.52 | – | – | 44.16 | 31.05 | 1.66 | – | – | 141.00 | 99.00 |
| | Total | 6,685 | 0.31 | – | – | 41.52 | 28.42 | 20.51 | – | – | 2,775.65 | 1,899.89 |
| Cu-Pb-Zn | Measured | 2,128 | 0.14 | 0.95 | 5.04 | – | – | 3.00 | 20.17 | 107.16 | – | – |
| | Indicated | 2,632 | 0.11 | 1.77 | 3.82 | – | – | 2.91 | 46.50 | 100.48 | – | – |
| | Subtotal | 4,760 | 0.12 | 1.40 | 4.36 | – | – | 5.91 | 66.67 | 207.64 | – | – |
| | Inferred | 358 | 0.15 | 0.39 | 4.33 | – | – | 0.52 | 1.41 | 15.52 | – | – |
| | Total | 5,118 | 0.13 | 1.33 | 4.36 | – | – | 6.43 | 68.08 | 233.16 | – | – |
| Total | Measured | 10,346 | – | – | – | – | – | 55.23 | 20.17 | 107.16 | 1,005.37 | 720.33 |
| | Indicated | 19,475 | – | – | – | – | – | 105.56 | 46.50 | 100.48 | 1,629.28 | 1,080.56 |
| | Subtotal | 29,821 | – | – | – | – | – | 160.78 | 66.67 | 207.64 | 2,634.65 | 1,800.89 |
| | Inferred | 1,577 | – | – | – | – | – | 6.34 | 1.41 | 15.52 | 141.00 | 99.00 |
| | Total | 31,398 | – | – | – | – | – | 167.12 | 68.08 | 233.16 | 2,775.65 | 1,899.89 |

*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 Company's prospectus dated 28 June 2012. 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 2013.

**The Xinzhuang Mine Ore Reserve Summary — as at 31 December 2013**

| Mineralization Type | JORC Ore Reserve Category | Tonnage | Grades Cu | Grades Pb | Grades Zn | Grades TFe | Grades mFe | Contained Metals Cu | Contained Metals Pb | Contained Metals Zn | Contained Metals TFe | Contained Metals mFe |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *kt* | *%* | *%* | *%* | *%* | *%* | *kt* | *kt* | *kt* | *kt* | *kt* |
| Cu-Fe | Proved | 4,470 | 0.77 | – | – | – | – | 34.50 | – | – | – | – |
| | Probable | 5,485 | 0.68 | – | – | – | – | 37.16 | – | – | – | – |
| | **Total** | 9,955 | 0.72 | – | – | – | – | 71.66 | – | – | – | – |
| Fe-Cu | Proved | 2,407 | 0.23 | – | – | 37.98 | 32.91 | 5.60 | – | – | 914.37 | 792.33 |
| | Probable | 2,487 | 0.34 | – | – | 29.76 | 24.89 | 8.35 | – | – | 740.28 | 619.10 |
| | **Total** | 4,895 | 0.29 | – | – | 33.80 | 28.84 | 13.95 | – | – | 1,654.65 | 1,411.43 |
| Cu-Pb-Zn | Proved | 1,565 | 0.12 | 0.88 | 4.73 | – | – | 1.90 | 13.78 | 74.08 | – | – |
| | Probable | 1,204 | 0.08 | 1.32 | 3.41 | – | – | 0.99 | 15.92 | 41.11 | – | – |
| | **Total** | 2,769 | 0.10 | 1.07 | 4.16 | – | – | 2.89 | 29.70 | 115.19 | – | – |
| Total | Proved | 8,442 | – | – | – | – | – | 42.00 | 13.78 | 74.08 | 914.37 | 792.33 |
| | Probable | 9,176 | – | – | – | – | – | 46.51 | 15.92 | 41.11 | 740.28 | 619.10 |
| | **Total** | 17,619 | – | – | – | – | – | 88.51 | 29.70 | 115.19 | 1,654.65 | 1,411.43 |

*Notes:*

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

(2) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 31 December 2011, as disclosed in the Appendix V of Company's prospectus dated 28 June 2012. 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 2013.

## FINANCIAL REVIEW

| | Mining operation | | Trading operation | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Revenue | **261,438** | 258,135 | **–** | 35,499 |
| Cost of sales | **(128,939)** | (118,279) | **–** | (36,174) |
| Gross profit | **132,499** | 139,856 | **–** | (675) |
| Gross profit margin | **50.7%** | 54.2% | **–** | (1.9%) |

### Revenue

The Group's revenue decreased by 11.0% from approximately RMB293.6 million in 2012 to approximately RMB261.4 million in 2013. The decrease was primarily attributable to the decrease in the average prices of copper in copper concentrates and sulfur concentrates under the slowing down in domestic economic growth, which is partially offset by the increase in volume of sales. In addition, there were no sales of other commodities incurred for the year ended 31 December 2013 as the Group has ceased such business by end of 2012.

For the year ended 31 December 2013, we sold 2,749 tonnes of copper in copper concentrates, 101,669 tonnes of iron concentrates and 108,092 tonnes of sulfur concentrates, compared to 2,703 tonnes, 90,577 tonnes and 93,833 tonnes respectively for the year ended 31 December 2012, representing increases of approximately 1.7%, 12.2% and 15.2%, respectively. The increase was principally attributable to increase in volume of ores mined resulted from substantial completion underground projects under expansion plan.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates in 2013 were RMB39,265, RMB740 and RMB219 per tonne respectively, compared to RMB42,437, RMB702 and RMB347 per tonne respectively in 2012, representing a decline of approximately 7.5%, increase of approximately 5.4% and decline of approximately 36.9% respectively. During the year ended 31 December 2013, the market prices of certain metals such as copper and sulfur were also on decreasing trends. Our Directors believe that the decrease was mainly due to instability of the domestic economy.

### Cost of sales

Overall, our cost of sales decreased by approximately 16.5% from approximately RMB154.5 million in 2012 to approximately RMB128.9 million in 2013. The decrease was mainly due to cessation of trading operation by end of 2012.

Our cost of sales of concentrates increased by approximately 9.0% from approximately RMB118.3 million in 2012 to approximately RMB128.9 million in 2013. The increase in cost of sales of concentrates was mainly attributable to the increase in sales volume under the expansion of business.

**Gross profit and gross profit margin**

Overall, our gross profit decreased by approximately 4.8% to approximately RMB132.5 million and gross profit margin increased from 47.4% in 2012 to 50.7% in 2013. This is mainly contributed by the cessation of low margin trading operation.

The gross profit of concentrates for the year ended 31 December 2013 was approximately RMB132.5 million, which represents a decrease of approximately 5.3% compared to approximately RMB139.9 million for the year ended 31 December 2012. Our gross profit margin of concentrates decreased from approximately 54.2% for the year ended 31 December 2012 to approximately 50.7% for the year ended 31 December 2013. Such increase was mainly attributable to the decline in the selling prices of the concentrates.

**Other income**

Our other income increased by approximately RMB7.6 million, which comprised mainly bank interest income of approximately RMB5.6 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement and refund of mineral resource fee and income tax expenses of approximately RMB5.3 million.

**Other gains and losses**

Our other gains and losses increased by approximately RMB10.5 million, which comprised mainly exchange loss of approximately RMB11.7 million as a result of depreciation of Australian dollars deposits against Renminbi during the year. The decrease was primarily attributable to the exchange loss derived from the depreciation of Australian dollars deposits, which was offset by fair value gain on derivative financial instruments.

**Selling and distribution expenses**

Our selling and distribution expenses were comparable in two years.

**Administrative expenses**

Our administrative expenses increased by approximately 6.9% from approximately RMB30.6 million in 2012 to approximately RMB32.7 million in 2013. The increase was principally attributable to the increase in depreciation, as a result of completion of construction of new office building and mining and ore processing facilities.

**Listing expenses**

Listing expenses represented professional fees paid to relevant parties in connection with the listing. This was recognised as one-off listing expenses for the year ended 31 December 2012.

**Fair value gain on derivative financial instruments**

During the year ended 31 December 2012, some of the temporarily unutilised net proceeds from the placing and public offer of shares in our Company were placed in interest-bearing time deposits with a bank denominated in Australian dollars, a currency with a relatively higher interest rate. The Group has entered into forward foreign exchange contracts with a bank to hedge the fluctuation of exchange rate between Australian dollars and Renminbi in respect of such Australian dollars time deposits. During the year ended 31 December 2013, all the forward contracts have been matured and a realised gain has been recognised due to the depreciation of Australian dollars against Renminbi.

**Finance costs**

Our finance costs increased by approximately 33.3% from approximately RMB9.0 million in 2012 to approximately RMB12.0 million in 2013, primarily due to the imputed interest expenses on the consideration payable to a former non-controlling shareholder of a subsidiary, Yifeng Wanguo, for its capital reduction (the "Redemption Monies Payable"), details of which can be found in the section headed "History and Development — Yifeng Wanguo — Capital Reduction Agreement" of the Prospectus.

**Income tax expense**

Our income tax expense was approximately RMB28.7 million in 2013, consisting of PRC corporate income tax payable of approximately RMB27.2 million and withholding tax payable of approximately RMB1.5 million. Our income tax expense was approximately RMB22.1 million in 2012, consisting of PRC corporate income tax payable of approximately RMB26.5 million less a reversal of withholding tax payable of approximately RMB3.5 million and a deferred tax credit of approximately RMB0.9 million.

The increase in our income tax expenses in 2013 was principally due to increase in withholding tax payable for intended distribution of retained earnings in our wholly-owned subsidiaries.

**Profit and total comprehensive income**

As a result of the foregoing, our profit after taxation increased by approximately 3.6%, or approximately RMB2.3 million, from approximately RMB64.0 million for the year ended 31 December 2012 to approximately RMB66.3 million for the year ended 31 December 2013. Our net profit margin increased from approximately 21.8% for the year ended 31 December 2012 to approximately 25.4% for the year ended 31 December 2013 as a result of the decrease in listing expenses.

**Profit attributable to owners of our Company**

The profit attributable to the owners of our Company increased by approximately 10.1% or approximately RMB6.1 million, from approximately RMB60.2 million for the year ended 31 December 2012 to approximately RMB66.3 million for the year ended 31 December 2013.

### Analysis of property, plant and equipment and construction in progress

As at 31 December 2013, the Group's property, plant and equipment and construction in progress were approximately RMB290.5 million, representing an increase of RMB91.8 million or 46.2% over last year, mainly due to purchase of mining equipment, upgrading ore processing facilities and construction of mining structures under our 600,000 tpa expansion project.

### Analysis of inventories

Inventories consist of raw materials, ore, concentrates and other ore commodities. Raw materials mainly include forged steel grinding balls, explosives, chemical products and diesel oil used for the production of concentrates. As at 31 December 2013 and 2012, our inventories were approximately RMB13.9 million and approximately RMB13.8 million respectively. The inventories level were comparable in two years.

### Analysis of trade receivables

Trade receivables represent receivables from the sale of concentrates and trading of other ore commodities. 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 2013 and 2012, our trade receivables were approximately RMB9.3 million and RMB7.5 million respectively. The increase in trade receivables as at 31 December 2013 was mainly due to receipt of the down payment by a major customer after year end.

### Analysis of trade payables

Trade payables mainly consist of payables in respect of (i) the purchase of forged steel grinding balls; (ii) transportation expenses incurred for the delivery of our products to our customers; 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 2013 and 2012, our trade payables were approximately RMB6.9 million and approximately RMB6.2 million respectively. The increase was mainly attributable to increase in purchase of raw materials to cope with growth of production expansion.

## LIQUIDITY AND CAPITAL RESOURCES

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

The current ratio of the Group as at 31 December 2013 was 1.84 times as compared to 3.97 times as at 31 December 2012. It was mainly attributable to the increase in property, plant and equipment and prepaid lease payment under expansion plan and deposit for a potential acquisition project.

Our Group had bank balances and cash of approximately RMB133.4 million as at 31 December 2013, compared to approximately RMB192.0 million as at 31 December 2012, of which approximately RMB0.5 million (2012: approximately RMB125.5 million) was denominated in Hong Kong dollars and Australian dollars. As at 31 December 2013, the Group recorded net assets and net current assets of approximately RMB292.2 million and approximately RMB72.7 million respectively. Taking into account the Group's cash reserves and recurring cash flows from its operation, the Group's financial position is stable and healthy.

## BORROWINGS

As at 31 December 2013, the Group had secured bank borrowings of RMB27.0 million in aggregate with maturity from three years to five years and effective interest rate of 6.67%.

## GEARING RATIO

The Group's gearing ratio (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) amounted to 33.8% (2012: 37.1%).

## CAPITAL EXPENDITURES

The total capital expenditure of the Group increased from approximately RMB77.0 million for the year ended 31 December 2012 to approximately RMB110.2 million for the year ended 31 December 2013, representing an increase of approximately 43.1%. The capital expenditure in 2013 was primarily incurred for the purchase of mining equipment, upgrading ore processing facilities and construction of mining structures under our 600,000 tpa expansion project at the Xinzhuang Mine.

We plan to incur further capital expenditures mainly for our expansion plan at the Xinzhuang Mine in the future.

## CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any significant contingent liabilities.

## FINAL DIVIDEND

The Board recommends to declare a final dividend of RMB4.2 cents (equivalent to approximately HK$5.3 cent) per share and special dividend of RMB3.1 cents (equivalent to approximately HK$3.9 cents) per Share for the year ended 31 December 2013, representing approximately 38.0% and 28.0% of the profit and total comprehensive income attributable to owners of the Company respectively, payable to shareholders whose names appear on the register of members of the Company on 9 May 2014. Based on the number of issued Shares as at 31 December 2013, this represents a total distribution of RMB43.8 million. Subject to the approval of the payment of the final dividend by shareholders at the annual general meeting on 29 April 2014, it is expected that the proposed final dividend will be paid on or before 20 May 2014.

## CLOSURE OF REGISTER OF MEMBERS

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at close of business on 9 May 2014. For determination of entitlement to the final dividend, the register of member of the Company will be closed from Wednesday, 7 May 2014 to Friday, 9 May 2014, 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration not later than 4:30 p.m. on Monday, 5 May 2014.

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2013, the Group had no significant acquisitions and disposals.

## CHARGE ON GROUP ASSETS

As at 31 December 2013, the Group's mining rights with carrying value of approximately RMB8.6 million (31 December 2012: approximately RMB9.0 million) were pledged to secure the Group's bank borrowings.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

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

## INTEREST RATE RISK

All of our bank borrowings are denominated in Renminbi and 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"). Interest rates on our bank loans are subject to adjustments by our lenders in accordance with changes in the PBoC benchmark rates. 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.

## CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENT

As at 31 December 2013, the Group has entered into a non-cancellable operating lease with future payable of approximately RMB0.3 million for certain of the Group's properties.

As at 31 December 2013, the Group's capital commitments amounted to approximately RMB20.8 million, and decreased by approximately RMB26.8 million as compared to approximately RMB47.6 million as at 31 December 2012, which was primarily due to various construction contracts entered into in 2012 for the Group's production expansion has been settled during the year.

As at 31 December 2013, the Group has entered the following commitments in relation to the exploration and development of Xinzhuang mine.

| | *RMB'000* |
|---|---|
| Exploration projects | **7,788** |
| Three new shafts projects | **2,680** |
| Upgrading the processing plants | **6,178** |
| Other civil work under 600,000 tpa projects | **4,170** |
| | **20,816** |

## FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade and other receivables, bank balances and cash, pledged bank deposits, restricted bank balance, trade and other payables, consideration payable to a former non-controlling shareholder of a subsidiary, amount(s) due to a related company/shareholders and secured bank borrowings.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, we had a total of 375 (2012: 394) full-time employees, excluding the independent third-party contractor which is responsible for underground mining work.

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

## EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

### Mineral exploration

For our current planned mining area, we have completed underground geological drilling of 11,265.24 m, with drill size of 60–90 mm during 2013. In 2013, we have also finished tunnel drilling of 420 m, resulted in total tunnel drilling of 6,038.8 m.

For outside planned mining area, the Group entered into the Exploration Agreement with Jiangxi Geology Bureau to conduct exploration work outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining licence held by the Group during 2012. By the end of 2013, Jiangxi Geology Bureau has finished the field exploration work. It has completed geological drilling of 7,211.46 m, with drill size of 75–146 mm and 15 drilling holes. Samples extracted will be tested in 2014. It is expected that relevant exploration report will be available in 2014. In 2013, the total expenditure of mineral exploration was approximately RMB6.3 million.

**Development**

During 2013, the Group incurred development expenditure of approximately RMB103.9 million in respect of our expansion plan for 600,000 tpa as described in the Prospectus, mainly comprising (1) three new shafts' projects, and (2) civil work projects.

(1) For three new shafts' projects, we have completed the ventilation shaft system, proper excavation and reinforcement the wellbore of the main shaft (to -543 m) and partially completion of auxiliary shaft (to -315 m).

(2) For civil work projects, we have completed full constructions of tailing storage facilities, air-pressure room, and power room, as well as main constructions of 3,000 tonnes waste disposal basin, copper filtering plant and lime emulsion plant in our processing plants.

Details breakdown of development expenditure is as follows:

| | *RMB' (million)* |
|---|---|
| Land use right | 2.2 |
| Mining structures | 82.0 |
| Office buildings | 11.4 |
| Machinery and electronic equipment for processing plants | 7.3 |
| Motor vehicles | 1.0 |
| | 103.9 |

**Mining activities**

During 2013, we processed a total of 512,153 tonnes of ore in the Xinzhuang Mine. The volume of our concentrates products sold were 2,749 tonnes, 101,669 tonnes, 2,865 tonnes, 108,092 tonnes, 58 kg, 5,175 kg and 2,738 kg for copper in copper concentrates, iron concentrates, zinc in zinc concentrates, sulfur concentrates, gold in copper concentrates, silver in copper concentrates and silver in zinc concentrates, respectively. During 2013, the Group incurred expenditures for mining and processing activities were RMB74.9 million (2012: 70.0 million) and RMB40.9 million (2012: 39.1 million) respectively. The unit expenditures for mining and processing activities were RMB139.5/t (2012: RMB151.0/t) and RMB79.8/t (2012: RMB85.0/t) respectively.

## PROSPECT

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

### Growing production at our mine and outsourcing our mining works

The scale of our production operation in the Xinzhuang Mine will continue to increase in the near future with targeted mining capacity and processing capacity of 600,000 tpa both in 2014. To minimise costs, we will continue to outsource our underground mining works to third-party contractors.

### Exploring additional mineral resources in our mine

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

### Horizontal expansion through future acquisitions of new mines

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

We have a clear understanding that the world's major economies' growth remained weak, the impact of the financial crisis has not yet fundamentally eliminated, recent outbreak of crisis in Ukraine, 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 toward trends in copper, iron, zinc, market in 2014.

### Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company's corporate governance practices are based on principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Listing Rules. Except for the deviation from code provision A.2.1, A.2.7 and A.6.7 of the CG Code as described below, the Company had complied with the CG Code since the date of listing of its shares on the Main Board of the Stock Exchange on 10 July 2012 ("Listing Date") and up to 31 December 2013.

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

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

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

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

Mr. Shen Peng, our independent non-executive Director, was unable to attend the annual general meeting of the Company held on 2 May 2013 due to conflict of his business schedules. Save as disclosed above, all Directors were present at the annual general meeting of the Company held on 2 May 2013.

**Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. The Company, having made specific enquiries to all Directors, has confirmed that all the Directors have complied with the required standards of dealings as set out in the Model Code for the year and to the date of this announcement.

**Use of Proceeds from the Placing and Public Offer**

With the shares of the Company listed on the Stock Exchange on 10 July 2012, the net proceeds from the placing and public offer, after deducting the relevant costs of the placing and public offer, were approximately RMB205.2 million. As at the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

**Purchase, Redemption or Sale of the Listed Securities of the Company**

For the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

**Audit committee**

The audit committee of the Company (the "Audit Committee") comprises four independent non-executive directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jianzhong and Mr. Li Hongchang. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process and internal control of the Group. The Audit Committee has reviewed the audited financial results of the Group for the year and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

**Scope of work of Messrs. Deloitte Touche Tohmatsu**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

**Publication of Annual Results and Annual Report**

This annual results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.wgmine.com. The 2013 annual report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

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

Hong Kong, 14 March 2014

*As at the date of this announcement, the executive Directors are Mr. Gao Mingqing, Ms. Gao Jinzhu, Mr. Xie Yaolin and Mr. Liu Zhichun; the non-executive Directors are Mr. Li Kwok Ping, Mr. Lee Hung Yuen and Mr. Wen Baolin; and the independent non-executive Directors are Dr. Lu Jian Zhong, Mr. Qi Yang, Mr. Shen Peng and Mr. Li Hongchang.*