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 2016

FINANCIAL HIGHLIGHT:

	Year ended 31 December		
	2016	2015	**Increase/**
	RMB'000	*RMB'000*	**(Decrease)**
Revenue	**206,875**	220,787	(6.3%)
Cost of sales	**(129,639)**	(156,214)	(17.0%)
Gross profit	**77,236**	64,573	19.5%
Gross profit margin	**37.3%**	29.2%	8.1%
Profit before tax	**33,026**	27,285	20.9%
Profit attributable to owners of the Company	**21,972**	16,573	32.5%

- Revenue decreased by 6.3% to approximately RMB206.9 million.
- Gross profit increased by 19.5% to approximately RMB77.2 million.
- Gross profit margin increased by 8.1% to 37.3%.
- Profit attributable to owners of the Company increased by 32.5% to approximately RMB22.0 million.
- Basic earnings per share was RMB3.7 cents (2015: RMB2.8 cents).
- The Board did not recommend the payment of a final dividend (2015: RMB1.33 cents per share).

The board (the "Board") of directors (the "Directors") 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 2016 together with comparative figures for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	4	**206,875**	220,787
Cost of sales		**(129,639)**	(156,214)
Gross profit		**77,236**	64,573
Other income	5	**1,586**	2,084
Other gains and losses		**178**	808
Selling and distribution expenses		**(2,865)**	(2,429)
Administrative expenses		**(30,402)**	(27,004)
Finance costs	6	**(12,707)**	(10,747)
Profit before tax		**33,026**	27,285
Income tax expense	7	**(11,054)**	(10,712)
Profit and total comprehensive income for the year	8	**21,972**	16,573
Earnings per share			
Basic (RMB cents)	9	**3.7**	2.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**387,856**	368,277
Mining right		**16,889**	7,723
Exploration and evaluation assets		**10,642**	18,900
Prepaid lease payments		**61,111**	62,486
Deposit for purchase of property, plant and equipment		**3,129**	568
Deposits for acquisition of subsidiaries		**85,891**	39,600
Deferred tax assets		**2,960**	2,805
Restricted bank balance		**7,576**	2,495
		576,054	502,854
CURRENT ASSETS			
Prepaid lease payments		**1,377**	1,377
Inventories		**11,013**	10,643
Trade and other receivables	*11*	**18,910**	23,130
Bank balances and cash			
– cash and cash equivalents		**8,777**	12,296
– restricted bank balance		**32,750**	–
		72,827	47,446
CURRENT LIABILITIES			
Trade and other payables	*12*	**37,613**	39,231
Tax payable		**8,153**	6,565
Amounts due to shareholders	*13*	**6,120**	–
Consideration payable to a former non-controlling shareholder of a subsidiary		**70,607**	80,801
Secured bank borrowings	*14*	**102,636**	30,000
		225,129	156,597
NET CURRENT LIABILITIES		**(152,302)**	(109,151)
TOTAL ASSETS LESS CURRENT LIABILITIES		**423,752**	393,703

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
AT 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Consideration payable to a former non-controlling shareholder of a subsidiary		**64,643**	71,677
Secured bank borrowings	*14*	**53,808**	30,000
Deferred income		**13,796**	14,711
Deferred tax liabilities		**750**	1,100
Provisions		**3,791**	3,223
		136,788	120,711
CAPITAL AND RESERVES			
Share capital	*15*	**48,955**	48,955
Reserves		**238,009**	224,037
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**286,964**	272,992
		423,752	393,703

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 party is Mr. Gao Mingqing.

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

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

The consolidated financial statements have been prepared on a going concern basis. As at 31 December 2016, the Group's current liabilities exceeded its current assets by RMB152,302,000. In preparing the consolidated financial statements, the directors of the Company have reviewed the Group's financial and liquidity position, and taken into consideration the loan facility of RMB600,000,000 obtained in prior years and working capital estimated to generate from operating activities. The directors of the Company believe that the Group will be able to meet its full financial obligations as they fall due for the foreseeable future and, accordingly, have prepared the consolidated financial statements on a going concern basis.

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

Application of new and revised HKFRSs

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Equities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The adoption of the amendments to these amendments to the HKFRSs has had no material impact on the amounts reported in the consolidated financial statements or disclosure set out in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

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

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

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

The principal accounting policies adopted are as follows:

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION

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

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

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue represents revenue arising on sales of processed concentrates of various metals. An analysis of the Group's revenue for the reporting period is as follows:

	2016	2015
	RMB'000	*RMB'000*
Sales of processed concentrates		
– Copper concentrates	**79,785**	104,602
– Iron concentrates	**39,410**	44,125
– Zinc concentrates	**30,721**	19,512
– Sulfur concentrates	**14,191**	27,970
– Gold in copper concentrates	**13,267**	13,091
– Silver in copper and zinc concentrates	**10,087**	11,476
– Gold in lead concentrates	**7,086**	–
– Lead concentrates	**5,761**	–
– Silver in lead concentrates	**5,384**	–
– Copper in lead concentrates	**1,183**	–
– Indium in zinc concentrates	**–**	11
	206,875	220,787

Information about major customers

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

	2016	2015
	RMB'000	*RMB'000*
Customer A[1]	**69,354**	86,450
Customer B[2]	**33,283**	49,241

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

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

5. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Government grants:		
– Related to assets *(note i)*	**1,228**	912
– Others *(note ii)*	**163**	–
Bank interest income	**104**	185
Sales of tailings debris	**–**	900
Others	**91**	87
	1,586	2,084

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.

ii) Amount primarily represents incentives received from a local governmental authority by Yifeng Wanguo as immediate financial support for fulfillment 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.

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank borrowings	**7,467**	2,046
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**5,240**	8,701
	12,707	10,747

7. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax charge:		
PRC Enterprise Income Tax ("EIT")		
– Current year	**10,806**	10,616
– Underprovision in prior years	**153**	–
	10,959	10,616
Deferred tax charge		
– Current year	**95**	96
	11,054	10,712

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

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

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

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**33,026**	27,285
Tax at the EIT rate of 25%	**8,257**	6,821
Tax effect of expenses not deductible for tax purpose	**1,843**	3,220
Tax effect of income not taxable for tax purpose	**–**	(38)
Underprovision in respect of prior years	**153**	–
Tax effect of tax losses not recognised	**551**	109
Withholding tax on distributable earnings of PRC subsidiary	**250**	600
Tax charge for the year	**11,054**	10,712

8. PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**3,048**	3,351
Other staff costs	**22,007**	23,280
Retirement benefit scheme contributions, excluding those of directors	**1,743**	1,383
Total staff costs	**26,798**	28,014
Depreciation of property, plant and equipment	**23,249**	20,109
Amortisation of mining right	**1,067**	453
Release of prepaid lease payments	**1,375**	1,253
Total depreciation and amortisation	**25,691**	21,815
Auditor's remuneration (including audit and non-audit services)	**1,285**	1,285
Minimum lease payments under operating leases in respect of properties	**216**	190
Cost of inventories recognised as an expense	**129,639**	156,214
Exchange (gain) loss	**(823)**	17
Loss on disposal of property, plant and equipment	**645**	117
Investment income from structured deposits	**–**	(942)

9. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (in RMB'000)	**21,972**	16,573
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share (in thousands)	**600,000**	600,000

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

10. DIVIDEND

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

	2016	2015
	RMB'000	*RMB'000*
Final dividend for the year ended 31 December 2015 of RMB1.33 cents (2014: final dividend for the year ended 31 December 2014 of RMB2.67 cents) per share	**8,000**	16,000

No final dividend is recommended by the board of directors of the Company for the year ended 31 December 2016.

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade and bills receivables	**2,609**	9,468
Prepayments	**12,909**	12,234
Other receivables	**3,392**	1,428
	16,301	13,662
Total	**18,910**	23,130

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

	2016	2015
	RMB'000	*RMB'000*
1 – 30 days	**2,609**	7,272
31 – 60 days	**–**	2,196
	2,609	9,468

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.

11. TRADE AND OTHER RECEIVABLES *(Continued)*

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

The Group does not hold any collateral over these balances.

As at 31 December 2016, included in trade receivables was an amount of RMB104,000 (2015: nil) due from a related party.

12. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**7,440**	6,901
Advance from customers	**4,495**	2,646
Value-added tax, resource tax and other tax payables	**9,912**	11,634
Other payables for construction in progress and property, plant and equipment	**12,330**	14,077
Other payables for evaluation and exploration assets	**304**	811
Accrued expenses	**3,132**	3,162
	30,173	32,330
	37,613	39,231

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

	2016	2015
	RMB'000	*RMB'000*
1 – 30 days	**5,343**	3,583
31 – 60 days	**1,119**	1,443
61 – 90 days	**–**	659
91 – 180 days	**414**	596
Over 180 days	**564**	620
	7,440	6,901

As at 31 December 2016, included in the trade payable was Nil (2015: RMB559,000) due to a related party.

13. AMOUNT DUE TO SHAREHOLDERS

	2016	2015
	RMB'000	*RMB'000*
Victor Soar Investments Limited ("Victor Soar") *(note i)*	**3,365**	–
Achieve Ample Investments Limited ("Achieve Ample") *(note ii)*	**2,755**	–
	6,120	–

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

Notes:

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

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

14. SECURED BANK BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
Secured bank borrowings, at:		
– fixed rate	**126,444**	30,000
– floating rate	**30,000**	30,000
	156,444	60,000
The carrying amounts of the above borrowing are repayable:		
– within one year	**102,636**	30,000
– within a period of more than one year but not exceeding two years	**32,100**	9,600
– within a period of more than two years but not exceeding five years	**21,708**	20,400
	156,444	60,000
Less: amount due within one year shown under current liabilities	**(102,636)**	(30,000)
Amount shown under non-current liabilities	**53,808**	30,000

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 are as follows:

	2016	2015
	%	%
Effective interest rate (per annum)	**5.15 to 6.50**	5.89 to 6.50

15. SHARE CAPITAL

Details of share capital of the Company are as follow:

	Number of shares	**Share capital**
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	1,000,000	100,000
Issued:		
At 1 January 2015, 31 December 2015 and 31 December 2016	600,000	60,000

	RMB'000
Shown in the consolidated statement of financial position as at 1 January 2015, 31 December 2015 and 31 December 2016	48,955

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Copper

According to World Bureau of Metal Statistics (世界金屬統計局), the copper market recorded a surplus of 17,000 tonnes from January to November 2016 which followed a surplus of 35,000 tonnes in the whole year of 2015. Reported stocks fell during November 2016 and closed at 23,200 tonnes lower than that at the end of December 2015. No allowance is made in the consumption calculation for unreported stock changes, particularly in the Chinese government stockpile.

World mine production in January to November 2016 was approximately 18.8 million tonnes which was 7.0 per cent higher than in the same period in 2015. Global refined production rose to approximately 21.4 million tonnes up 2.7 per cent compared with the previous year with a significant increase recorded in the People's Republic of China ("China" or "PRC") (up 422,000 tonnes) and Spain (up 14,000 tonnes).

Global consumption of copper from January to November 2016 was approximately 21.4 million tonnes compared with 20.8 million tonnes for the corresponding period of 2015. Chinese apparent consumption from January to November 2016 rose by 273,000 tonnes to 10,515,000 tonnes compared to the corresponding period of 2015 and represented over 49 per cent of global demand. The European Union production fell by 2.1 per cent and demand was 3,165,000 tonnes, 2.2 per cent above the total for the period from January to November 2015. In November 2016, refined copper production was 1,969,000 tonnes and consumption was 1,931,300 tonnes.

Iron

According to China Metallurgical Mines Enterprises Association (中國冶金礦山企業協會), the number of iron ore enterprises which exited the market were approximately 780 during the first three quarters in 2016, representing one-third of totals. Since 2012, iron ore production in China has dropped by 47%. For the first eleven months of 2016, the volume of iron ore production was 1,177 million tonnes, representing a drop of 6.2% from the corresponding period in 2015. Since 2015, various international giant iron ore enterprises have already commenced increase in production plan. The production volumes of Vale of Brazil, Rio Tinto, and Fortescue Metals Group were approximately 256 million tonnes, 206 million tonnes, and 141 million tonnes, representing a growth of 3.3%, 6.7%, and 14.6% respectively, while that of BHP Billiton was 166 million tonnes, representing a drop of 14.6%, during the first three quarters of 2016 as compared with the corresponding period in 2015. Overall, the production volume of the four giant mines increased by 3.4% to 769 million tonnes during the first three quarters of 2016, compared with 744 million tonnes for the corresponding period in 2015.

Zinc

According to World Bureau of Metal Statistics (世界金屬統計局), the zinc market was in deficit by 190,000 tonnes during January to November 2016 as compared with a surplus of 100,000 tonnes recorded in the whole of the previous year. Reported stocks fell by 74,000 tonnes during the said eleven-month period in 2016. London Metal Exchange ("LME") stocks fell by 8,800 tonnes in November 2016 and ended the month by 21,000 tonnes lower than that at the end of 2015. LME stocks represented 44 per cent of the global total. Chinese demand rose by 3.4 per cent compared with the previous year. Production of locally refined metal in China rose by 1.2 per cent compared with 2015. Chinese imports of most special high grade metal were 25,000 tonnes in November 2016.

Global refined production fell by 2.5 per cent and consumption was unchanged compared with the levels recorded in the previous year. Japanese demand was, at 447,000 tonnes, 2% above the equivalent total for January to November 2015. World demand was 4,000 tonnes lower than that for the period from January to November 2015. Chinese apparent demand was 6,137,000 tonnes which was over 48 per cent of the global total. No allowance is made in the consumption calculation for unreported stock changes.

Lead

According to World Bureau of Metal Statistics (世界金屬統計局), lead market recorded deficit by 66,000 tonnes for the period from January to November 2016, which followed a deficit of 14,000 tonnes recorded in the whole of 2015. Total stocks at the end of November 2016 were 3,200 tonnes lower than that at the end of 2015. No allowance is made in the consumption calculation for unreported stock changes.

World refined production for the period from January to November 2016 from both primary and secondary sources was 9,886,200 tonnes which was 5.6 per cent higher than that for the comparable months of 2015. Global demand was 580,000 tonnes higher. Apparent consumption in China totalled 3,940,300 tonnes of lead from January to November 2016 which was 434,000 tonnes above the comparable period in 2015 and represented almost 40 per cent of the global total. In the USA, apparent demand has decreased by 24,000 tonnes during eleven months ended 30 November 2016 as compared to the corresponding period in 2015.

Gold and Silver

In 2016, gold price soared in the first half of the year out of fears for the global recession and uncertainty surrounding the Brexit vote. Between January and July, gold price advanced more than 23% to around US$1,380.00 per ounce. In the second half of the year, gold price declined slightly as a result of the improving U.S. economic data, but cratered after Donald Trump won the president election. Gold price closed at the year end by roughly growth of 8.5%. It was a good year for a commodity like gold, but it still ended the year on a down note.

During the first half of 2016, silver price soared more than 50%, jumped over US$20 per ounce for the first time in the recent two years. The increase was attributable to weak economic data and fear of global recession. Weak US dollar and unchanged interest rate in US Federal Reserve pushed silver price upwards in April 2016. It was further strongly supported by Brexit by end of June 2016, and reached peak at US$21.23 per ounce in the beginning of July 2016.

Nevertheless, silver price was on opposite trend in second half of 2016 due to strong economic data in US. Realisation of Donald Trump's wining in investors' mind in November 2016 and interest rise in US Federal Reserve in December 2016 further impacted silver price adversely.

BUSINESS REVIEW

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

EXPANSION IN EXISTING MINE

We completed our expansion plan as disclosed in the prospectus of the Company dated 28 June 2012 (the "Prospectus") in Xinzhuang Mine, reaching 600,000 tonnes per annum ("tpa") in both mining capacity and processing capacity. 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. Yifeng Wanguo entered into an agreement with China Nerin Engineering Co., Ltd (中國瑞林工程技術有限公司) for conducting a feasibility study on an expansion plan of our Xinzhuang Mine to 900,000 tpa. The Group expects to receive the report of feasibility study in 2017 and thereby commencing such expansion plan thereafter, which will further increase the capacities of the Xinzhuang Mine.

EXPANSION IN SURROUNDING AREAS

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

The exploration in the Xinzhuang Mine has increased the geological reserves of the Group and further proved the hydrogeology conditions in the mining area. Yifeng Wanguo has also appointed Changsha Mine Research Institute (長沙礦山研究院) to carry out mining experiments on the possibility to remove the waterproof pillars in the mining area. In the event that the waterproof pillars can be successfully removed, the Group expects the mineral resources of the Xinzhuang Mine can be upgraded by more than 10,000,000 tonnes.

HORIZONTAL EXPANSION

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

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

However, the Vendors have not fulfilled the conditions precedent of the Acquisition Agreements, i.e. obtaining proper consents and approvals of the transfer in various local government bureaus, before 30 September 2014 (being the latest date of payment by the Company as disclosed in the Company's circular dated 28 August 2014), the Company, having considered that the acquisition would further expand the Company's business and maximise returns to the Shareholders, conditionally agreed with the Vendors' proposal to continue with the acquisition based on the amended terms of the Acquisition Agreements (the "Amended Terms"). Upon negotiations and mediation conducted by the Changsha Arbitration Commission (長沙仲裁委員會) on 8 October 2015, the amendments to the Acquisition Agreements as conditionally agreed among the Company and each of the Vendors include (i) reduction of the consideration to be settled and amendments to the dates of payment, and (ii) enforcement of the proper consents and approval of the transfer in various local government bureaus.

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

The exploration right of Xizang Changdu covers an area for exploration of approximately 21.87 sq. km. As of the date of Acquisition Agreements, it had completed advanced exploration stage. The following table shows the estimated resources of Xizang Changdu under JORC Code (the Australasian Code for Reporting of Exploration Result, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee as amended from time to time). The Group is of the view that as at 31 December 2016, there were no material changes in the resources estimate of Xizang Changdu.

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

Category	Tonnes *(Mt)*	Grade *(Pb %)*	Ag *(g/t)*	Lead Metal *(1,000t)*	Silver Metal *(1,000Kg)*
Indicated	6.70	4.64	63.34	311	424
Inferred	10.62	4.15	45.32	440	481
Totals	**17.32**	**4.34**	**52.29**	**751**	**905**

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

Since Xizang Changdu has substantial reserves of lead and silver, it is expected to be further exploited, and processing plants built upon completion by the Company and to contribute sales revenue and profits to the Group. Please refer to the Company's circular dated 2 December 2015 for details.

Due to additional new regulation enacted in the fourth quarter of 2016, the aforesaid acquisition has further been delayed. The Board expected the acquisition will complete no later than the second quarter of 2017. Please refer to the announcement of the Company dated 30 December 2016 for details.

EXPLORATION ACTIVITIES IN AUSTRALIA

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

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

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

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

As at 31 December 2016, the Group has finished preliminarily survey and exploration. The Group has reviewed the survey and exploration results with geologists and planned for the drillings and field work in the next steps.

MINERAL RESOURCES AND RESERVES

Mineralization Type	JORC Mineral Resource Category	Tonnage kt	The Xinzhuang Mine Mineral Resource Summary – as at 31 December 2016									
			Grades					Contained Metals				
			Cu %	Pb %	Zn %	TFe %	mFe %	Cu Kt	Pb kt	Zn kt	TFe kt	mFe kt
Cu-Fe	Measured	5,693	0.80	–	–	–	–	45.69	–	–	–	–
	Indicated	12,213	0.69	–	–	–	–	83.83	–	–	–	–
	Subtotal	**17,906**	**0.72**	**–**	**–**	**–**	**–**	**129.52**	**–**	**–**	**–**	**–**
	Inferred	845	0.47	–	–	–	–	3.93	–	–	–	–
	Total	**18,751**	**0.71**	**–**	**–**	**–**	**–**	**133.45**	**–**	**–**	**–**	**–**
Fe-Cu	Measured	2,150	0.19	–	–	43.24	30.87	4.09	–	–	929.74	663.81
	Indicated	3,585	0.34	–	–	39.52	25.48	12.32	–	–	1,416.90	913.37
	Subtotal	**5,735**	**0.29**	**–**	**–**	**40.92**	**27.50**	**16.41**	**–**	**–**	**2,346.64**	**1,577.18**
	Inferred	306	0.53	–	–	44.19	31.06	1.62	–	–	135.21	95.05
	Total	**6,041**	**0.30**	**–**	**–**	**41.08**	**27.68**	**18.03**	**–**	**–**	**2,481.85**	**1,672.23**
Cu-Pb-Zn	Measured	1,985	0.12	0.96	5.21	–	–	2.32	19.10	103.44	–	–
	Indicated	2,493	0.08	1.76	3.70	–	–	1.96	43.97	92.36	–	–
	Subtotal	**4,478**	**0.10**	**1.41**	**4.37**	**–**	**–**	**4.28**	**63.07**	**195.80**	**–**	**–**
	Inferred	340	0.13	0.39	4.44	–	–	0.43	1.34	15.08	–	–
	Total	**4,818**	**0.10**	**1.34**	**4.38**	**–**	**–**	**4.71**	**64.41**	**210.88**	**–**	**–**
Total	Measured	9,828	–	–	–	–	–	52.10	19.10	103.44	929.74	663.81
	Indicated	18,291	–	–	–	–	–	98.11	43.97	92.36	1,416.90	913.37
	Subtotal	**28,119**	**–**	**–**	**–**	**–**	**–**	**150.21**	**63.07**	**195.80**	**2,346.64**	**1,577.18**
	Inferred	1,491	–	–	–	–	–	5.98	1.34	15.08	135.21	95.05
	Total	**29,610**	**–**	**–**	**–**	**–**	**–**	**156.19**	**64.41**	**210.88**	**2,481.85**	**1,672.23**

Note:

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

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

(3) There was no material change in these estimates during the period from 31 December 2011 to 31 December 2016.

Mineralization Type	JORC Ore Reserve Category	Tonnage kt	The Xinzhuang Mine Ore Reserve Summary – as at 31 December 2016									
			Grades					Contained Metals				
			Cu %	Pb %	Zn %	TFe %	mFe %	Cu kt	Pb kt	Zn kt	TFe kt	mFe kt
Cu-Fe	Proved	4,252	0.77	–	–	–	–	32.77	–	–	–	–
	Probable	4,914	0.66	–	–	–	–	32.39	–	–	–	–
	Total	**9,166**	**0.71**	**–**	**–**	**–**	**–**	**65.16**	**–**	**–**	**–**	**–**
Fe-Cu	Proved	2,250	0.22	–	–	37.27	32.70	4.89	–	–	838.74	735.81
	Probable	2,014	0.33	–	–	27.88	23.64	6.63	–	–	527.77	451.91
	Total	**4,264**	**0.27**	**–**	**–**	**32.60**	**28.19**	**11.52**	**–**	**–**	**1,366.51**	**1,187.72**
Cu-Pb-Zn	Proved	1,422	0.07	0.88	4.87	–	–	1.06	12.71	70.36	–	–
	Probable	1,065	0.03	1.36	3.48	–	–	0.32	13.39	32.99	–	–
	Total	**2,487**	**0.06**	**1.09**	**4.27**	**–**	**–**	**1.38**	**26.10**	**103.35**	**–**	**–**
Total	Proved	7,924	–	–	–	–	–	38.72	12.71	70.36	838.74	735.81
	Probable	7,993	–	–	–	–	–	39.34	13.39	32.99	527.77	451.91
	Total	**15,917**	**–**	**–**	**–**	**–**	**–**	**78.06**	**26.10**	**103.35**	**1,366.51**	**1,187.72**

Note:

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

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

(3) There was no material change in these estimates during the period from 31 December 2011 to 31 December 2016.

FINANCIAL REVIEW

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**206,875**	220,787
Cost of sales	**(129,639)**	(156,214)
Gross profit	**77,236**	64,573
Gross profit margin	**37.3%**	29.2%

Revenue

The Group's revenue decreased by 6.3% from approximately RMB220.8 million in 2015 to approximately RMB206.9 million in 2016. The decrease was primarily attributable to decrease in volumes of concentrates sold and selling price during the year.

For the year ended 31 December 2016, we sold 2,989 tonnes of copper in copper concentrates, 116,531 tonnes of iron concentrates and 124,377 tonnes of sulfur concentrates, compared to 3,662 tonnes, 123,589 tonnes and 145,219 tonnes respectively for the year ended 31 December 2015, representing decrease of approximately 18.4%, 5.7% and 14.4%, for copper in copper concentrates, iron concentrates and sulfur concentrates, respectively. The decrease was principally resulted from low grading of ores mined.

The average prices of copper in copper concentrates, iron concentrates and sulfur concentrates in 2016 were RMB26,693, RMB338 and RMB114 per tonne respectively, compared to RMB28,564, RMB357 and RMB193 per tonne respectively in 2015, representing a decline of approximately 6.6%, 5.3% and 40.9% respectively. During 2016, most of our metals prices have been slipping downwards during the first three quarters but they showed the signs of recovery in the fourth quarter. Our Directors believed that such change was mainly due to the shortage of supply as a result of closures of some mines and cuts in capital spending in exploration by producers.

Cost of sales

Overall, our cost of sales decreased by approximately 17.0% from approximately RMB156.2 million in 2015 to approximately RMB129.6 million in 2016. The decrease was mainly due to the decrease in unit cost of subcontracting fee and strict control on wages and electricity fee.

Gross profit and gross profit margin

The overall gross profit of our Group for the year ended 31 December 2016 was approximately RMB77.2 million, which represented an increase of approximately 19.5% compared to approximately RMB64.6 million for the year ended 31 December 2015. Our overall gross profit margin increased from approximately 29.2% for the year ended 31 December 2015 to approximately 37.3% for the year ended 31 December 2016. Such increase was mainly attributable to the strict control on cost of production.

Other income

Our other income mainly comprised bank interest income of approximately RMB0.1 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB1.2 million for the year ended 31 December 2016. Other income decreased by approximately RMB0.5 million as compared with 2015, which was mainly due to the sales of tailings, our by-product, of approximately RMB0.9 million in 2015.

Other gains and losses

Our other gains and losses mainly comprised loss on disposal of property, plant and equipment of approximately RMB0.6 million and unrealised exchange gain of approximately RMB0.8 million as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi under appreciation of Australian dollars and Hong Kong dollars as at 31 December 2016. Other gains and losses decreased by approximately RMB0.6 million, which was primarily due to the decrease in gain on investment in structured deposits caused by the decrease in bank balance.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 20.8% from approximately RMB2.4 million in 2015 to approximately RMB2.9 million in 2016. The increase was mainly attributable to the increase in the transportation fee as result of increase in number of customers.

Administrative expenses

Our administrative expenses increased by approximately 12.6% from approximately RMB27.0 million in 2015 to approximately RMB30.4 million in 2016. The increase was principally attributable to the professional fees incurred in connection with our proposed acquisition of a gold mine company.

Finance costs

Our finance costs increased by approximately 18.7% from approximately RMB10.7 million in 2015 to approximately RMB12.7 million in 2016, primarily due to the increase in interest expenses from bank borrowings.

Income tax expense

Our income tax expense was approximately RMB11.1 million in 2016, consisting of PRC corporate income tax payable of approximately RMB11.0 million, withholding tax payable of approximately RMB0.3 million and deferred tax credit of approximately RMB0.2 million. Our income tax expense was approximately RMB10.7 million in 2015, consisting of PRC corporate income tax payable of approximately RMB10.6 million, withholding tax payable of approximately RMB0.6 million and deferred tax credit of approximately RMB0.5 million.

Our income tax expenses were comparable in two years.

Profit and total comprehensive income

As a result of the foregoing, our profit after taxation increased by approximately 32.5%, or approximately RMB5.4 million, from approximately RMB16.6 million for the year ended 31 December 2015 to approximately RMB22.0 million for the year ended 31 December 2016. Our net profit margin increased from approximately 7.5% for the year ended 31 December 2015 to approximately 10.6% for the year ended 31 December 2016 mainly resulted from the increase in profit margin of concentrates sold.

Analysis of property, plant and equipment and construction in progress

As at 31 December 2016, the Group's property, plant and equipment and construction in progress were approximately RMB387.9 million, representing an increase of RMB19.6 million or 5.3% over last year, mainly due to purchase of mining equipment, upgrading of ore processing facilities and construction of mining structures in the Xinzhuang Mine.

Analysis of inventories

Inventories consist of raw materials, ore, concentrates and other ore commodities. Raw materials mainly include forged steel grinding balls, explosives, chemical products and diesel oil used for the production of concentrates. As at 31 December 2016 and 2015, our inventories were approximately RMB11.0 million and approximately RMB10.6 million respectively. The increase in inventories was mainly due to the increase in market price of concentrates at the year end, more concentrates were produced for sale in 2017.

Analysis of trade receivables

Trade receivables represent receivables from the sale of concentrates. Our Group generally requests our concentrates customers to make a certain amount of down payment prior to delivery. For trade customers, our Group grants a credit period up to 60 days. As at 31 December 2016 and 2015, our trade receivables were approximately RMB2.6 million and RMB9.5 million respectively. The decrease in trade receivables as at 31 December 2016 was mainly due to receipt of the down payment by a reputable customer after year end in 2015.

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 2016 and 2015, our trade payables were approximately RMB7.4 million and approximately RMB6.9 million respectively. The increase was mainly attributable to rise in the price of forged steel grinding balls, cement and chemical products.

LIQUIDITY AND CAPITAL RESOURCES

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

The current ratio of the Group as at 31 December 2016 was 0.32 times as compared to 0.30 times as at 31 December 2015. It was mainly attributable to the increase in restricted bank balances.

Our Group had bank balances and cash of approximately RMB8.8 million as at 31 December 2016, compared to approximately RMB12.3 million as at 31 December 2015, of which approximately RMB0.7 million (2015: approximately RMB1.3 million) was denominated in Hong Kong dollars and Australian dollars. As at 31 December 2016, the Group recorded net assets and net current liabilities of approximately RMB287.0 million (2015: RMB273.0 million) and approximately RMB152.3 million (2015: RMB109.2 million) respectively. The increase in net current liabilities was attributable to the distribution of dividend of approximately RMB8.0 million coupled with the increase in investments in fixed assets and potential acquisition.

BORROWINGS

As at 31 December 2016, the Group had secured bank borrowings of RMB156.4 million in aggregate with maturity from one year to three years and effective interest rate of 5.86%.

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 45.0% (2015: 38.6%). The increase in gearing ratio was mainly attributable to the new bank borrowings of approximately RMB126.4 million for working capital purpose.

CASH FLOW

The following table sets out a condensed summary of our Group's consolidated statements of cash flow for the year ended 31 December 2016 and 2015:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Net cash inflow from operating activities	**64,936**	38,531
Net cash outflow from investing activities	**(133,469)**	(40,334)
Net cash inflow/(outflow) from financing activities	**64,942**	(23,364)
Net decrease in cash and cash equivalents	**(3,591)**	(25,167)
Effect of foreign exchange rate changes	**72**	(54)
Cash and cash equivalents at the beginning of the year	**12,296**	37,517
Cash and cash equivalents at the end of the year	**8,777**	12,296

Net cash flow from operating activities

For the year ended 31 December 2016, net cash inflow from operating activities amounted to approximately RMB64.9 million, which mainly comprised the profit before working capital changes of approximately RMB70.5 million, together with decrease in trade and other receivables of approximately RMB4.2 million, increase in trade and other payables of approximately RMB0.6 million and was offset by the increase in inventories of approximately RMB0.4 million and income tax paid of approximately RMB10.0 million.

Net cash flow from investment activities

Net cash outflow from investing activities amounted to approximately RMB133.5 million for the year ended 31 December 2016. It was primarily attributable to the purchase of property, plant and equipment of approximately RMB47.2 million, payment for evaluation and exploration assets of approximately RMB2.2 million, placement of restricted bank balances of approximately RMB37.8 million and deposit paid for acquisition of a subsidiary of approximately RMB46.3 million.

Net cash flow from financing activities

Net cash inflow from financing activities amounted to approximately RMB64.9 million for the year ended 31 December 2016. This was principally due to new bank loan of approximately RMB126.4 million, receipt of government grants of approximately RMB0.3 million and non-interest bearing and unsecured advance from shareholders of approximately RMB6.1 million and was offset by repayment of bank loans and interests of approximately RMB37.4 million and dividend paid of approximately RMB8.0 million as well as redemption monies of approximately RMB22.5 million paid to a former non-controlling shareholder.

CAPITAL EXPENDITURES

The total capital expenditure of the Group increased from approximately RMB75.3 million for the year ended 31 December 2015 to approximately RMB95.7 million for the year ended 31 December 2016, representing a increase of approximately 27.1%. The capital expenditure in 2016 was primarily incurred from the purchase of mining equipment, construction of mining structures at the Xinzhuang Mine and deposit paid for acquisition of a subsidiary.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENT

As at 31 December 2016, the Group has entered into a non-cancellable operating lease with future payable of approximately RMB0.2 million for Director's quarter.

As at 31 December 2016, the Group's capital commitments amounted to approximately RMB113.2 million, which was attributable to the contingent consideration payable to the Vendors of Xizang Changdu. At the date of this announcement, conditions precedent for the aforesaid acquisition of Xizang Changdu has not yet been satisfied.

As at 31 December 2016, the Group has entered the following commitments in relation to the exploration and development of the Xinzhuang Mine.

	RMB'000
Three new shafts projects	785
Upgrading the processing plants	830
Other civil work	7,680
	9,295

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities or guarantees.

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

Save as disclosed in this announcement, during the year ended 31 December 2016, the Group had no significant investment, nor were there any material acquisition and disposal of subsidiaries, associates and joint ventures.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, 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 announcement.

CHARGE ON GROUP ASSETS

As at 31 December 2016, the Group's prepaid lease payment, mining rights and buildings with carrying value of approximately RMB89.7 million (31 December 2015: mining rights and buildings with carrying value of approximately RMB55.9 million) were pledged to secure the Group's bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the year 2016, the Group had no material adverse exposure to foreign exchange fluctuations during the year 2016.

INTEREST RATE RISK

Our bank borrowings are denominated in Renminbi 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.

FINANCIAL INSTRUMENTS

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

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: RMB1.33 cents per share).

ANNUAL GENERAL MEETING

The 2017 annual general meeting (the "AGM") of the Company will be held on Friday, 9 June 2017. A notice convening the AGM will be published and despatched to the Shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules 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, 6 June, 2017 to Friday, 9 June, 2017, 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, 5 June, 2017.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, we had a total of 313 (2015: 343) 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

During 2016, the exploration activities occurred in the Xinzhuang Mine was within 4-23 exploration line. We have completed underground geological drilling of 7,032.38 m, with drill size of 60-90 mm for the year ended 31 December 2016. For the year ended 31 December 2016, we have also finished tunnel drilling of 896.3 m, and completed adit mapping of 10,247.7 m.

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

For the year ended 31 December 2016, the total expenditure of mineral exploration was approximately RMB2.2 million.

Development

During the year ended 31 December 2016, the Group incurred development expenditure of approximately RMB47.2 million in respect of our expansion plan in the Xinzhuang Mine mainly comprising:

Mining system:	Completion upgrading in transportation, ventilation, back-filling, drainage, air-supply, water-supply and electricity supply
Processing system:	Completion construction of crushing, floating mill and dehydration systems
Integrated system:	Completion construction of tailings dam, waste rock pile, roads in mining area

Details breakdown of development expenditure is as follows:

	RMB' (million)
Mining structures	35.4
Office buildings	0.9
Machinery and electronic equipment for process plants	10.0
Motor vehicles	0.9
	47.2

Mining activities

During the year ended 31 December 2016, we processed a total of 639,936 tonnes of ore in the Xinzhuang Mine. The volume of our concentrates products sold were 2,989 tonnes for copper in copper concentrates, 116,531 tonnes for iron concentrates, 3,059 tonnes for zinc in zinc concentrates, 124,377 tonnes for sulfur concentrates, 543 tonnes for lead concentrates, 93 kg for gold, 6,768 kg for silver and 104 kg for copper.

During the year ended 31 December 2016, the Group incurred expenditures for mining and processing activities of RMB68.6 million (2015: RMB82.9 million) and RMB40.8 million (2015: RMB46.2 million) respectively. The unit expenditures for mining and processing activities were RMB109.1/t (2015: RMB142.6/t) and RMB63.8/t (2015: RMB70.9/t) respectively.

PROSPECT

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

Growing production at our mine and outsourcing our mining works

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

Horizontal expansion through future acquisitions of new mines

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

In view of growing trend of non-ferrous prices, the Group will identify the strategies to cope with the expected recovery cycle in upcoming year through expansion in both production and acquisition.

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). To the best knowledge of the Directors, the Company has complied with the relevant laws and regulations during the year ended 31 December 2016.

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") contained 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, the Company had complied with the CG Code for the year ended 31 December 2016.

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.

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.

Model Code for 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 2016.

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 2016.

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

For the year ended 31 December 2016, 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 comprises three independent non-executive Directors, namely Mr. Shen Peng *(chairman of the Audit Committee)*, Mr. Qi Yang and Dr. Lu Jian Zhong. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process, risk management and internal control system of the Group. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2016 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 2016 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 Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.wgmine.com. The 2016 annual report of the Company containing all the information required by the Listing Rules will be despatched to its shareholders and published on the above websites in due course.

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

Hong Kong, 31 March 2017

As at the date of this announcement, the Board comprises Mr. Gao Mingqing (Chairman), Ms. Gao Jinzhu, Mr. Xie Yaolin and Mr. Liu Zhichun as executive Directors; Mr. Li Kwok Ping and Mr. Lee Hung Yuen as non-executive Directors; and Dr. Lu Jian Zhong, Mr. Qi Yang and Mr. Shen Peng as independent non-executive Directors.