Wanguo International Mining Group Limited
萬國國際礦業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3939)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

For the reasons explained under the section headed "Review of Unaudited Annual Results" of this announcement, the auditing process for the annual results of the Wanguo International Mining Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2019 has not been completed. In order to keep the shareholders and potential investors of the Company informed of the business operation and financial position of the Group, the board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the following unaudited consolidated results of the Group for the year ended 31 December 2019 together with comparative figures for the year ended 31 December 2018.

FINANCIAL HIGHLIGHT:

	Year ended 31 December		
	2019	2018	**Increase/**
	RMB'000	*RMB'000*	**(Decrease)**
	(unaudited)	*(audited)*	
Revenue	**311,155**	320,669	(3.0%)
Cost of sales	**(202,855)**	(185,039)	9.7%
Gross profit	**108,300**	135,630	(20.1%)
Gross profit margin	**34.8%**	42.3%	(7.5%)
Profit before tax	**65,450**	85,660	(23.6%)
Profit attributable to owners of the Company	**55,539**	72,145	(23.0%)

- Revenue decreased by 3.0% to approximately RMB311.2 million.
- Gross profit decreased by 20.1% to approximately RMB108.3 million.
- Gross profit margin decreased by 7.5% to 34.8%.
- Profit attributable to owners of the Company decreased by 23.0% to approximately RMB55.5 million.
- Basic earnings per share was RMB7.7 cents (2018: RMB10.1 cents).

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	**2019** **RMB'000** **(unaudited)**	2018 RMB'000 (audited)
Revenue	*4*	**311,155**	320,669
Cost of sales		**(202,855)**	(185,039)
Gross profit		**108,300**	135,630
Other income	*5*	**2,275**	2,949
Other gains and losses	*6*	**3,014**	340
Distribution and selling expenses		**(3,024)**	(3,745)
Administrative expenses		**(37,574)**	(40,034)
Finance costs	*7*	**(7,541)**	(9,480)
Profit before tax		**65,450**	85,660
Income tax expense	*8*	**(10,044)**	(13,802)
Profit for the year	*9*	**55,406**	71,858
Other comprehensive income for the year			
– Exchange differences arising on translation of a foreign operation, which may be reclassified subsequently to profit or loss		**(200)**	1,287
Total comprehensive income for the year		**55,206**	73,145
Profit/(loss) for the year attributable to:			
Owners of the Company		**55,539**	72,145
Non-controlling interests		**(133)**	(287)
		55,406	71,858
Total comprehensive income attributable to:			
Owners of the Company		**55,339**	73,432
Non-controlling interests		**(133)**	(287)
		55,206	73,145
Earnings per share			
Basic *(RMB cents)*	*10*	**7.7**	10.1

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**438,219**	438,651
Right-of-use assets		**58,965**	–
Mining right		**13,690**	14,755
Exploration and evaluation assets	12	**187,436**	184,548
Other intangible asset		**319,288**	319,288
Prepaid lease payments		**–**	58,455
Development Costs		**4,249**	–
Deposit for purchase of property, plant and equipment		**725**	2,067
Deposits for acquisitions	13	**184,338**	147,669
Deferred tax assets		**3,897**	3,903
Restricted bank balances		**2,654**	2,655
		1,213,461	1,171,991
CURRENT ASSETS			
Inventories		**9,275**	7,314
Trade and other receivables	14	**36,086**	29,930
Prepaid lease payments		**–**	1,379
Bank balances and cash			
– cash and cash equivalents		**4,662**	21,989
– restricted bank balances		**–**	5,000
		50,023	65,612
CURRENT LIABILITIES			
Trade and other payables	15	**98,693**	98,939
Contract liabilities		**57,262**	24,633
Lease liabilities		**330**	–
Tax payable		**7,823**	11,392
Amounts due to related parties	16	**37,977**	4,780
Consideration payable to a former non-controlling shareholder of a subsidiary		**32,806**	32,333
Dividend payable		**20,000**	–
Secured bank borrowings	17	**33,876**	126,696
		288,767	298,773
NET CURRENT LIABILITIES		**(238,744)**	(233,161)
TOTAL ASSETS LESS CURRENT LIABILITIES		**974,717**	938,830

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(unaudited)	*(audited)*
NON-CURRENT LIABILITIES			
Consideration payable to a former non-controlling shareholder of a subsidiary		**27,262**	40,823
Secured bank borrowings	*17*	**16,000**	3,792
Lease liabilities		**218**	–
Deferred income		**9,842**	11,042
Deferred tax liabilities		**85,142**	82,822
Provisions		**5,746**	5,050
		144,210	143,529
CAPITAL AND RESERVES			
Share capital	*18*	**58,882**	58,882
Reserves		**561,182**	525,843
Equity attributable to owners of the Company		**620,064**	584,725
Non-controlling interests		**210,443**	210,576
TOTAL EQUITY		**830,507**	795,301
		974,717	938,830

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2019

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserve** *RMB'000*	**Statutory and surplus reserves** *RMB'000*	**Translation reserve** *RMB'000*	**Retained profits** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2018	54,516	165,186	71,005	123,889	–	43,561	458,157	186,735	644,892
Profit (loss) and total comprehensive income for the year	–	–	–	–	1,287	72,145	73,432	(287)	73,145
Issue of new shares	4,366	76,848	–	–	–	–	81,214	–	81,214
Transaction costs attributable to issue of new ordinary shares	–	(78)	–	–	–	–	(78)	–	(78)
Capitalisation of amounts due to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	24,128	24,128
Dividend recognised as distribution *(note 11)*	–	(28,000)	–	–	–	–	(28,000)	–	(28,000)
Transfers	–	–	–	28,955	–	(28,955)	–	–	–
At 31 December 2018	58,882	213,956	71,005	152,844	1,287	86,751	584,725	210,576	795,301
Profit (loss) for the year (Unaudited)	–	–	–	–	–	55,539	55,539	(133)	55,406
Other comprehensive income for the year (Unaudited)	–	–	–	–	(200)	–	(200)	–	(200)
Total comprehensive income for the year (Unaudited)	–	–	–	–	(200)	55,539	55,339	(133)	55,206
Dividend recognised as distribution (*note 11)* (Unaudited)	–	(20,000)	–	–	–	–	(20,000)	–	(20,000)
At 31 December 2019 (Unaudited)	58,882	193,956	71,005	152,844	1,087	142,290	620,064	210,443	830,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that as at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately RMB238,744,000.

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

(i) Mr. Gao Mingqing, substantial shareholder and executive Director of the Company, had committed to further support the Group financially to enable it to meet its financial obligations as they fall due in the foreseeable future.

(ii) In January 2020, the Company obtained a credit facility of approximately RMB300,000,000 from an entity, which is the subsidiary of a reputable stated-owned enterprise in the PRC listed on the Stock Exchange. The new credit facilities granted are mainly for the mining project of AXF Gold Ridge Pty Ltd;

(iii) A new loan facility of approximately RMB104,000,000 was granted by a bank after the year ended 31 December 2019. The new loan facility granted is mainly for the Group's working capital at present.

(iv) Bank borrowings of approximately RMB33,876,000 will be due in 2020 or contain a repayment on demand clause and the Directors are confident that the Group is able to extend the bank borrowings in full upon its maturity, and the banks will not demand for early repayment, based on the past history of renewals and good relationship of the Group with the banks.

(v) Amounts due to related parties of approximately RMB37,977,000 are repayable on demand. Since the related parties are substantial shareholders of the Company or controlled by the substantial shareholders of the Company, the Directors are confident that that the related parties will not demand for repayment until the Group has improved its liquidity position.

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

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

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "*Leases*"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "*Leases*" ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately RMB814,000 and right-of-use assets of approximately RMB60,648,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 9.92%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	1,172
Less: Recognition exemption – short-term leases	(245)
	927
Lease liabilities discounted at relevant incremental borrowing rates	814
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	814
Analysed as	
Current	278
Non-current	536
	814

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	At 1 January 2019 *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	814
Reclassified from prepaid lease payments *(Note)*	59,834
	60,648
By class:	
Leasehold lands	59,834
Land and buildings	814
	60,648

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately RMB1,379,000 and RMB58,455,000 respectively were reclassified to right-of-use assets.

New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to HKFRS 3 "*Definition of a Business*"

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Amendments to HKAS 1 and HKAS 8 "*Definition of Material*"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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 are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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 (the "**CODM**"), being the executive Directors, in order to allocate resources to segments and to assess their performance.

The CODM reviews the overall results and financial position of the Group as a whole based on the Group's accounting policies. Accordingly, the Group has only one operating segment.

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

Revenue represents revenue arising on sales of processed concentrates of various metals. All of the revenue of the Group is recognised at a point in time. An analysis of the Group's revenue from its major products for the reporting period is as follows:

	2019 ***RMB'000*** ***(unaudited)***	2018 *RMB'000* *(audited)*
Disaggregation of revenue from contracts with customers		
By types of major products		
– Copper concentrates	**110,901**	126,249
– Zinc concentrates	**58,091**	76,167
– Iron concentrates	**55,116**	41,813
– Sulfur concentrates	**12,102**	14,656
– Gold in copper concentrates	**13,632**	14,288
– Gold in lead concentrates	**14,041**	14,085
– Lead concentrates	**7,715**	11,606
– Silver in lead concentrates	**9,316**	9,288
– Silver in copper and zinc concentrates	**6,983**	6,454
– Copper in lead concentrates	**3,994**	6,028
– Gold in zinc concentrates	**59**	35
– Electrolytic Copper	**19,205**	–
	311,155	320,669
By revenue source		
– Mined products	**291,950**	320,669
– Sourced outside	**19,205**	–
	311,155	320,669

Performance obligations for contracts with customers

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

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for processed concentrates such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of processed concentrates that had an original expected duration of one year or less.

Information about major customers

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

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Customer A[1]	**47,864**	82,168
Customer B[4]	**49,495**	64,438
Customer C[2]	**N/A**[5]	57,854
Customer D[3]	**33,488**	41,007
Customer E[4]	**35,584**	N/A[5]

1 Revenue for sales of copper concentrates, gold and silver in copper concentrates and zinc concentrates
2 Revenue for sales of zinc concentrates, gold and silver in zinc concentrates
3 Revenue for sales of lead concentrates, gold, silver and copper in lead concentrates
4 Revenue for sales of copper concentrates, gold and silver in copper concentrates.
5 The corresponding revenue did not contribute 10% or more of the total revenue of the Group in the respective year.

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Government grants:		
– Related to assets *(note i)*	**1,200**	1,523
– Others *(note ii)*	**563**	300
Bank interest income	**453**	512
Others	**59**	614
	2,275	2,949

Notes:

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

6. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Net foreign exchange gain	**3,044**	1,226
Loss on disposal of property, plant and equipment	**(30)**	(383)
Write-off of other receivables	**–**	(503)
	3,014	340

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Interest on bank borrowings	**5,556**	7,588
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**1,912**	1,892
Interest on lease liabilities	**73**	–
	7,541	9,480

8. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")		
– Current year	**9,027**	13,671
– Over provision in prior years	**(1,307)**	(1,636)
	7,720	12,035
Deferred tax		
– Current year	**2,324**	1,767
	10,044	13,802

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

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

During the year ended 31 December 2018, Yifeng Wanguo was approved as an enterprise that satisfied the conditions as high and new technology enterprises and obtained the Certificate of High and New Technology Enterprises enjoying the preferential enterprise income tax rate of 15% for three consecutive calendar years from 2018 to 2020.

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

9. PROFIT FOR THE YEAR

	Note	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Profit for the year has been arrived at after charging:			
Directors' emoluments		**3,958**	3,875
Other staff costs		**25,882**	30,525
Retirement benefit scheme contributions, excluding those of directors		**1,340**	1,732
Total staff costs	*(i)*	**31,180**	36,132
Depreciation of property, plant and equipment	*(ii)*	**31,856**	26,206
Depreciation of right-of-use assets		**1,695**	–
Amortisation of mining right	*(iii)*	**1,065**	1,067
Release of prepaid lease payments		**–**	1,379
Total depreciation and amortisation		**34,616**	28,652
Auditor's remuneration		**1,175**	1,792
Research and development costs	*(i), (ii)*	**12,704**	12,413
Less: Capitalisation to development costs		**(4,249)**	–
Minimum lease payments for rented properties classified as operating leases under HKAS 17		**–**	507
Cost of inventories recognised as an expense	*(i), (ii) and (iii)*	**202,855**	185,039

Notes:

(i) Total staff costs amounting to approximately RMB14,926,000 (2018: RMB14,808,000) are capitalised in cost of inventories; amounting to approximately RMB9,510,000 (2018: RMB14,555,000) are included in administrative expenses; amounting to approximately RMB419,000 (2018: RMB394,000) are included in distribution and selling expenses, and approximately RMB6,325,000 (2018: RMB6,375,000) are included in research and development costs.

(ii) Depreciation of property, plant and equipment amounting to approximately RMB26,068,000 (2018: RMB20,443,000) are capitalised in cost of inventories; amounting to approximately RMB3,608,000 (2018: RMB3,581,000) are included in administrative expenses and amounting to approximately RMB2,180,000 (2018: RMB2,182,000) are included in research and development costs.

(iii) Amortisation of mining right is capitalised in cost of inventories.

10. EARNINGS PER SHARE

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

	2019	2018
	(unaudited)	*(audited)*
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share *(in RMB'000)*	**55,539**	72,145
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(in thousand)*	**720,000**	711,419

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

11. DIVIDEND

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

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Final dividend for the year ended 31 December 2018 of RMB2.78 cents (2018: final dividend for the year ended 31 December 2017: 3.89 cents) per share	**20,000**	28,000

12. EXPLORATION AND EVALUATION ASSETS

	RMB'000
Cost less accumulated impairment	
At 1 January 2018	187,139
Additions	2,409
Disposals	(5,000)
At 31 December 2018	184,548
Additions (unaudited)	2,888
At 31 December 2019 (unaudited)	187,436

The exploration and evaluation assets represent all costs directly associated with exploration and evaluation and are initially capitalised. As at 31 December 2019 and 2018, the exploration and evaluation assets relate to costs of the activities which occurred in the area of Changdu, the Tibet Autonomous Region, the PRC, which is the principal place of business of, Xizang Changdu County Dadi Mining Company Limited ("**Xizang Changdu**"), a subsidiary incorporated in the Tibet Autonomous Region, the PRC, which was acquired by the Group on 13 July 2017.

As at 31 December 2017, the exploration and evaluation assets included costs of the activities which occurred in the Balcooma District and the Einasleigh District, Australia, which were the principal places of business of a subsidiary incorporated in Australia, where the relevant exploration and evaluation assets of cost of RMB5,000,000 have been disposed of during the year ended 31 December 2018 as set out below.

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

During the current year, the Group incurred costs directly associated with the exploration and evaluation assets of approximately RMB2,888,000 (2018: RMB2,409,000).

13. DEPOSITS FOR ACQUISITIONS

On 16 July 2017, the Group entered into a share sales and purchase agreement with AXF Resources Pty Ltd ("**AXF Resources**") pursuant to which the Company has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of 61.1% equity interest of AXF Gold Ridge Pty Ltd ("**AXF Gold Ridge**") for a consideration of approximately Australian dollar ("**AU$**") 58.35 million. Pursuant to the terms of the agreement, the Company has agreed an estimated maximum commitment of approximately AU$50 million for the construction, installation of machines and other relevant works with a view to rebuilding the gold mine project of AXF Gold Ridge to resume the extraction, processing and production of gold and the administration and maintenance costs. The total commitment of the Group for this transaction is approximately AU$108.35 million.

On 20 February 2018, the Group and AXF Resources re-negotiated the terms of the acquisition of interests in AXF Gold Ridge, and entered into a deed of amendment and restatement (the "**Deed**") to supersede the original sale and purchase agreement. Pursuant to the Deed, the Group has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of 77.78% equity interest of AXF Gold Ridge for a revised aggregate consideration of AU$53,473,000 (equivalent to RMB258,007,000, including the maximum committed rebuilding costs of AU$11,110,000 (equivalent to RMB53,606,000) attributable to the 22.22% equity interest in AXF Gold Ridge held by AXF Resources following the completion of the acquisition as set out below). As at the date of this announcement, the conditions have not been fulfilled yet. Pursuant to the terms of the Deed, the Group has committed to invest a maximum amount of AU$50,000,000 (equivalent to RMB241,250,000, including the said amount of AU$11,110,000 for the construction, installation of machines and other relevant works with a view to rebuilding the gold mine project to resume the exploration, processing and production of gold. Pursuant to the terms of the Deed, on the date of completion, both parties shall sign a put option agreement, pursuant to which AXF Resources will agree to pay AU$10 to the Group and the Group will grant AXF Resources an option to require the Group to purchase all of the remaining 22.22% equity interest in AXF Gold Ridge held by AXF Resources. The put option can only be exercised by AXF Resources within 12 months after the first gold (or gold ore) is extracted and sold from this gold mine project. The consideration to be paid by the Group on exercise of the put option shall be AU$26,388,000 (equivalent to RMB127,322,000) plus any premium to be agreed by the parties. As at 31 December 2019, the Company has paid approximately RMB184,338,000 as consideration and investment on construction, installation of machines and other relevant works for the acquisition.

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

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade receivables from contracts with customers	**7,510**	4,484
Bills receivables	**364**	–
	7,874	4,484
Prepayments and other receivables		
– prepayments	**14,763**	13,362
– other receivables	**13,449**	12,084
	28,212	25,446
Total trade and other receivables	**36,086**	29,930

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

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 30 days	**7,874**	4,484

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

The expected credit loss for trade receivables as at 31 December 2019 have been assessed collectively based on the trade debtors' aging, grouped by debtor balances that are not yet due and different aging brackets of numbers of days past due (if any). Based on the assessment of the management of the Group, allowance for credit losses from the trade receivables as at 31 December 2019 is insignificant.

As at 31 December 2019, the above bills received are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

15. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Trade payables	**37,941**	15,924
Value-added tax, resource tax and other tax payables	**13,805**	30,068
Payables for construction in progress and property, plant and equipment	**22,700**	43,118
Accrued expenses and other payables		
– Accrued expenses	**1,276**	125
– Accrued staff cost	**7,243**	3,024
– Other payables	**15,728**	6,680
	60,752	83,015
	98,693	98,939

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

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 30 days	**12,288**	7,693
31-60 days	**7,350**	5,004
61-90 days	**7,078**	1,180
91-180 days	**11,217**	1,596
Over 180 days	**8**	451
	37,941	15,924

16. AMOUNTS DUE TO RELATED PARTIES

	Note	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Victor Soar Investments Limited ("**Victor Soar**")	*(a), (b)*	**2,845**	1,512
Mr. Gao Mingqing	*(a)*	**12,624**	174
Fujian Jianyang Wanguo Electric Applicane Co., Ltd. ("**Jianyang Wanguo**")	*(a), (c)*	**3,520**	2,563
Ms. Gao Jinzhu	*(a), (d)*	**18,654**	531
Achieve Ample Investments Limited ("**Achieve Ample**")	*(a), (d)*	**334**	–
		37,977	4,780

Notes:

(a) All of the amounts above are non-trade in nature, interest free, unsecured and repayable on demand, of which approximately RMB3,179,000 (2018: RMB2,217,000) are denominated in HK$.

(b) Victor Soar held approximately 39.08% (2018: 39.08%) of the issued share capital of the Company and is wholly owned and controlled by Mr. Gao Mingqing.

(c) Jianyang Wanguo is owned as to 98.86% and controlled by Mr. Gao Mingqing.

(d) Ms. Gao Jinzhu is interested in 19.25% (2018: 19.25%) of the issued share capital of the Company via Achieve Ample, which is wholly owned and controlled by her.

17. SECURED BANK BORROWINGS

	2019 *RMB'000* *(unaudited)*	2018 *RMB'000* *(audited)*
Secured bank borrowings, at:		
– fixed rate	**46,000**	49,257
– floating rate	**3,876**	81,231
	49,876	130,488
The carrying amounts of the above borrowings are repayable:		
– within one year	**30,000**	126,696
– within a period of more than one year but not exceeding two years	**16,000**	450
– within a period of more than two years but not exceeding five years	**–**	1,417
– a period of more than five years	**–**	1,925
	46,000	130,488
Carrying amount of the above borrowings that contain a repayment on demand clause (shown under current liabilities)	**3,876**	–
	49,876	130,488
Less: amount due within one year shown under current liabilities	**(33,876)**	(126,696)
Amount shown under non-current liabilities	**16,000**	3,792

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

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

	2019 *%* *(unaudited)*	2018 *%* *(audited)*
Effective interest rate (per annum)	**2.48 to 5.86**	2.35 to 6.50

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

	2019 *RMB'000* *(unaudited)*	2018 *RMB'000* *(audited)*
HK$	**3,876**	4,230

18. SHARE CAPITAL

Details of share capital of the Company are as follow:

	Number of shares	**Share capital**
	'000	*HK$'000*
	(unaudited)	*(unaudited)*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	1,000,000	100,000
Issued:		
At 1 January 2018	666,000	66,600
Issue of shares	54,000	5,400
At 31 December 2018 and 31 December 2019	720,000	72,000

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Shown in the consolidated statement of financial position	**58,882**	58,882

During the year ended 31 December 2018, the subscription for the remaining 54,000,000 shares in the Company under the subscription agreement has been completed and 54,000,000 shares in the Company have been issued and allotted to the subscriber. Upon completion of the subscription, the shares held by the subscriber represent approximately 16.67% of the then issued share capital of the Company as enlarged by the issue of the 120,000,000 subscription shares. The gross and net proceeds from the subscription of the 54,000,000 shares amounted to approximately RMB81,214,000 and RMB81,136,000, respectively.

The Company has adopted a share option scheme (the "**Scheme**") on 12 June 2012 to which the Directors and eligible employees, among others, are entitled to participate in. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No share options have been granted, exercised, cancelled or lapsed under the Scheme during the year ended 31 December 2019 and 2018.

MARKET REVIEW

Copper

According to World Bureau of Metal Statistics, the copper market recorded a deficit of 94,000 tonnes for the year ended 31 December 2019 which follows a deficit of 275,000 tonnes in the 2018. Reported stocks fell during December 2019 to close at 42,000 tonnes lower than at the end of December 2018. Shanghai stocks rose fractionally during December 2019. No allowance is made in the consumption calculation for unreported stock changes, particularly in the Chinese government stockpile.

World mine production for the year ended 31 December 2019 was 20.7 million tonnes, which was 1.7% higher than in the same period in 2018. Global refined production for the year ended 31 December 2019 was 23.7 million tonnes up 0.3% compared with the previous year with significant decreases recorded in India (down 128,000 tonnes) and in Chile (down 192,000 tonnes).

Global consumption for the year ended 31 December 2019 was 23.8 million tonnes, compared with 23.17 million tonnes for the same period of 2018. Chinese apparent demand for the year ended 31 December 2019 was 12.8 million tonnes, which was 2.5% higher than the year of 2018. European Union production fell by 4.7% and demand was 3.1 million tonnes, 7.5% below the whole year of 2018 total.

Iron

2019 was a year of sharp fluctuations in iron ore prices. Due to the impacts of Brazilian mine disaster and Australian hurricane at the beginning of the year, there has been a significant gap in the supply side of the international iron ore market. As a result, the price of iron ore has soared above US$120 per tonne during the first half of the year. Starting from the second quarter, the three giant mines affected by reduced capacities at the beginning of the year have begun to resume production. Overseas non-mainstream mines and domestic mines have also been stimulated by the rapid rise in iron ore prices and have increased their production. This has gradually eased the issue of scarce supply. In the third quarter, as downstream raw material consumption shifted to the off-season, steel mill profits have been severely compressed, and the impact of production restriction arising from environmental protection has shrank the demand for iron ore in the downstream producers. Port inventory began to accumulate, and iron ore prices rapidly fell from a high level. Since September 2019, the overall trend began to be driven by factors such as the replenishment of steel plants as well as environmental protection restrictions, turned into oscillation.

Zinc

According to World Bureau of Metal Statistics, the zinc market was in deficit by 243,700 tonnes during the year ended 31 December 2019, compared with a surplus of 108,000 tonnes recorded in the previous year. Reported stocks decreased by 63,000 tonnes during 2019 with a net increase of 28,800 tonnes in Shanghai over the period. London Metal Exchange ("**LME**") stocks fell in December and closed at 77,800 tonnes below the level in December 2018. LME stocks represent 11% of the global total with the bulk of the metal held in Taiwan and Dutch warehouses.

Global refined production rose by 2.8% and consumption was 5.4% higher than the levels recorded in the previous year. Japanese apparent demand was, at 514,000 tonnes, 6.8% above the equivalent total for the year of 2018.

World demand was 725,000 tonnes higher than that for the year of 2018. Chinese apparent demand was 6.8 million tonnes or 48% of the global total. No allowance is made in the consumption calculation for unreported stock changes.

Lead

According to World Bureau of Metal Statistics, the lead market recorded a deficit of 329,000 tonnes during the year ended 31 December 2019 which follows a deficit of 243,000 tonnes recorded in 2018. Total stocks at the end of December 2019 were 10,000 tonnes lower than that at the end of 2018. No allowance is made in the consumption calculation for unreported stock changes.

World refined production during during the year ended 31 December 2019 from both primary and secondary sources was 12.4 million tonnes, which was 6% higher than in the comparable period of 2018. Chinese apparent demand was estimated at 5.9 million tonnes, which was 680,000 tonnes higher than the comparable period in 2018, representing about 46% of the global total. For the USA, apparent demand has increased by 37,000 tonnes for the year ended 31 December 2019 as compared to the same period of 2018.

Gold and Silver

The spot gold price was a trend of dropping at the beginning and climbing up afterwards in 2019. At the start of the year, due to the uncertainty in Brexit and the attitude of the Federal Reserve, the price of gold began to strengthen slightly from US$1,280 per ounce, stopped at US$1,346 ounce and began to fall.

The publication of continuing deterioration of U.S. economic data as well as the dynamics of the Sino-US trade war in June 2019, accelerated the rise of gold price, which attained US$1,557 per ounce, reaching the peak of gold prices in the recent six years.

The fact that the Federal Reserve lowered the interest rates twice, and the smooth progress of the Sino-US trade negotiations put pressure on the price of gold, resulting in a volatile downward adjustment phase. It then rose again and closed at US$1,520 per ounce at the end of the year.

In 2019, international silver opened at US$15.48 per ounce. The trend was weak in the first half of the year. After June 2019, the trade conflict between China and the US escalated, triggering risk aversion and quickly pushing up silver prices, hitting a high of US$19.64 per ounce since 2017. Due to the ease of market's anxiety, silver price dropped and recorded an annual increase of about 9% at the end of the year.

BUSINESS REVIEW

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

In addition, the Group has, on 13 July 2017, completed an acquisition of 51% attributable interest of Xizang Changdu County Dadi Mining Company Limited ("Xizang Changdu"), which owns the Walege Mine in which we may further exploit for open-pit and underground mining. The Walege Mine has a significant volume of mineral resources of lead and silver.

EXPANSION IN EXISTING MINE

Xinzhuang Mine

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

Yifeng Wanguo entered into an agreement with China Nerin Engineering Co., Ltd（中國瑞林工程技術有限公司）("**Nerin**") for conducting a feasibility study on an expansion plan of our Xinzhuang Mine to 900,000 tpa. Nerin has provided the preliminary draft the feasibility study report to the Group by the end of 2019.

Walege Mine

We are in the progress of applying for the mining license for the Walege Mine. The industrial indicators' demonstration was completed in February 2018 and was registered and filed to the National Land Bureau Evaluation Centre（國土廳評審中心）(the "**Evaluation Centre**").

Additional samplings and chemical tests have been finished and submitted in 2018 and the results were satisfactory. In July 2019, we had updated the exploration report and resubmitted to the Evaluation Centre. In September 2019, the Evaluation Centre completed evaluation of the exploration report and issued a review opinion for the registration of mineral resource reserves and the verification of the mineral ore-body resources. The Group expects to start that the development plan, preliminary design and feasibility study of the Walege Mine in 2020.

EXPANSION IN SURROUNDING AREAS

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

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

HORIZONTAL EXPANSION

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

On 16 July 2017, the Company entered into the share sales and purchase agreement (the "S**&P Agreement**") with AXF Resources Pty Ltd ("**AXF Resources**") pursuant to which the Company has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of, 611 shares out of 1,000 shares in AXF Gold Ridge Pty Ltd ("**AXF Gold Ridge**") (representing 61.1% equity interest of AXF Gold Ridge) in consideration of AU$58.35 million. Pursuant to the terms of the S&P Agreement, the Company has agreed an estimated maximum commitment of AU$50 million for the reconstruction works and all administration and maintenance costs associated with the project of the exploitation and operations of the gold mine contemplated under the S&P Agreement (the "**AM Costs**"). Hence, the total amount of commitment by the Company for the acquisition as well as the reconstruction works and the AM Costs is AU$108.35 million.

Due to a material difference between the aforesaid consideration to be paid and the draft valuation amount of the asset to be acquired made by an independent third party during the due diligence review, the Company and AXF Resources re-negotiated the terms of the acquisition, and entered into a deed of amendment and restatement (the "**Deed**") on 20 February 2018 to supersede the S&P Agreement. Pursuant to the Deed, the Company has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of, 7,778 shares out of 10,000 shares in AXF Gold Ridge (representing 77.78% equity interest of AXF Gold Ridge) in consideration of AU$53.473 million (including the AU$11.11million of the reconstruction works taken to be paid by the Company on behalf of AXF Resources) and the net consideration is AU$42.363 million. Pursuant to the terms of the Deed, the Company has agreed a maximum commitment of AU$50 million for the reconstruction works.

Pursuant to the terms of the Deed, on the completion date, both parties shall sign the Put Option Agreement, pursuant to which AXF Resources will agree to pay AU$10 to the Company and the Company will grant AXF Resources an option (the "**Put Option**") to require the Company to purchase all of the remaining interest in AXF Gold Ridge held by AXF Resources (i.e. 22.22% equity interest of AXF Gold Ridge). The aforesaid consideration payable by the Company on exercise of the Put Option shall be AU$26.388 million plus any premium to be agreed by the parties. Hence, the total maximum amount of commitment of the Company for the acquisition (together with the Reconstruction Works) and the Put Option is approximately AU$118.751 million (subject to any premium to be added to the consideration on the exercise of the Put Option).

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

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

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

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

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

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

Please refer to the announcement of the Company dated 22 February 2018, 30 April 2018, 31 July 2018, 28 September 2018, 22 October 2018, 31 December 2018, 31 March 2019, 31 May 2019, 31 July 2019, 30 September 2019 and 31 December 2019 for details.

Possible Disposal and Subscription of Shares of the Company

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

The Company has been informed that on 26 August 2019, the Potential Buyer, Victor Soar and Achieve Ample have agreed to terminate the MOU, and their negotiations in respect of the Possible Transaction have been terminated as the parties were unable to reach an agreement on the terms of the formal agreements in relation to the Possible Transaction. For details, please refer to the Company's announcement dated 27 August 2019.

MINERAL RESOURCES AND RESERVES

The Xinzhuang Mine Mineral Resource Summary – as at 31 December 2019

Mineralization Type	JORC Mineral Resource Category	Tonnage	Grades					Contained Metals				
			Cu	Pb	Zn	TFe	mFe	Cu	Pb	Zn	TFe	mFe
		kt	*%*	*%*	*%*	*%*	*%*	*Kt*	*kt*	*kt*	*kt*	*kt*
Cu-Fe	Measured	5,220	0.80	–	–	–	–	41.97	–	–	–	–
	Indicated	11,487	0.68	–	–	–	–	78.59	–	–	–	–
	Subtotal	**16,707**	**0.72**	**–**	**–**	**–**	**–**	**120.56**	**–**	**–**	**–**	**–**
	Inferred	845	0.47	–	–	–	–	3.93	–	–	–	–
	Total	**17,552**	**0.71**	**–**	**–**	**–**	**–**	**124.49**	**–**	**–**	**–**	**–**
Fe-Cu	Measured	1,910	0.17	–	–	44.17	30.98	3.18	–	–	843.7	591.73
	Indicated	3,214	0.34	–	–	39.59	24.23	10.93	–	–	1,272.51	778.86
	Subtotal	**5,124**	**0.28**	**–**	**–**	**41.30**	**26.75**	**14.11**	**–**	**–**	**2,116.21**	**1,370.59**
	Inferred	296	0.53	–	–	44.13	31.03	1.58	–	–	130.62	91.84
	Total	**5,420**	**0.29**	**–**	**–**	**41.45**	**26.98**	**15.69**	**–**	**–**	**2,246.83**	**1,462.43**
Cu-Pb-Zn	Measured	1,734	0.13	0.97	5.36	–	–	2.27	16.87	92.96	–	–
	Indicated	2,252	0.09	1.88	3.70	–	–	1.96	42.38	83.32	–	–
	Subtotal	3,986	0.11	1.49	4.42	–	–	4.23	59.25	176.28	–	–
	Inferred	340	0.13	0.39	4.44	–	–	0.43	1.34	15.08	–	–
	Total	**4,326**	**0.11**	**1.40**	**4.42**	**–**	**–**	**4.66**	**60.59**	**191.36**	**–**	**–**
Total	**Measured**	**8,864**	**–**	**–**	**–**	**–**	**–**	**48.85**	**16.87**	**92.96**	**843.70**	**591.73**
	Indicated	16,953	–	–	–	–	–	93.48	42.38	83.32	1,272.51	778.86
	Subtotal	**25,817**	**–**	**–**	**–**	**–**	**–**	**142.33**	**59.25**	**176.28**	**2,116.21**	**1,370.59**
	Inferred	1,481	–	–	–	–	–	5.94	1.34	15.08	130.62	91.84
	Total	**27,298**	**–**	**–**	**–**	**–**	**–**	**148.27**	**60.59**	**191.36**	**2,246.83**	**1,462.43**

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 2019.

The Xinzhuang Mine Ore Reserve Summary – as at 31 December 2019

Mineralization Type	JORC Ore Reserve Category	Tonnage	Grades					Contained Metals				
			Cu	Pb	Zn	TFe	mFe	Cu	Pb	Zn	TFe	mFe
		kt	*%*	*%*	*%*	*%*	*%*	*kt*	*kt*	*kt*	*kt*	*kt*
Cu-Fe	Proved	3,779	0.77	–	–	–	–	29.05	–	–	–	–
	Probable	4,188	0.65	–	–	–	–	27.15	–	–	–	–
	Total	**7,967**	**0.71**	**–**	**–**	**–**	**–**	**56.20**	**–**	**–**	**–**	**–**
Fe-Cu	Proved	2,010	0.20	–	–	37.45	33.02	3.98	–	–	752.70	663.73
	Probable	1,643	0.32	–	–	23.33	19.32	5.24	–	–	383.38	317.40
	Total	**3,653**	**0.25**	**–**	**–**	**31.10**	**26.86**	**9.22**	**–**	**–**	**1136.08**	**981.13**
Cu-Pb-Zn	Proved	1,171	0.09	0.89	5.11	–	–	1.01	10.48	59.88	–	–
	Probable	824	0.04	1.43	2.91	–	–	0.32	11.80	23.95	–	–
	Total	**1,995**	**0.07**	**1.12**	**4.20**	**–**	**–**	**1.33**	**22.28**	**83.83**	**–**	**–**
Total	Proved	6,960	–	–	–	–	–	34.04	10.48	59.88	752.70	663.73
	Probable	6,655	–	–	–	–	–	32.71	11.80	23.95	383.38	317.40
	Total	**13,615**	**–**	**–**	**–**	**–**	**–**	**66.75**	**22.28**	**83.83**	**1136.08**	**981.13**

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 2019.

JORC Mineral Resource Category	Tonnes	Grade Pb	Ag	Lead Metal	Silver Metal
	The Walege Mine Mineral Resource Summary – as at 31 December 2019 Grade Tonnage Reported above a Cut-off Grade of 2.5% Pb				
	(Mt)	*(%)*	*(g/t)*	*(1,000t)*	*(1,000Kg)*
Measured	13.996	3.79	44.80	530.4	627.1
Indicated	18.343	3.57	43.32	655.6	794.7
Inferred	10.688	3.82	48.22	408.5	515.4
Totals	**43.027**	**3.71**	**45.02**	**1,595.5**	**1,937.2**

Notes:

(1) The mineral resource estimates ("**MRE**") is based on 136 diamond drilling holes, 54 trenching projects and 9 pit excavation engineering completed up until 2018. The wireframes were generated based on cross sectional widths of 50m-100m*100m-200m spacing. This was based on exploration drilling patterns. Mineralisation cut-off grades of 0.5% Pb combined with the geological logging were used to define the mineralised envelopes.

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

(3) The MRE was based on 72 diamond drill holes completed up until 2013 and the wireframes were generated based on cross sectional widths of 100m-100m spacing as disclosed in the Company's circular dated 2 December 2015. Save as disclosed above, there were no material changes in the MRE for the years ended 31 December 2018 and 2019.

FINANCIAL REVIEW

	Year ended 31 December			
	Concentrates products	**Trading of electrolytic copper**	**2019 Total**	2018
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
	(unaudited)	***(unaudited)***	***(unaudited)***	*(audited)*
Revenue	**291,950**	**19,205**	**311,155**	320,669
Cost of sales	**(183,652)**	**(19,203)**	**(202,855)**	(185,039)
Gross profit	**108,298**	**2**	**108,300**	135,630
Gross profit margin	**37.1%**	**–**	**34.8%**	42.3%

Revenue, cost of sales, gross profit and gross profit margin

The Group's revenue decreased by 3.0% from approximately RMB320.7 million in 2018 to approximately RMB311.2 million in 2019, which was primarily due to the decrease in volumes of concentrates sold during the year. Our cost of sales increased by approximately 9.7% from approximately RMB185.0 million in 2018 to approximately RMB202.9 million in 2019,

The overall gross profit decreased by 20.1% from RMB135.6 million for the year ended 31 December 2018 to approximately RMB108.3 million for the year ended 31 December 2019. Gross profit margin decreased from approximately 42.3% for the year ended 31 December 2018 to approximately 34.8% for the year ended 31 December 2019.

(i) Concentrates products

Revenue from sales of concentrates products decreased by approximately 8.9% from approximately RMB320.7 million for the year ended 31 December 2018 to approximately RMB292.0 million for the year ended 31 December 2019.

For the year ended 31 December 2019, we sold 3,139 tonnes of copper in copper concentrates, 108,761 tonnes of iron concentrates and 5,691 tonnes of zinc in zinc concentrates, compared to 3,446 tonnes, 111,153 tonnes and 5,096 tonnes respectively for the year ended 31 December 2018, representing decreases of approximately 8.9%, 2.2% and increase of 11.7%, for copper in copper concentrates, iron concentrates and zinc in zinc concentrates, respectively. Such decreases were principally attributable to the process trials and technical transformation conducted in processing plant.

The average prices of copper in copper concentrates, iron concentrates and zinc in zinc concentrates in 2019 were RMB35,330, RMB507 and RMB10,207 per tonne respectively, compared to RMB36,636, RMB376 and RMB14,946 per tonne respectively in 2018, representing a decrease of approximately 3.6%, increases of 34.8% and decrease of 31.7% respectively. During 2019, except for iron, most of the metals prices have dropped. Our Directors believe that such decrease was mainly due to the outbreak of the Sino-US tensions in the second half of 2019.

The cost of sales of concentrates products decreased by approximately 0.7% from approximately RMB185.0 million in 2018 to approximately RMB183.7 million in 2019, such decrease was mainly driven by the corresponding decrease in revenue.

The gross profit of concentrates products for the year ended 31 December 2019 was approximately RMB108.3 million, which represented a decrease of approximately 20.1% compared to approximately RMB135.6 million for the year ended 31 December 2018. The gross profit margin decreased from approximately 42.3% for the year ended 31 December 2018 to approximately 37.1% for the year ended 31 December 2019. Such decrease was mainly attributable to the drop in the selling price of the concentrates.

(ii) Trading of electrolytic copper

Starting from November 2019, the Group set up a branch for trading of electrolytic copper. Revenue from trading of electrolytic copper for the year ended 31 December 2019 was approximately RMB19.2 million.

Other income

Our other income mainly comprised bank interest income of approximately RMB0.5 million, incentives received from a local governmental authority of approximately RMB0.6 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB1.2 million for the year ended 31 December 2019. Other income decreased by approximately RMB0.7 million as compared with 2018, which was mainly attributable to the decrease in sales of other ore during 2019.

Other gains and losses

Our other gains and losses increased by approximately RMB2.7 million, which comprised mainly unrealised exchange gain of approximately RMB3.0 million as a result of the translation of Hong Kong dollars into Renminbi under the appreciation of Hong Kong dollars as at 31 December 2019, whereas for the year ended 31 December 2018, there were an impairment loss of approximately RMB0.5 million in respect of receivable from a counterparty and a loss on disposal of property, plant and equipment of approximately RMB0.4 million.

Distribution and selling expenses

Our distribution and selling expenses decreased by approximately 18.9% from approximately RMB3.7 million for the year ended 31 December 2018 to approximately RMB3.0 million for the year ended 31 December 2019. The decrease was mainly attributable to the decrease in sales volume.

Administrative expenses

Our administrative expenses decreased by approximately 6.0% from approximately RMB40.0 million in 2018 to approximately RMB37.6 million in 2019. The decrease was principally attributable to the decrease in research and development expenses incurred in connection with the completion of technical transformation.

Finance costs

Our finance costs decreased by approximately 21.1% from approximately RMB9.5 million in 2018 to approximately RMB7.5 million in 2019, primarily due to the decrease in bank loan interest expenses resulted from repayment of bank loans.

Income tax expense

Our income tax expense was approximately RMB10.0 million in 2019, consisting of PRC corporate income tax payable of approximately RMB9.0 million, withholding tax payable of approximately RMB2.3 million and overprovision of income tax of approximately RMB1.3 million. Our income tax expense was approximately RMB13.8 million in 2018, consisting of PRC corporate income tax payable of approximately RMB13.7 million, withholding tax payable of approximately RMB2.5 million, deferred tax credit of approximately RMB0.7 million and overprovision of income tax of approximately RMB1.6 million.

The decrease in our income tax expense for the year ended 31 December 2019 was primarily due to the decrease in the PRC corporate income tax expense as a result of decrease in operating profit.

Profit for the year

As a result of the foregoing, our profit after taxation decreased by approximately 22.9%, or approximately RMB16.5 million, from approximately RMB71.9 million for the year ended 31 December 2018 to approximately RMB55.4 million for the year ended 31 December 2019. Our net profit margin decreased from approximately 22.4% for the year ended 31 December 2018 to approximately 17.8% for the year ended 31 December 2019.

Profit attributable to owners of our Company

The profit attributable to the owners of our Company decreased by approximately 23.0% or approximately RMB16.7 million, from approximately RMB72.1 million for the year ended 31 December 2018 to approximately RMB55.5 million for the year ended 31 December 2019.

Analysis of property, plant and equipment and construction in progress

As at 31 December 2019, the Group's property, plant and equipment and construction in progress were approximately RMB438.2 million, representing an increase of RMB0.5 million or 0.1% over last year mainly due to the purchase of mining equipment and construction of mining structures in the Xinzhuang Mine.

Analysis of inventories

Inventories consist of raw materials, ore and processed concentrates. Raw materials mainly include forged steel grinding balls, explosives, chemical products and diesel oil used for the production of concentrates. As at 31 December 2019 and 2018, our inventories were approximately RMB9.3 million and approximately RMB7.3 million respectively. The increase in inventories was mainly due to substantial volume of concentrates produced during the last quarter of 2019.

Analysis of trade receivables

Trade receivables represent receivables from the sale of processed concentrates. Our Group generally requests our concentrates customers to make a certain amount of down payment prior to delivery. For trade customers, our Group grants a credit period up to 60 days. As at 31 December 2019 and 2018, our trade receivables were approximately RMB7.9 million and RMB4.5 million respectively. The increase in trade receivables as at 31 December 2019 was mainly due to no down payment being received prior to delivery from a reputable customer.

Analysis of trade payables

Trade payables mainly consist of payables in respect of (i) the purchase of forged steel grinding balls and cement; (ii) construction fee payable to our contractors under the expansion plan; and (iii) fees payable to our third-party contractor, Wenzhou No. 2 Well and Tunnel Construction Company, for our mining work. As at 31 December 2019 and 2018, our trade payables were approximately RMB37.9 million and approximately RMB15.9 million respectively. The increase in trade payables as at 31 December 2019 was mainly due to delay in payment to our third-party contractors.

Liquidity and capital resources

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

Our Group had cash and cash equivalents of approximately RMB4.7 million as at 31 December 2019, compared to approximately RMB22.0 million as at 31 December 2018, of which approximately RMB1.1 million (2018: approximately RMB1.0 million) was denominated in Hong Kong dollars, Australian dollars and US dollars.

As at 31 December 2019, the Group recorded net assets and net current liabilities of approximately RMB830.5 million (2018: RMB795.3 million) and approximately RMB238.7 million (2018: RMB233.2 million) respectively. The current ratio of the Group as at 31 December 2019 was 0.17 times as compared to 0.22 times as at 31 December 2018. The increase in net current liabilities and decrease in current ratio were attributable to the decrease in current assets mainly resulted from increase in expenditures in Gold Ridge project.

Borrowings

As at 31 December 2019, the Group had secured bank borrowings of approximately RMB49.9 million in aggregate with maturity from one year to eight years and effective interest rate of approximately 5.73%.

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 8.7% (2018: 16.5%). The decrease in gearing ratio was mainly attributable to increase in deposits for acquisition of a subsidiary and decrease in bank borrowings.

CAPITAL EXPENDITURES

The total capital expenditure of the Group decreased from approximately RMB263.7 million for the year ended 31 December 2018 to approximately RMB91.7 million for the year ended 31 December 2019, representing a decrease of approximately 65.2%. The capital expenditure in 2019 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 2019, the Group's capital commitments amounted to approximately RMB266.8 million, which was attributable to the acquisition of equity interest in and the Reconstruction Works for the Gold Ridge Project.

As at 31 December 2019, the Group has also entered the following commitments in relation to the development of the Xinzhuang Mine.

	RMB'000
Three new shafts projects	936
Upgrading the processing plants	6,765
Other civil work	5,797
	13,498

CONTINGENT LIABILITIES

As at 31 December 2019, 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, the Group had no significant investments nor were there any other material acquisition and disposal of subsidiaries, associates and joint venture during the year ended 31 December 2019.

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 2019, the Group's right-of-use-assets and buildings with carrying value of approximately RMB63.7 million (31 December 2018: RMB81.7 million of prepaid lease payments, mining right and buildings) were pledged to secure the Group's bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the year 2019, the Group had no material adverse exposure to foreign exchange fluctuations during the year 2019.

INTEREST RATE RISK

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

FINANCIAL INSTRUMENTS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, we had a total of 349 (2018: 345) 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, superannuation for our Australia employees and social insurance together with housing provident funds for our PRC employees.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Xinzhuang Mine

Mineral exploration

During 2019, the exploration activities in the Xinzhuang Mine was within 4-29 exploration line. We have completed underground geological drilling of 19,703 m, with drill size of 60-90 mm for the year ended 31 December 2019. For the year ended 31 December 2019, we have also finished tunnel drilling of 529 m and completed adit mapping of 15,296 m.

For the year ended 31 December 2019, no expenditure of mineral exploration was incurred.

Development

During 2019, the Group incurred development expenditure of approximately RMB50.4 million.

Detailed breakdown of development expenditure is as follows:

	RMB' (million)
Mining structures	44.7
Machinery and electronic equipment for processing plants	5.1
Motor vehicles	0.6
	50.4

Mining activities

During 2019, we processed a total of 782,431 tonnes of ore in the Xinzhuang Mine. The following table shows the volume of our concentrates products sold during 2019.

Type of concentrates sold	**Volume**
Copper in copper concentrates	3,139 tonnes
Iron concentrates	108,761 tonnes
Zinc in zinc concentrates	5,691 tonnes
Sulfur concentrates	155,444 tonnes
Lead in lead concentrates	690 tonnes
Gold in copper concentrates	53 kg
Silver in copper concentrates	2,670 kg
Gold in zinc concentrates	1 kg
Silver in zinc concentrates	811 kg
Gold in lead concentrates	52 kg
Sliver in lead concentrates	3,106 kg
Copper in lead concentrates	232 kg

During 2019, the Group incurred expenditures for mining and processing activities were RMB106.5 million (2018: RMB106.2 million) and RMB51.7 million (2018: RMB54.5 million) respectively. The unit expenditures for mining and processing activities were RMB135.3/t (2018: RMB140.7/t) and RMB66.1/t (2018: RMB72.2/t) respectively.

Walege Mine

The Group owns 51% equity interest of Xizang Changdu, which in turn owns the Walege Mine in which the Group can conduct both open-pit and underground mining. The Group is in the progress of converting its exploration license to mining license.

Mineral exploration

No mineral exploration was conducted in 2019. During 2019, the main activities were the license maintenance as well as application of conversion of exploration license to mining license.

Development

During 2019, the Group incurred the development expenditure of approximately RMB2.8 million in respect of preparation and submission of final draft geological exploration report for the Evaluation Centre to review and approve, and for the registration of mineral resource reserves in the Tibet Land Resources Bureau.

Mining activities

Since the Walege Mine is still in development stage, no mining activity has taken place during the year ended 31 December 2019.

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 of the Company (the "**Shareholders**").

OUTLOOK

A common view is that with the recent recovery in international trade optimism, the risk of global economic recession in 2020 have dropped sharply, and the positive effects of global central bank easing in 2019 will also begin to appear. However, the uncertainties of international trade and outbreak of novel coronavirus pneumonia will also affect the global economy and therefore downward pressure on the domestic economy still exists, coupled with the fact that the Sino-US issue has not yet completely resolved, pressure on metal prices in 2020 remains.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

In addition, as a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company is subject to, among others, the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission, the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**"). To the best knowledge of the Directors, the Company has complied with the relevant laws and regulations during the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to protect the interests of the Shareholders. The Company's corporate governance practices are based on principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules. Except for the deviation from code provisions A.2.1 and A.2.7 of the CG Code as described in the relevant paragraphs of this announcement, the Company had complied with the CG Code for the year ended 31 December 2019.

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 Board (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 are 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 independent non-executive Directors without the presence of other Directors. During the year, the Chairman did not hold any meeting with the independent non-executive Directors without other Directors present. Nevertheless, from time to time, the 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 independent non-executive Directors and the Chairman.

WAIVER FROM STRICT COMPLIANCE WITH RULE 3.10A

Following resignation of Mr. Xiong Zeke, our former independent non-executive Director, the number of independent non-executive Directors has not represented one-third of the Board as required under Rule 3.10A of the Listing Rules since 30 September 2019. Please refer to the Company's announcement dated 30 September 2019 for details. As additional time was required by the Company to identify and appoint a suitable candidate, the Company therefore applied to the Stock Exchange for a waiver from strict compliance with Rule 3.10A of the Listing Rules for a period of one month from 30 December 2019 for filling the vacancy (the "**Waiver Application**"). The Company had become in compliance with the relevant requirements under the Rule 3.10A of the Listing Rules that the number of independent non-executive Directors represents one-third of the Board at the date of this announcement, following the appointment of Mr. Wang Xin on 2 January 2020. Please refer to the Company's announcement dated 2 January 2020. The Company subsequently amended the Waiver Application to cover the period from 30 December 2019 to 1 January 2020 and the Stock Exchange has granted to the Company, a waiver from strict compliance with Rule 3.10A of the Listing Rules for filling the vacancy for such period. Please refer to Company's announcement dated 15 January 2020 for details.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the Model Code and the required standards of dealings as set out in the code of conduct for the year ended 31 December 2019 and up to the date of this announcement.

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 2019.

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

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to travel restrictions in force in connection with the recent coronavirus disease (COVID-19) outbreak which has disrupted the reporting and audit processes of the Group's consolidated financial statements for the year ended 31 December 2019, the audit procedures for the annual results of the Group could not be completed by the date of this announcement, and therefore the unaudited annual results contained herein have not been agreed with the Company's auditor, Crowe (HK) CPA Limited ("**Crowe**"). Crowe has not yet completed the auditing process at the date of this announcement.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive Directors, namely Mr. Shen Peng (chairman of the Audit Committee), Mr. Qi Yang, Dr. Lu Jian Zhong and Mr. Wang Xin. 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 unaudited consolidated results of the Group for the year ended 31 December 2019 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of the COVID-19 in China, ongoing prevention and control measures have been carried out throughout the whole world. The epidemic will impact the overall economy as well as the Group, especially the demand of processed concentrates of various metals in China. Therefore, the Group's operations and revenue may be negatively affected to a certain extent depending on the effects of the prevention and control measures, duration of the outbreak and implementation of various policies. The Company will closely monitor the situation, and assess its impacts on the Group's financial position and operating results. As of the date of this announcement, such assessment is still ongoing.

FURTHER ANNOUNCEMENT(S) AND PUBLICATION OF ANNUAL REPORT

This unaudited annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.wgmine.com.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed with the Company's auditors and the accounting adjustment or material differences (if any) as compared with the unaudited annual results contained herein, (ii) the recommendation of any proposed final dividend for the year ended 31 December 2019, (iii) the payment date, book closure period and record date of such proposed final dividend, and (iv) the proposed convention date, book closure period and record date of the 2020 annual general meeting. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed before end of April 2020.

The 2019 annual report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

The financial information contained in this announcement in respect of the annual results of the Group has not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

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, Mr. Shen Peng and Mr. Wang Xin as independent non-executive Directors.