WANGUO INTERNATIONAL MINING GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3939)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHT:

	Year ended 31 December		
	2018	2017	**Increase/**
	RMB'000	*RMB'000*	**(Decrease)**
Revenue	**320,669**	348,494	(8.0%)
Cost of sales	**(185,039)**	(191,063)	(3.2%)
Gross profit	**135,630**	157,431	(13.9%)
Gross profit margin	**42.3%**	45.2%	(2.9%)
Profit before tax	**85,660**	102,819	(16.7%)
Profit attributable to owners of the Company	**72,145**	70,864	1.8%

- Revenue decreased by 8.0% to approximately RMB320.7 million.
- Gross profit decreased by 13.9% to approximately RMB135.6 million.
- Gross profit margin decreased by 2.9% to 42.3%.
- Profit attributable to owners of the Company increased by 1.8% to approximately RMB72.1 million.
- Basic earnings per share was RMB10.1 cents (2017: RMB11.7 cents).
- The Board recommended a final dividend of RMB2.78 cents (2017: RMB3.89 cents) per share.

The board (the "Board") of directors (the "Directors") of Wanguo International Mining Group Limited (the "Company") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018 together with comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
Revenue	*4*	**320,669**	348,494
Cost of sales		**(185,039)**	(191,063)
Gross profit		**135,630**	157,431
Other income	*5*	**2,949**	2,559
Other gains and losses	*6*	**340**	(7,915)
Distribution and selling expenses		**(3,745)**	(3,735)
Administrative expenses		**(40,034)**	(33,042)
Finance costs	*7*	**(9,480)**	(12,479)
Profit before tax		**85,660**	102,819
Income tax expense	*8*	**(13,802)**	(32,534)
Profit for the year	*9*	**71,858**	70,285
Other comprehensive income for the year			
– Exchange differences arising on translation of a foreign operation, which may be reclassified subsequently to profit or loss		**1,287**	–
Total comprehensive income for the year		**73,145**	70,285
Profit (loss) for the year attributable to:			
Owners of the company		**72,145**	70,864
Non-controlling interests		**(287)**	(579)
		71,858	70,285
Total comprehensive income attributable to:			
Owners of the Company		**73,432**	70,864
Non-controlling interests		**(287)**	(579)
		73,145	70,285
Earnings per share			
Basic (RMB cents)	*10*	**10.1**	11.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**438,651**	395,955
Mining right		**14,755**	15,822
Exploration and evaluation assets	*12*	**184,548**	187,139
Other intangible asset		**319,288**	319,288
Prepaid lease payments		**58,455**	59,729
Deposit for purchase of property, plant and equipment		**2,067**	6,376
Deposits for acquisition of a subsidiary	*13*	**147,669**	35,393
Deferred tax assets		**3,903**	3,170
Restricted bank balances		**2,655**	7,615
		1,171,991	1,030,487
CURRENT ASSETS			
Inventories		**7,314**	9,302
Trade and other receivables	*14*	**29,930**	42,657
Prepaid lease payments		**1,379**	1,377
Bank balances and cash			
– cash and cash equivalents		**21,989**	108,639
– restricted bank balances		**5,000**	25,000
		65,612	186,975
CURRENT LIABILITIES			
Trade and other payables	*15*	**98,939**	79,671
Contract liabilities		**24,633**	–
Tax payable		**11,392**	26,214
Amounts due to related parties	*16*	**4,780**	351
Consideration payable for acquisition of a subsidiary		**–**	113,610
Consideration payable to a former non-controlling shareholder of a subsidiary		**32,333**	72,378
Secured bank borrowings	*17*	**126,696**	122,411
		298,773	414,635
NET CURRENT LIABILITIES		**(233,161)**	(227,660)
TOTAL ASSETS LESS CURRENT LIABILITIES		**938,830**	802,827

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT LIABILITIES			
Consideration payable to a former non-controlling shareholder of a subsidiary		**40,823**	35,356
Secured bank borrowings	*17*	**3,792**	23,293
Deferred income		**11,042**	12,565
Deferred tax liabilities		**82,822**	82,322
Provisions		**5,050**	4,399
		143,529	157,935
CAPITAL AND RESERVES			
Share capital	*18*	**58,882**	54,516
Reserves		**525,843**	403,641
Equity attributable to owners of the Company		**584,725**	458,157
Non-controlling interests		**210,576**	186,735
TOTAL EQUITY		**795,301**	644,892
		938,830	802,827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the announcement.

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 of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the fact that as at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB233,161,000; and had capital commitments contracted for but not provided in the consolidated financial statements of RMB312,426,000, of which approximately RMB79,429,000 is due for payment in the next twelve months from the date of approval of these consolidated financial statements. The Group had also incurred a net cash outflow of RMB87,912,000 for the year ended 31 December 2018, comprising net cash from operating activities of RMB147,230,000, net cash used in investing activities of RMB233,201,000, net cash used in financing activities of RMB1,941,000 and effect of foreign exchange rate changes of RMB1,262,000.

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

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

(i) Renewal of a loan facility

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

(ii) Issues of new shares to a potential investor

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

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

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

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

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

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

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

HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

Summary of effects arising from initial application of HKFRS 15

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

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

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

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

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

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

HKFRS 9 "Financial Instruments" and the related amendments

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its investment with the investee; and

- has the ability to use its power to affect its returns.

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

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

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

Performance obligations for contracts with customers

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

Information about major customers

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

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

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

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

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

5. OTHER INCOME

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

Notes:

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

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

6. OTHER GAINS AND LOSSES

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

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

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

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

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

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

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

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

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

9. PROFIT FOR THE YEAR

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

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:

	2018	2017
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (in RMB'000)	**72,145**	70,864
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**711,419**	606,871

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

11. DIVIDEND

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

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

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

12. EXPLORATION AND EVALUATION ASSETS

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

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

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

13. DEPOSITS FOR ACQUISITION OF A SUBSIDIARY

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

On 20 February 2018, the Group and AXF Resources re-negotiated the terms of the acquisition of interests in AXF Gold Ridge, and entered into a deed of amendment and restatement (the "Deed") to supersede the original sale and purchase agreement. Pursuant to the Deed, the Group has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of 77.78% equity interest of AXF Gold Ridge for a revised aggregate consideration of AU$53,473,000 (equivalent to RMB258,007,000, including the maximum committed rebuilding costs of AU$11,110,000 (equivalent to RMB53,606,000) attributable to the 22.22% equity interest in AXF Gold Ridge held by AXF Resources following the completion of the acquisition as set out below). Pursuant to the terms of the Deed, the Group has committed to invest a maximum amount of AU$50,000,000 (equivalent to RMB241,250,000, including the said amount of AU$11,110,000 for the construction, installation of machines and other relevant works with a view to rebuilding the gold mine project to resume the exploration, processing and production of gold. Pursuant to the terms of the Deed, on the date of completion, both parties shall sign a put option agreement, pursuant to which AXF Resources will agree to pay AU$10 to the Group and the Group will grant AXF Resources an option to require the Group to purchase all of the remaining 22.22% equity interest in AXF Gold Ridge held by AXF Resources. The put option can only be exercised by AXF Resources within 12 months after the first gold (or gold ore) be extracted and sold from this gold mine project. The consideration to be paid by the Group on exercise of the put option shall be AU$26,388,000 (equivalent to RMB127,322,000) plus any premium to be agreed by the parties. Hence, the total maximum amount of commitment of the Group for the acquisition and the put option is approximately AU$118,751,000 (equivalent to RMB572,973,000), of which the consideration amount of AU$10,878,000 (equivalent to RMB52,486,000) will be due for payments within one year and the committed amount for the rebuilding of the project will be injected into AXF Gold Ridge according to the progress of the rebuilding work.

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

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

14. TRADE AND OTHER RECEIVABLES

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

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:

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

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

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

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

15. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**15,924**	16,013
Receipts in advance from customers	–	9,263
Value-added tax, resource tax and other tax payables	**30,068**	18,085
Amounts due to non-controlling interests of a subsidiary *(note)*	–	7,100
Advance from a supplier	–	10,330
Payables for construction in progress and property, plant and equipment	**43,118**	14,048
Payables for evaluation and exploration assets	–	115
Accrued expenses and other payables	**9,829**	4,717
	83,015	63,658
	98,939	79,671

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

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

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

16. AMOUNTS DUE TO RELATED PARTIES

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

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

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

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

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

17. SECURED BANK BORROWINGS

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

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

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

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

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

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

18. SHARE CAPITAL

Details of share capital of the Company are as follow:

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	1,000,000	100,000
Issued:		
At 1 January 2017	600,000	60,000
Issue of shares	66,000	6,600
At 31 December 2017	666,000	66,600
Issue of shares	54,000	5,400
At 31 December 2018	720,000	72,000

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

On 3 November 2017, the Company and an independent third party (the subscriber) entered into a subscription agreement under which the Company agreed to issue and allot and the subscriber agreed to subscribe for an aggregate of 120,000,000 subscription shares at the subscription price of HK$1.86 per subscription share.

During the year ended 31 December 2017, the subscription for 66,000,000 shares in the Company, representing approximately 9.91% of the then issued share capital of the Company as enlarged by the issue of the 66,000,000 subscription shares, have been completed and the said shares have been issued and allotted to the subscriber. The gross and net proceeds from the subscription of the 66,000,000 shares amounted to approximately RMB103,443,000 and RMB103,329,000, respectively.

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

The Company has adopted a share option scheme (the "Scheme") on 12 June 2012 to which the directors and eligible employees, among others are entitled to participate in. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of the Scheme are set out in the directors' report section of the annual report. No share options have been granted, exercised, cancelled or lapsed under the Scheme during the year ended 31 December 2018 and 2017.

MARKET REVIEW

Copper

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

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

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

Iron

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

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

Zinc

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

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

World demand was 873 kt lower than that for the year ended 31 December 2017. Chinese apparent demand was 6,179 kt which was almost 46% of the global total. No allowance is made in the consumption calculation for unreported stock changes.

Lead

According to World Bureau of Metal Statistics, the lead market recorded a deficit of 204,000 tonnes for the year ended 31 December 2018 which followed a deficit of 386,000 tonnes recorded in the whole year of 2017. Total stocks at the end of December 2018 were 56,000 tonnes lower than that at the end of 2017. No allowance is made in the consumption calculation for unreported stock changes.

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

Gold and Silver

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

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

BUSINESS REVIEW

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

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

EXPANSION IN EXISTING MINE

Xinzhuang Mine

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

Yifeng Wanguo entered into an agreement with China Nerin Engineering Co., Ltd (中國瑞林工程技術有限公司) ("Nerin") for conducting a feasibility study on an expansion plan of our Xinzhuang Mine to 900,000 tpa. Nerin is still revising the feasibility study report and the Group expects to receive it by the end of 2019 for the purpose of commencing the 900,000 tpa expansion plan.

Walege Mine

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

EXPANSION IN SURROUNDING AREAS

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

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

HORIZONTAL EXPANSION

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

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

Due to a material difference between the aforesaid consideration to be paid and the draft valuation amount of the asset to be acquired made by an independent third party during the due diligence review, the Company and AXF Resources re-negotiated the terms of the acquisition, and entered into a deed of amendment and restatement (the "Deed") on 20 February 2018 to supersede the S&P Agreement.

Pursuant to the Deed, the Company has conditionally agreed to acquire, and AXF Resources has conditionally agreed to dispose of, 7,778 shares out of 10,000 shares in AXF Gold Ridge (representing 77.78% equity interest of AXF Gold Ridge) in consideration of AUD53.473 million (including the AUD11.11 million of the Reconstruction Works taken to be paid by the Company on behalf of AXF Resources) and the net consideration is AUD42.363 million. Pursuant to the terms of the Deed, the Company has agreed a maximum commitment of AUD50 million for the Reconstruction Works.

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

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

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

The Gold Ridge Project consists of a mining lease (No. 1/1997) that covers an area of 30 km2 and surrounding this is a prospecting license (SPL 194) that covers an area of 130 km2. Set out below is the estimated resources of the Gold Ridge Mine under JORC code prepared by Independent Technical Expert.

	Gold Ridge Mineral Resources (August 2016) at a cut-off grade of 0.5g/t Au							
	Measured		**Indicated**		**Inferred**		**Total**	
Mine deposits	kt	Au g/t	kt	Au g/t	kt	Au g/t	Kt	Au g/t
Valehaichichi	434	1.26	3,118	1.28	867	1.48	4,419	1.32
Namachamata	166	2.03	457	1.66	146	1.36	769	1.68
Charivunga	–	–	8,437	1.51	16,905	2.06	25,342	1.88
Kupers	2,640	1.50	7,662	1.18	3,004	1.30	13,306	1.27
Dawsons	1,056	1.42	15,932	1.30	2,895	1.60	19,883	1.35
Total	**4,296**	**1.48**	**35,606**	**1.33**	**23,817**	**1.88**	**63,719**	**1.52**

At the date of this 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 announcements of the Company dated 22 February 2018, 30 April 2018, 31 July 2018, 28 September 2018, 22 October 2018 and 31 December 2018 respectively for details.

Subscription of new Shares under General Mandate

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

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

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

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

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

On 28 February 2018, the Subscription was completed where an aggregate of 120,000,000 Shares at the subscription price of HK$1.86 per Share has been allotted and issued to the Subscriber under the general mandate (the "General Mandate") granted to the Directors at the annual general meeting of the Company held on 9 June 2017. Net proceeds of the Subscription was approximately HK$223.0 million. As at 31 December 2018, all the net proceeds from the Subscription has been utilised in accordance with the intended use of the net proceeds as follows:

	Net proceeds from the Subscription utilised (up to 31 December 2018) *(HK$ million)*
Net proceeds from the Subscription	**223.0**
Payment of the consideration in relation to the acquisition of 35% equity interest of Xizang Changdu by the Group;	**(118.5)**
Payment of the consideration in relation to the acquisition of majority shareholding of AXF Gold Ridge;	**(86.2)**
Funding of the project concerning the exploitation and operations of the gold mine located on the island of Guadalcanal, the central island of the Solomon Islands, approximately 30 kilometers south-east of the capital city Honiara in Solomon Islands.	**(18.3)**
Balance of the net proceeds	–

Possible Disposal and Subscription of Shares of the Company

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

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

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

MINERAL RESOURCES AND RESERVES

			The Xinzhuang Mine Mineral Resource Summary – as at 31 December 2018									
			Grades					Contained Metals				
Mineralization Type	JORC Mineral Resource Category	Tonnage kt	Cu %	Pb %	Zn %	TFe %	mFe %	Cu Kt	Pb kt	Zn kt	TFe kt	mFe kt
Cu-Fe	Measured	5,438	0.79	–	–	–	–	43.08	–	–	–	–
	Indicated	11,702	0.68	–	–	–	–	80.08	–	–	–	–
	Subtotal	**17,140**	**0.72**	**–**	**–**	**–**	**–**	**123.16**	**–**	**–**	**–**	**–**
	Inferred	845	0.47	–	–	–	–	3.93	–	–	–	–
	Total	**17,985**	**0.71**	**–**	**–**	**–**	**–**	**127.09**	**–**	**–**	**–**	**–**
Fe-Cu	Measured	1,998	0.18	–	–	43.93	30.94	3.50	–	–	877.98	618.23
	Indicated	3,327	0.34	–	–	39.27	24.19	11.44	–	–	1,306.81	805.00
	Subtotal	**5,325**	**0.28**	**–**	**–**	**41.02**	**26.72**	**14.94**	**–**	**–**	**2,184.79**	**1,423.23**
	Inferred	296	0.53	–	–	44.13	31.03	1.58	–	–	130.62	91.84
	Total	**5,621**	**0.29**	**–**	**–**	**41.19**	**26.95**	**16.52**	**–**	**–**	**2,315.41**	**1,515.07**
Cu-Pb-Zn	Measured	1,790	0.13	0.96	5.39	–	–	2.27	17.23	96.54	–	–
	Indicated	2,351	0.08	1.83	3.69	–	–	1.96	43.05	86.67	–	–
	Subtotal	**4,141**	**0.10**	**1.46**	**4.42**	**–**	**–**	**4.23**	**60.28**	**183.21**	**–**	**–**
	Inferred	340	0.13	0.39	4.44	–	–	0.43	1.34	15.08	–	–
	Total	**4,481**	**0.10**	**1.38**	**4.43**	**–**	**–**	**4.66**	**61.62**	**198.29**	**–**	**–**
Total	Measured	9,226	–	–	–	–	–	48.85	17.23	96.54	877.98	618.23
	Indicated	17,380	–	–	–	–	–	93.48	43.05	86.67	1,306.81	805.00
	Subtotal	**26,606**	**–**	**–**	**–**	**–**	**–**	**142.33**	**60.28**	**183.21**	**2,184.79**	**1,423.23**
	Inferred	1,481	–	–	–	–	–	5.94	1.34	15.08	130.62	91.84
	Total	**28,087**	**–**	**–**	**–**	**–**	**–**	**148.27**	**61.62**	**198.29**	**2,315.41**	**1,515.07**

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 2018.

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

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

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 2018.

JORC Mineral Resource Category	Tonnes (Mt)	Grade (Pb%)	Ag (g/t)	Lead Metal (1,000t)	Silver Metal (1,000Kg)
	The Walege Mine Mineral Resource Summary – as at 31 December 2018 Grade Tonnage Reported above a Cut-off Grade of 2.5% Pb				
Measured	5.84	5.07	59.55	295.94	347.87
Indicated	18.11	4.35	51.37	787.82	930.20
Inferred	11.24	4.41	55.41	495.26	622.52
Totals	**35.19**	**4.49**	**55.02**	**1,579.02**	**1,900.59**

Notes:

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

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

(3) The MRE was based on 72 diamond drill holes completed up until 2013 and the wireframes were generated based on cross sectional widths of 100m-100m spacing as disclosed in the Company's circular dated 2 December 2015. Save as disclosed above, there were no material changes in the MRE for the years ended 31 December 2017 and 2018.

FINANCIAL REVIEW

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**320,669**	348,494
Cost of sales	**(185,039)**	(191,063)
Gross profit	**135,630**	157,431
Gross profit margin	**42.3%**	45.2%

Revenue

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

Other income

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

Other gains and losses

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

Our finance costs decreased by approximately 24.0% from approximately RMB12.5 million in 2017 to approximately RMB9.5 million in 2018, primarily due to the decrease in imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary.

Income tax expense

Our income tax expense was approximately RMB13.8 million in 2018, consisting of PRC corporate income tax payable of approximately RMB13.6 million, withholding tax payable of approximately RMB2.5 million, deferred tax credit of approximately RMB0.7 million and overprovision of income tax of approximately RMB1.6 million. Our income tax expense was approximately RMB32.5 million in 2017, consisting of PRC corporate income tax payable of approximately RMB30.7 million, withholding tax payable of approximately RMB2.0 million and deferred tax credit of approximately RMB0.2 million.

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

Profit for the year

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

Profit attributable to owners of our Company

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

Analysis of property, plant and equipment and construction in progress

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

Analysis of inventories

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

Analysis of trade receivables

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

Analysis of trade payables

Trade payables mainly consist of payables in respect of (i) the purchase of forged steel grinding balls and cement; (ii) construction fee payable to our contractors under the expansion plan; and (iii) fees payable to our third-party contractor, Wenzhou No. 2 Well and Tunnel Construction Company, for our mining work. As at 31 December 2018 and 2017, our trade payables were approximately RMB15.9 million and approximately RMB16.0 million respectively. The balances were comparable in the two years.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

BORROWINGS

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

GEARING RATIO

The Group's gearing ratio (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) amounted to 16.5% (2017: 20.8%). The decrease in gearing ratio was mainly attributable to increase in deposits for acquisition of a subsidiary and decrease in payables to former non-controlling shareholder of a subsidiary.

CASH FLOW

The following table sets out a condensed summary of our Group's consolidated statements of cash flow for the year ended 31 December 2018 and 2017:

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

Net cash flow from operating activities

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

Net cash flow from investment activities

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

Net cash flow from financing activities

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

CAPITAL EXPENDITURES

The total capital expenditure of the Group increased from approximately RMB89.4 million for the year ended 31 December 2017 to approximately RMB263.7 million for the year ended 31 December 2018, representing a increase of approximately 195.0%. The capital expenditure in 2018 was primarily incurred from the purchase of mining equipment, construction of mining structures at the Xinzhuang Mine, acquisition of Xizang Changdu and deposit paid for acquisition of a subsidiary.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENT

As at 31 December 2018, the Group has entered into a non-cancellable operating lease with future payable of approximately RMB1.2 million for Director's quarter in Hong Kong and offices in Australia and Xizang Changdu.

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

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

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

CONTINGENT LIABILITIES

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

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 2018.

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 2018, the Group's prepaid lease payment, mining rights and buildings with carrying value of approximately RMB81.7 million (31 December 2017: RMB85.3 million) were pledged to secure the Group's bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the year 2018, the Group had no material adverse exposure to foreign exchange fluctuations during the year 2018.

INTEREST RATE RISK

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

FINANCIAL INSTRUMENTS

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

FINAL DIVIDEND

The Board recommended to declare a final dividend of RMB2.78 cents (equivalent to approximately HK$3.17 cents) per Share for the year ended 31 December 2018 (2017: RMB3.89 cents), representing approximately 27.2% of the profit and total comprehensive income attributable to owners of the Company, payable to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Tuesday, 4 June 2019. Based on the number of issued Shares as at the date of this announcement, this represents a total distribution of approximately RMB20.0 million. Subject to the approval of the payment of the final dividend by the Shareholders at the annual general meeting to be held on Friday, 24 May 2019, it is expected that the proposed final dividend will be paid on or before Tuesday, 31 December 2019.

ANNUAL GENERAL MEETING

The 2019 annual general meeting (the "AGM") of the Company will be held on Friday, 24 May 2019. A notice convening the AGM will be published and despatched to the Shareholders in accordance with the requirements of the articles of association of the Company (the "Articles") and the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in due course.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 21 May 2019 to Friday, 24 May 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 20 May 2019.

The final dividend is payable to the Shareholders whose names appear on the register of members of the Company at close of business on Tuesday, 4 June 2019. For determination of entitlement to the final dividend, the register of members of the Company will be closed from Friday, 31 May 2019 to Tuesday, 4 June 2019, both days inclusive. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 30 May 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, we had a total of 345 (2017: 330) full-time employees, excluding the independent third-party contractor which is responsible for underground mining work. The remuneration of the employees of the Group is based on their experience, qualifications, and competence. Other employees' benefits include contributions to statutory mandatory provident funds for our Hong Kong employees, superannuation for our Australia employees and social insurance together with housing provident funds for our PRC employees.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Xinzhuang Mine

Mineral exploration

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

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

Development

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

Details breakdown of development expenditure is as follows:

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

Mining activities

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

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

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

Walege Mine

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

Mineral exploration

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

Development

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

Mining activities

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

PROSPECT

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

Growing production at our mine and outsourcing our mining works

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

Horizontal expansion through future acquisitions of new mines

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

OUTLOOK

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

In addition, as a company listed on the Main Board of the Stock Exchange, the Company is subject to, among others, the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission, the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"). To the best knowledge of the Directors, the Company has complied with the relevant laws and regulations during the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to protect the interests of the Shareholders. The Company's corporate governance practices are based on principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules. Except for the deviation from code provisions A.2.1 and A.2.7 of the CG Code as described in the relevant paragraphs of this corporate governance report, the Company had complied with the CG Code for the year ended 31 December 2018.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Gao Mingqing, in addition to his duties as the Chairman, is also responsible for the strategic planning and overseeing all aspects of the Group's operations as the Chief Executive Officer of the Company. This constitutes a deviation from code provision A.2.1 of the CG Code. Mr. Gao Mingqing as one of the founders of the Group has extensive experience and knowledge in the core business of the Group and his duties of overseeing the Group's operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the Model Code and the required standards of dealings as set out in the code of conduct for the year ended 31 December 2018 and up to the date of this 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 2018.

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

For the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2018. The report includes paragraphs of an emphasis of matter, without qualification.

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

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

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. Xiong Zeke. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process, risk management and internal control system of the Group. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2018 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This 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. The 2018 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.

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

Hong Kong, 29 March 2019

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, Mr. Lee Hung Yuen and Ms. Iu Ching as non-executive Directors; and Dr. Lu Jian Zhong, Mr. Qi Yang, Mr. Shen Peng and Mr. Xiong Zeke as independent non-executive Directors.