LINGJIN
灵 金

Lingbao Gold Group Company Ltd.
靈寶黃金集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3330)

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zeng Xiangxin *(Chairman)*
Mr. Xing Jiangze *(Vice-Chairman)*
Mr. He Chengqun *(President)*
(appointed on 28 May 2021)
Mr. Dai Weitao *(appointed on 28 May 2021)*
Mr. Wu Liming *(appointed on 28 May 2021)*
Mr. Chen Jianzheng *(retired on 28 May 2021)*
Ms. Zhou Xing *(retired on 28 May 2021)*

Non-executive Directors

Mr. Zhang Feihu
Mr. Wang Guanran *(appointed on 28 May 2021)*
Mr. Shi Yuchen *(retired on 28 May 2021)*
Mr. Wang Leo *(retired on 28 May 2021)*

Independent Non-executive Directors

Mr. Wang Jiheng
Mr. Wang Guanghua
Mr. Xu Rong
Mr. Tan Chong Huat *(appointed on 28 May 2021)*
Mr. Han Qinchun *(retired on 28 May 2021)*

SUPERVISORS

Mr. Chen Jianzheng *(Chairman)*
(appointed on 28 May 2021)
Mr. Yang Shilei
Mr. Guo Xurang
Mr. Zhao Bingbing
Mr. Liu Haotian *(appointed on 28 May 2021)*

STRATEGY COMMITTEE

Mr. Zeng Xiangxin *(Chairman)*
Mr. Xing Jiangze
Mr. He Chengqun
Mr. Dai Weitao
Mr. Wu Liming
Mr. Wang Guanghua

AUDIT COMMITTEE

Mr. Xu Rong *(Chairman)*
Mr. Wang Jiheng
Mr. Wang Guanghua
Mr. Tan Chong Huat
Mr. Zhang Feihu

NOMINATION COMMITTEE

Mr. Wang Guanghua *(Chairman)*
Mr. Zeng Xiangxin
Mr. Wang Jiheng
Mr. Xu Rong
Mr. Wang Guanran

REMUNERATION AND REVIEW COMMITTEE

Mr. Wang Jiheng *(Chairman)*
Mr. Zeng Xiangxin
Mr. He Chengqun
Mr. Wang Guanghua
Mr. Xu Rong

COMPANY SECRETARY

Mr. Chui Man Lung Everett

AUTHORISED REPRESENTATIVES

Mr. Zeng Xiangxin *(appointed on 28 May 2021)*
Mr. Chui Man Lung Everett

INTERNATIONAL AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRC AUDITOR

KPMG Huazhen LLP
Public Interest Entity Auditor recognised in accordance with the Financial Reporting Council Ordinance

LEGAL ADVISER

Hong Kong law
Herbert Smith Freehills LLP

PRC Law
DeHeng Law Offices

PRINCIPAL BANKERS

Bank of China, Lingbao City Branch
China Construction Bank, Lingbao City Branch
Industrial and Commercial Bank of China, Lingbao City Branch
Zhongyuan Bank, Sanmenxia Branch
China Everbright Bank, Zhengzhou Branch
Industrial Bank of China, Zhengzhou Branch
Shanghai Pudong Development Bank, Zhengzhou Branch
China CITIC Bank, Zhengzhou Branch

SHARE REGISTRAR AND TRANSFER OFFICE FOR H SHARES

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE OF THE COMPANY

Hangu Road and Jingshan Road Intersection
Lingbao City
Henan Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1104, 11/F
Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong

INVESTOR RELATIONS CONTACT

Mr. Xing Jiangze (PRC Office)
Hangu Road and
Jingshan Road Intersection
Lingbao City
Henan Province
The People's Republic of China
(Postcode: 472500)
Tel: (86–398) 8860–166
Email: lbgold@lbgold.com

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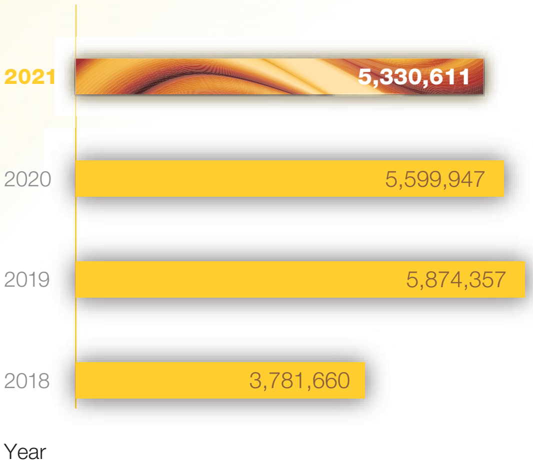
Room 1104, 11/F
Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong
Email: lbgold@lbgold.com

STOCK INFORMATION

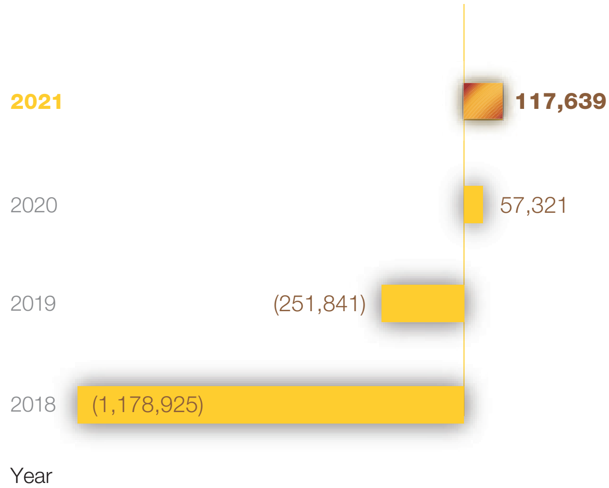
Stock Code	:	3330
Listing Date	:	12 January 2006
Issued Shares	:	297,274,000 shares (H Shares)
		566,975,091 shares (Domestic Shares)
Nominal Value	:	RMB0.20 per share
Stock Name	:	Lingbao Gold
Website of the Company	:	www.lbgold.com
Investors' website	:	www.irasia.com/listco/hk/lingbao

FINANCIAL HIGHLIGHTS

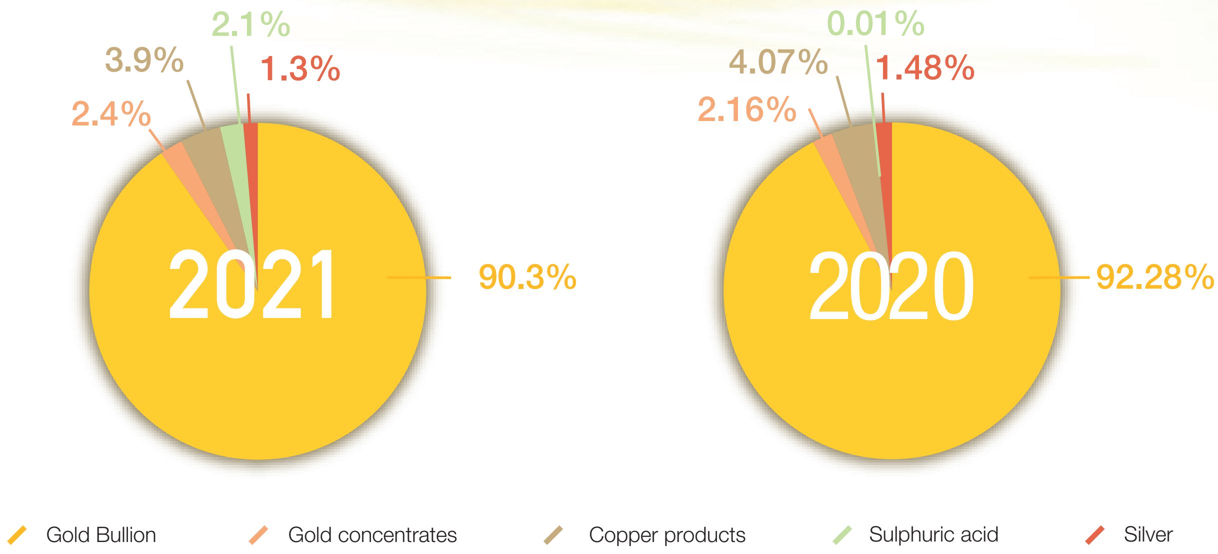
REVENUE — CONTINUING OPERATIONS
RMB'000



PROFIT/(LOSS) FOR THE YEAR — CONTINUING OPERATIONS
RMB'000



SALES ANALYSIS BY PRODUCTS



CAPITAL RESOURCES

	2021 **RMB'000**	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	**7,003,901**	6,704,690	5,932,254	8,212,816
Cash and cash equivalent	**160,145**	132,709	318,671	811,237
Bank and other borrowings	**3,542,876**	3,760,615	3,417,277	4,569,951
Total equity attributable to equity shareholders of the Company	**1,929,031**	1,783,148	1,652,336	2,066,449

CORPORATE PROFILE

Lingbao Gold Group Company Ltd. ("Lingbao Gold" or the "Company" and together with its subsidiaries, the "Group") is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 January 2006.

The Group is an integrated gold mining enterprise in the People's Republic of China ("PRC"), and is mainly engaged in gold mining, smelting and refining. The products of the Group are gold, silver, copper products and sulphuric acid. The Shanghai Gold Exchange certified the Group as a standard gold bullion production enterprise. The Group's mineral resources are scattered in the PRC regions of Henan, Xinjiang, Jiangxi, Inner Mongolia, Gansu and Kyrgyz Republic ("KR") with 31 mining and exploration rights with a total area of 248.82 sq. km. The total gold reserve and resources as at 31 December 2021 were approximately 39.639 tonnes (approximately 1,274,379 ounce) and 92.264 tonnes (approximately 2,966,254 ounce) respectively. The gold reserve and resources report is prepared in accordance with PRC GB/T17766–2020, "Solid Mineral Resources/Reserves Classification", GB/T13908–2020 "General Requirements for Solid Mineral Geological Exploration" and DZ/T0205–2020 "Geological Exploration Requirements for Hard-Rock Gold". In 2021, approximately 13,252 kg (approximately 426,047 ounce) of gold was produced, and the basic and diluted earnings per share for the year amounted to RMB15.0 cents.

The objective of the Group's strategy in the future is continuous expansion, to become the leading integrated gold mining enterprise in the PRC and gradually promote our brand in the international market. The Group will focus on the exploration and expansion of production scale and continue to acquire gold resources with potential.

The following is a table of gold resources and reserves of the Group as at 31 December 2021:

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
1	Henan Lingjin No. 1 Mine	Gold	Ore (t)	289,230	149,697	438,927
			Grade (g/t)	9.91	8.65	9.48
			Gold Contained (kg)	2,866	1,295	4,161
2	Deep exploration area of Henan Lingjin No. 1 Mine	Gold	Ore (t)	2,772,542	3,433,447	6,205,989
			Grade (g/t)	4.09	5.10	4.65
			Gold Contained (kg)	11,348	17,521	28,869
3	Henan Hongtuling Gold Mine	Gold	Ore (t)	116,856	113,120	229,976
			Grade (g/t)	4.79	4.75	4.77
			Gold Contained (kg)	560	537	1,097
4	Henan Hongxin No. 1 Mine	Gold	Ore (t)	113,027	36,065	149,092
			Grade (g/t)	4.41	3.88	4.29
			Gold Contained (kg)	499	140	639
5	Henan Lingjin No. 2 Mine	Gold	Ore (t)	691,058	364,941	1,055,999
			Grade (g/t)	7.44	7.42	7.43
			Gold Contained (kg)	5,144	2,707	7,851

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
6	Henan Lingjin No. 3 Mine	Gold	Ore (t)	126,395	131,354	257,749
			Grade (g/t)	5.60	4.62	5.10
			Gold Contained (kg)	708	607	1,315
7	Henan Pengjialaozhuang Gold Mine	Gold	Ore (t)	102,752	532,739	635,491
			Grade (g/t)	4.50	4.69	4.66
			Gold Contained (kg)	462	2,497	2,959
8	Henan Shangshanghe Gold Mine	Gold	Ore (t)	375,549	316,036	691,585
			Grade (g/t)	4.49	4.71	4.59
			Gold Contained (kg)	1,686	1,489	3,175
9	Periphery of Henan Shangshanghe Gold Mine	Gold	Ore (t)	388,920	3,012,545	3,401,465
			Grade (g/t)	5.53	4.81	4.89
			Gold Contained (kg)	2,151	14,485	16,636
10	Henan Laowan Gold Mine	Gold	Ore (t)	138,124	116,534	254,658
			Grade (g/t)	4.32	3.42	3.91
			Gold Contained (kg)	597	399	996
11	Henan Eastern Laowan Gold Mine	Gold	Ore (t)	205,132	282,278	487,410
			Grade (g/t)	6.75	6.38	6.54
			Gold Contained (kg)	1,385	1,802	3,187
12	Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)	354,529	1,037,709	1,392,238
			Grade (g/t)	4.30	4.66	4.57
			Gold Contained (kg)	1,524	4,839	6,363
13	Deep part of Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)		552,396	552,396
			Grade (g/t)		6.27	6.27
			Gold Contained (kg)		3,461	3,461
14	Periphery of Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)		129,803	129,803
			Grade (g/t)		5.18	5.18
			Gold Contained (kg)		672	672
15	Xinjiang Tuokuzibayi Gold Mine	Gold	Ore (t)	79,291	88,143	167,434
			Grade (g/t)	5.17	8.89	7.13
			Gold Contained (kg)	410	784	1,194
16	Deep part of Xinjiang Tuokuzibayi Gold Mine	Gold	Ore (t)	21,828	318,909	340,737
			Grade (g/t)	4.76	4.90	4.89
			Gold Contained (kg)	104	1,563	1,667
17	Jinchanshan Gold Mine of Inner Mongolia	Gold	Ore (t)	600,378	299,808	900,186
			Grade (g/t)	5.07	4.98	5.04
			Gold Contained (kg)	3,042	1,493	4,535

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
18	Jinchanshan Shuiquan Gou Gold Mine of Inner Mongolia	Gold	Ore (t)		746,112	746,112
			Grade (g/t)		10.13	10.13
			Gold Contained (kg)		7,560	7,560
	Total of gold contained — Domestic			32,486	63,851	96,337
19	Upper part of Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	706,461	1,633,905	2,340,366
			Grade (g/t)	8.89	6.61	7.30
			Gold Contained (kg)	6,280	10,804	17,084
20	Eastern Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	101,075	1,560,364	1,661,439
			Grade (g/t)	7.96	6.64	6.72
			Gold Contained (kg)	805	10,359	11,164
21	Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	6,228	630,789	637,017
			Grade (g/t)	10.92	11.49	11.49
			Gold Contained (kg)	68	7,250	7,318
	Total of gold contained — Oversea			7,153	28,413	35,566
	Total of gold contained			39,639	92,264	131,903

The total gold resources and reserves of the Group were made according to the Geological Exploration Requirements for Hard-Rock Gold (DZ/T0205–2020) issued by the Ministry of Land and Resources of the PRC by adopting the following assumptions:

Henan Lingjin no. 1 Mine

1. Gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Henan Lingjin No. 1 Mine was approximately 2,305kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.0m
   Pillar between blocks: 5m
   Crown pillar: 5m
   Distance between levels: 50m

Deep exploration area of Henan Lingjin no. 1 Mine

No geological exploration and mining activities have been conducted since the record in the Ministry of Land and Resources of the PRC in 2011. The former resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Henan Hongtuling Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Hongtuling Gold Mine was approximately 0kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.0m
   Pillar between blocks: 5m
   Crown pillar: 5m
   Distance between levels: 50m

Henan Hongxin no. 1 Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Hongxin No. 1 Mine was 0kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 0.8m
   Pillar between blocks: 5m
   Crown pillar: 5m
   Distance between levels: 50m

Henan Lingjin no. 2 Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Lingjin No. 2 Mine was 0kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Henan Pengjialaozhuang Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Pengjialaozhuang Gold Mine was 92kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.

Henan Shangshanghe Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Shangshanghe Gold Mine was 782kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 0.8m
   Pillar between blocks: 5m
   Crown pillar: 5m
   Distance between levels: 50m

Deep exploration of periphery of Henan Shangshanghe Gold Mine

No geological exploration and mining activities have been conducted since the record in the Ministry of Land and Resources of the PRC in 2011. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.

Henan Laowan Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Laowan Gold Mine was 0kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 0.8m
   Pillar between blocks: 5m
   Crown pillar: 5m
   Distance between levels: 50m

Henan Eastern Laowan Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves increment for Henan Eastern Laowan Gold Mine was 0kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.

Xinjiang Duolanasayi Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Xinjiang Duolanasayi Gold Mine was 617kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for flat base short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 0.8m
   Pillar between blocks: 5m
   Crown pillar: 8m
   Distance between levels: 50m

Deep Part of Xinjiang Duolanasayi Gold Mine

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Periphery of Xinjiang Duolanasayi Gold Mine

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Xinjiang Tuokuzibayi Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Xinjiang Tuokuzibayi Gold Mine was 203kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for flat base short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 0.8m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 50m

Deep Part of Xinjiang Tuokuzibayi Gold Mine

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Jinchanshan Gold Mine of Inner Mongolia

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Jinchanshan Gold Mine was 89kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 0.8m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Jinchanshan Shuiquan Gou Gold Mine of Inner Mongolia

The mine is in the stage of applying mining permit procedure and no exploration and exploitation activities are carried out. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Upper Part of Istanbul Gold Mine of Kyrgyzstan

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Upper Part of Istanbul Gold Mine was 6,290kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for sublevel caving mining method:
   Length of block: 50m
   Minimum width of block: 0.8m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Eastern Istanbul Gold Mine of Kyrgyzstan

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
3. Parameters for sublevel caving mining method:
   Length of block: 50m
   Minimum width of block: 0.8m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Istanbul Gold Mine of Kyrgyzstan

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

The gold resources and reserves estimates were based on the estimates of resources and reserves as approved for record by the Department of Land and Resources of the PRC in 2011. The changes in gold resources and reserves during the period were due to mining consumption and exploration and was confirmed by qualified mineral resources evaluator.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

We express our appreciation for the trust and support you have in Lingbao Gold Group Company Ltd. I am pleased to present the operating results of the Group for the year ended 31 December 2021:

In 2021, faced with the dire situation of continuing fluctuations in gold prices, surging financing pressure, and increasingly tightened regulatory policies, we united and mobilized the majority of our cadres and employees under the scientific decision-making and correct leadership of the Board of Directors and the Executive Committee to seek breakthroughs in reform and innovation, while pressing ahead with the fight against the contrarians. As a result, a hard-fought stellar performance was achieved, culminating with five years of successful development in the mixed reform undertaken by Lingbao Gold. We successfully held a press release on our business target for 2022, drafting a grand blueprint where we "maintain footprint in Henan, expand our presence across the country, and go global".

Following our successful mixed reform, Lingbao Gold witnesses five years of development momentum. Over the past five years, we have set a proven track record on our fight against our start-up, exploration, and innovation challenges. We have changed from "continuing loss in profit" to "effective measures to prevent loss", and "effective strategies to turn loss into profit" during our production and operation activities, thereby materializing healthier operating conditions. As for the internal reform, we have changed from the strategy of "laying a solid foundation" to the strategy of "comprehensive advancement and accumulation of advantages", enabling more scientific corporate governance. Our cadres and employees have evolved from the attitude of watching and wandering without solidarity to the spirit of standing in solidarity and full confidence, further stoking our enthusiasm for work. Withstanding the severe test in complicated conditions, we successively resolved major crises, perfectly metamorphosing from a loss-making business into a player with growing profitability.

Looking back at our performances during 2021, we mainly achieved the following results:

(1) Substantial increase in mine-produced gold output

Major mining units conscientiously worked hard and concentrated their efforts on resolving challenges. Besides adopting target breakdown, process management, and constant self-pressurization, they increased production efforts to further release production potential. As a result, the production output soared quickly, with 4.3 tons of mine-produced gold completed for the year, representing an increase of 1.4 tons, or a year-on-year increase of 48.3%, which is the highest level since the establishment of the Company. Such achievement renders strong support for the Company's profitability.

(2) Steady advancement in resource management

By persisting in the strategy of reserve expansion where "drilling comes first before pit exploration and verification, while output from key projects shall be safeguarded with business development driven by medium and long-term projects", the Company promoted the implementation of the prospecting plan, and continued to increase investments in prospecting activities and reserve expansion, with a total of 81,500 meters of prospecting completed throughout the year. The prospected metal amount was 4.7 tons, achieving the objective of "replenishing more than the consumption for the current year".

(3) Continuing strong momentum in project construction

The gold refining and electrolysis transformation project of the smelting branch was completed in advance and put into operation, with the compound gold processing shortened to 1 day from 3 days. With the ball mill expansion project completed and put into operation on schedule, the processing capacity of fine slag doubled. In addition, Tongbai Xingyuan Mining carried out the 3# chute well reconstruction project and the 8# well hoisting expansion project, significantly improving the hoisting capacity and speed. Apart from the adoption of the reverse circulation drilling technology to accelerate the excavation speed, Huatai carried out the carbon leaching tank construction project, increasing the selected ores and improving the adsorption effect of activated carbon. Furthermore, the newly built 42-meter thickener project stabilized the process indicators. On the other hand, Full Gold actively restored and rebuilt the filter press workshop, and the processing plant resumed production in August.

(4) Remarkable results in efficient resource management

The smelting branch carried out a rectification campaign focused on addressing waste of auxiliary materials, effectively reducing consumption of auxiliary materials during production. Besides strengthening the supervision process and cost assessment of materials collection and consumption, Full Gold conducted the shotcrete support experiment for main tunnels, carried out technical transformation and old equipment maintenance, and recycled waste, thereby significantly reducing production cost. In addition, Tongbai Xingyuan Mining strengthened the resource investigation of old tunnels, optimised and improved mining plans, and recovered rich ore resources. Furthermore, Jinda Gold increased the unit selling price through gold TD pre-sales.

(5) Constant improvement in internal control system

Besides standardising the management of monthly production meetings, we established a supervision and audit system to strengthen the quota control of mining projects, as well as a long-term cadre supervision mechanism to improve the audit system for the departure of the heads of branches and subsidiaries. In avoidance of legal risks, we conducted special inspections on contract standard management. Furthermore, we accelerated resolution of the inherent issues, while promoting the assessment and writing-off of bad debts.

(6) Continuance of internal reform

We continued to deepen the management mechanism reform by adjusting the Heimayu operation model of Lingjin One Mine so as to give full play to the advantages of independent operation, further releasing the production potential of Nanshan branch. In addition, we deepened the reform of the remuneration system by building a remuneration distribution system that is more commensurate with our development. Furthermore, we deepened the reform of the cadre and personnel system, promoting the rational flow of cadre resources.

(7) Improving risk control capabilities

By exercising stringent control over financial risks and operational risks, we further standardised the development of mine-produced gold hedging business, and established an early warning mechanism for hedging risks. Furthermore, we clarified that the Group would centralise management and lead decision-making so as to improve the scientific and professional level of decision-making.

(8) Overall stability in safety and environmental protection

By persisting in the philosophy of "safe development and green development", we launched various campaigns including inspections over safety and environmental protection, production safety inspections, and environmental pollution reduction. Besides strengthening safety education and training, we intensified the efforts to control safety and environmental protection risks, inspect and resolve hidden dangers, and supervise the implementation of the work system where the team head will lead the shaft operations with the team members. As a result, the safety and environmental protection remained stable.

Besides recognizing the achievements, we are also conscious of the ongoing unbalanced development of production units and insufficient research and development capabilities in the Company's development. We must take these issues seriously and continue with internal reform by taking more effective measures to resolve these issues in earnest.

Fiscal Year 2022 Working Plan and Arrangements

To date, centennial far-reaching changes unseen before have been taking place across the world, resulting in profound adjustments to the international economic and political landscape. The global economy will resume growth in the post-pandemic era, where the global ultraloose monetary policy will drive the high price of various precious metals related to such policy. As mineral resources continue to strengthen its underlying position as the industrial "grain", our Company will tap into new opportunities for our diversified development.

The year 2022 marks the beginning of implementation of the future strategic development plans of Lingbao Gold, and all work will be carried out in a smooth and solid way based on the established strategic goals. Having gone through the "period of stagnant development and ramp-up", Lingbao Gold is currently in the "period of reshaping and progressing". In the next step, we will start with "lean management", and continue to optimise factors conducive to higher efficiency, eliminate inefficient and ineffective links, thoroughly implement existing reform measures, and break through reform barriers and bottlenecks, striving to achieve high-quality, more efficient and more sustainable development.

In 2022, our overall work principle continues to implement the strategy of "focusing on the main business of mining, increasing production volume of gold, streamlining management and enhancing quality and efficiency" by focusing on the objectives of "securing a foothold in Henan, orienting towards the country nationwide and going global". With reference to top domestic enterprises, we will strengthen our management and work hard on building up our own strength. We will also continue to cultivate our core competitiveness and improve the quality of development and business performance by reducing costs and increasing efficiency, improving quality and efficiency, increasing efficiency in management, technology and technical reform.

(I) to build a solid foundation for development, we must make new breakthroughs in resources exploration

Due to the necessity of maintaining our strategic position to ensure the safety of resources, we shall increase exploration efforts, so that the resources development manifests the outcome of the current year and demonstrates the long-term potential, thereby creating a interconnected and cascaded development model. In addition, it is necessary to intensify efforts to explore resources by accelerating key prospecting projects, strengthening the management of mineral rights, and unswervingly implementing the "going out" strategy.

(II) to strengthen strategic guidance and continue to strengthen and optimize the core business

We shall make efforts to strengthen, optimize and expand our mining segment. Firstly, we will expand the scale of Nanshan branch and Xingyuan to consolidate the foundation of "securing a foothold in Henan". Second, we will stabilize the operation of Huatai while conducting the production of other mines, to establish a strategic resource base "orienting towards the country nationwide". Finally, we will reorganize Full Gold and build up its strength to promote Lingbao Gold "going global". For the smelting segment, efforts shall be made to streamline, deepen and refine the operations. We will promote the development of smelting business through technological innovation and product diversification.

(III) to strengthen basic management and comprehensively improve the level of refined management

In 2022, the Group will launch the management improvement campaign headed "the year of cost management", whereby adopting strict and refined management measures, to maximize the potential of its internal costs and enhance its core competitiveness. The management concept will be changed. Management aims to serve operations, and production and operation activities determine the direction. Each enterprise shall make efforts to improve its management process and system based on its own actual conditions and targets, and adopt an applicable management model to facilitate the achievement of production and operation targets. We must vigorously implement the refined management by taking appropriate measures, while striving for excellence in operations.

(IV) to deeply advanced the reform and drive high-quality development

We will abolish the systems and mechanisms that are unable to meet the needs of the Company's future development and further promote innovative and pragmatic reform measures to continuously release our productivity and stimulate the vitality of operation, development and innovation. It is necessary to promote the reform of our headquarters to realize a flattened management structure, the simplified functional departments, and further optimized approval procedures and processes. Besides promoting the reform of the management and control system, we are required to scientifically and, by granting our subsidiaries more management autonomy, clearly defining the responsibilities between our headquarters and front-line entities, and strengthening the supervision of powers. Furthermore, it is necessary to promote the reform of personnel, employment and remuneration policies, including exploring the establishment of a more scientific and reasonable differentiated remuneration policy.

(V) to insist on compliance operation and effectively prevent and resolve major business risks

We shall strengthen compliance management and regard the standardization of production and operation activities as the cornerstone of risk prevention and development of enterprises. Operation departments and legal, audit, supervision departments shall perform their respective duties, and improve the compliance management system, making compliance management a conscious action of each department. We shall also establish a compliance risk identification and warning mechanism, and improve the compliance risk prevention mechanism. It is necessary to attach importance to the management of license compliance and mining rights maintenance.

(VI) to create a new highland for the transformation of scientific and technological achievements with focus on technological innovation

Bearing in mind that "innovation shall be placed as the primary driving force for development", the Group comprehensively deepens the reform on technology and structure, highly promotes comprehensive innovation primarily driven by technology innovation. Emphasis is put on cost reduction, efficiency enhancement, and quality improvement with technological advancement, and with accelerated realisation of technology results, the Group improves its technology capabilities and overall economic effectiveness.

(VII) to implement the strategy of reinvigorating enterprises through human resource development by focusing on the establishment of a high-quality talent team

We will carry out the "talent enhancement plan". For key enterprises, we will cultivate excellent management teams, and assign various outstanding talents to the positions that the Company deems as most important for strategic values. Besides effectively building a professional talent team, including a talent team for internationalization and emerging businesses, we will strengthen the training of talent teams holding key positions and technical experts, while promoting the efficient employment of various talents, including appointment of talents at the right time, as well as full utilization of the talents and their expertise.

(VIII) To persist in the red line and bottom line, and unremittingly ensure effective safety and environmental protection

It is necessary to understand clearly that "production safety never comes to a fishing line", as well as to enhance the safety and environmental protection awareness of "exercising caution, staying alert, and remaining prudent". In accordance with the requirements of "identifying major risks, eliminating major hidden dangers, and preventing major accidents", we shall strive to resolve the issues and prevent their recurrence, while maintaining a long-proven track record of zero safety or environmental accidents. By doing so, we will break the cycle of accidents and achieve the goal of intrinsic safety.

While persisting in fulling our duties, we strive for new business success in due course. In 2022, we will maintain the drive to race against time, the perseverance to see things through, and the commitment to pursue reform and innovation, enabling Lingbao Gold to take a new posture, bring forth new actions and make new contributions in the new expedition which facilitates Lingbao Gold to move towards the goal of developing itself into a well-known mining group both at home and abroad.

APPRECIATION

On behalf of the Board, I wish to express our sincere gratitude to all the shareholders for their support and trust, and to the management and all the staff for their dedication and hard work over the past year.

By order of the Board

Zeng Xiangxin
Chairman

Lingbao, Henan, the PRC
15 March 2022

REVIEW OF BUSINESS

For the year ended 31 December 2021 ("Fiscal Year 2021"), the Group produced approximately 13,252 kg (equivalent to approximately 426,047 ounces) of gold bullion, representing a decrease of approximately 526 kg (equivalent to approximately 16,911 ounces) or 3.8% as compared with the previous year. In 2021, the Group strengthened the management of mines by enabling major mines to organize production at full capacity, so as to further release the production potential. The overall production volume of the mining segment increased by approximately 48.3% as compared with that in the previous year. However, the production volume of gold bullion decreased due to road maintenance works had been carried out in the vicinity of the smelting plant for nearly 2 months commencing from early March 2021, affecting the transportation and normal operation of the smelting plant. For the Fiscal Year 2021, the Group's revenue decreased by approximately 4.8% to approximately RMB269,336,000 as compared with that for the year ended 31 December 2020 ("Fiscal Year 2020"), due to the decrease in the production volume of gold bullion and the dramatical decrease of the international gold prices during the first half year of 2021. Despite lower revenue, the Group's profit for the Fiscal Year 2021 increased as compared with that in the previous year. The net profit of the Group was approximately RMB117,639,000 (Fiscal Year 2020: net profit of the Group was RMB57,321,000). The basic earnings per share of the Company for the Fiscal Year 2021 was RMB15.0 cents (Fiscal Year 2020: RMB10.4 cents). The profit of the mining segment increased due to an increase in the overall production volume as a result of an improvement in the mining and mineral separation efficiency of the Group's mining segment as compared with that in the Fiscal Year 2020, coupled with a decrease of RMB46,445,000 related to the impairment of long-term assets as compared with that in the previous year, and a decrease of finance costs of approximately RMB25,974,000 mainly due to a decrease of the bank and other borrowings.

The Group's mineral resources are mainly scattered in the regions of Henan, Xinjiang, Inner Mongolia, Jiangxi and Gansu of the People's Republic of China (the "PRC") and Kyrgyz Republic ("KR") with 31 mining and exploration rights as at 31 December 2021, covering 248.82 square kilometers. The total gold reserves and resources as at 31 December 2021 were approximately 131.903 tonnes (4,240,633 ounces).

1. Mining Segment

Revenue and production

Our mining business mainly comprises the sales of gold concentrates and compound gold. Most of the gold concentrates and compound gold were sold to the Group's smelting plant as intra-group sales.

The following table sets forth the analysis on the production and sales volume of the mining segment by product category:

		2021		2020	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	**3,250**	**3,060**	1,741	1,681
Compound gold	kg	**1,088**	**1,098**	1,184	1,177
Total	kg	**4,338**	**4,158**	2,925	2,858
Total	Ounce	**139,470**	**133,683**	94,039	91,885

The total revenue of the mining segment of the Group for the Fiscal Year 2021 was approximately RMB1,479,861,000, representing an increase of approximately RMB411,539,000 or 38.5% from approximately RMB1,068,322,000 in the previous year. Such increase mainly benefited from a significant year-on-year increase in the production volume of Nanshan Branch and Tongbai Xingyuan Mining Company Limited ("Xingyuan") in the PRC. Among which, revenue from Mining — PRC was approximately RMB1,419,094,000 (Fiscal Year 2020: RMB926,432,000), and revenue from Mining — KR was approximately RMB60,767,000 (Fiscal Year 2020: RMB141,890,000). In the Fiscal Year 2021, revenue of gold mines in Henan, Xinjiang, KR and Inner Mongolia represented approximately 71%, 24%, 4% and 1% of the total revenue of the mining segment, respectively. The production volume of compound gold in the mining segment decreased by approximately 96 kg to approximately 1,088 kg while the production volume of the gold concentrates increased by approximately 1,509 kg to approximately 3,250 kg.

Segment results

The Group's total profit of the mining segment for the Fiscal Year 2021 was approximately RMB482,252,000, representing an increase of approximately 51.3% as compared with that in the Fiscal Year 2020, among which, the profit from Mining — PRC was approximately RMB521,676,000 (Fiscal Year 2020: RMB380,146,000), and the loss from Mining — KR was approximately RMB39,424,000 (Fiscal Year 2020: loss was RMB61,317,000). The segment result to segment revenue ratio of the Group's mining business for the Fiscal Year 2021 was approximately 32.6%, as compared with approximately 29.8% for Fiscal Year 2020.

In the Fiscal Year 2021, the profit of the Mining — PRC segment increased by approximately 37.2% as compared with that in the Fiscal Year 2020, mainly benefiting from continuous improvement of the business performance of the mining segment. In addition, the Mining — KR segment managed to reduced its losses in the Fiscal Year 2021. As stated in the 2021 Interim Report of the Company, Full Gold, a subsidiary in Mining — KR segment of the Company, officially resumed business operation in late August 2021, resulting in a turnaround in the production and operation of this subsidiary.

To sum up, the profit of the mining segment increased by approximately 51.3% as compared with that in the previous year, which was due to an increase in the overall production volume as a result of an improvement in the mining and mineral separation efficiency of the Group's mining segment as compared with that in the Fiscal Year 2020, coupled with a decrease of RMB46,445,000 related to the impairment of long-term assets as compared with that in the previous year.

In 2021, the Group strengthened the management of mines by enabling major mines to organize production at full capacity, so as to further release the production potential. The Group completed the production of 4,338 kg of gold concentrates and compound gold, the highest level since the establishment of the Company throughout the year, representing an increase of 1,413 kg and a year-on-year increase of 48.3%. The Group deepened the reform of management mechanism, adjusted the operation mode of Heima Valley, Lingjin One Mine (靈金一礦黑馬峪), and brought the advantages of independent operation from Nanshan branch into full play. Nanshan branch also took the initiative to deal with many challenges such as safety improvement and mine management, and made reasonable arrangement for the mining production resulting in 2,107 kg of gold concentrates and compound gold throughout the year, offering strong support for the improvement in the production volume of the Group's mine-produced gold. With outstanding production quality and production efficiency control, Xingyuan produced 770 kg of gold concentrates, the highest level in the past ten years. Huatai strengthened its production organization and assessment management and gave play to its production scale, producing 913 kg of compound gold. With enhanced management, Chifeng Jinchan Mining Company Limited ("Jinchan") produced 40 kg of gold concentrates. Full Gold overcame difficulties such as pandemic, transportation of accessories and shortage of staff, accelerated the restoration and reconstruction of filtering workshop, and boldly created new production management, producing 508 kg of gold concentrates and compound gold which was the highest level since mine construction.

2. Smelting Segment

The Group's melting plant is situated in Henan Province, and is capable of processing gold, silver, copper products and sulphuric acid. Its main products include gold bullion, silver, copper products and sulphuric acid. The following table sets forth the analysis on the production and sales volume of the smelting segment by product category:

		2021		2020	
Products	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold bullion (processed from gold concentrates)	kg	**9,375**	**9,616**	10,589	10,197
	ounce	**301,387**	**309,157**	340,444	327,841
Gold bullion (processed from compound gold)	kg	**3,877**	**3,478**	3,189	3,153
	ounce	**124,660**	**111,822**	102,529	101,371
Silver	kg	**13,426**	**14,600**	23,584	20,540
	ounce	**431,643**	**469,388**	758,242	660,376
Copper products	tonne	**3,308**	**3,561**	4,426	5,173
Sulphuric acid	tonne	**95,526**	**92,344**	96,706	82,794

Sales and production

The Group's total revenue in the smelting segment for the Fiscal Year 2021 was approximately RMB5,217,835,000, representing a decrease of approximately 5.4% from approximately RMB5,512,827,000 in the previous year.

The decrease in the total revenue of the smelting segment for the Fiscal Year 2021 was mainly caused by the impact on the transportation and normal operation of the smelting plant due to the carrying out of the road maintenance works in the vicinity of the smelting plant for nearly two months commencing from early March 2021. Moreover, the metal grade of primary metal mined and produced, was lower due to market influences, leading to the decreasing volume of gold bullion processed from gold concentrates. As a result of the above, the production volume of gold bullion decreased by 526 kg. In addition, the smelting segment recorded a decrease in the revenue due to the dramatical decrease of the international gold prices during the first half year of 2021.

Segment results

The smelting segment recorded a loss of approximately RMB7,069,000 for the Fiscal Year 2021 (Fiscal Year 2020: profit of approximately RMB185,192,000), which was due to the dramatical decrease of the international gold prices during the first half year of 2021. The Group has continued the strict implementation of cost reduction and efficiency enhancement measures. The gold refining electrolysis renovation project of the smelting branch was completed and put into production ahead of schedule, shortening the compound gold processing cycle from 3 days to 1 day. The ball mill expansion project was completed and put into operation on schedule, doubling the fine slag processing capacity. The cyanide-containing wastewater desalination project and the renovation of the Isa Mill were progressing smoothly as planned and would become a "source of motivation" for enhancing efficiency upon completion and commencement of operation. The consumption of auxiliary materials in the production process was effectively reduced by rectifying the "bleeding point" of waste of auxiliary materials, thus achieving cost reduction and efficiency enhancement. Jinda Gold's pre-sale of gold TD increased unit selling prices and increased operational efficiencies.

Fiscal Year 2022 Planning and Outlook

The year 2022 marks the beginning of implementation of the future strategic development plans of Lingbao Gold, and all work will be carried out in a smooth and solid way based on the established strategic goals. Having gone through the "period of stagnant development and ramp-up", Lingbao Gold is currently in the "period of reshaping and progressing". In the next step, we will start with "lean management", and continue to optimise factors conducive to higher efficiency, eliminate inefficient and ineffective links, thoroughly implement existing reform measures, and break through reform barriers and bottlenecks, striving to achieve high-quality, more efficient and more sustainable development.

In 2022, our overall work principle continues to implement the strategy of "focusing on the main business of mining, increasing production volume of gold, streamlining management and enhancing quality and efficiency" by focusing on the objectives of "securing a foothold in Henan, orienting towards the country nationwide and going global". With reference to top domestic enterprises, we will strengthen our management and work hard on building up our own strength. We will also continue to cultivate our core competitiveness and improve the quality of development and business performance by reducing costs and increasing efficiency, improving quality and efficiency, increasing efficiency in management, technology and technical reform.

(I) *to strengthen strategic guidance and continue to strengthen and optimize the core business*

We shall make efforts to strengthen, optimize and expand our mining segment. Firstly, we will expand the scale of Nanshan branch and Xingyuan to consolidate the foundation of "securing a foothold in Henan". Second, we will stabilize the operation of Huatai while conducting the production of other mines, to establish a strategic resource base "orienting towards the country nationwide". Finally, we will reorganize Full Gold and build up its strength to promote Lingbao Gold "going global". For the smelting segment, efforts shall be made to streamline, deepen and refine the operations. We will promote the development of smelting business through technological innovation and product diversification.

(II) *to strengthen basic management and comprehensively improve the level of refined management*

In 2022, the Group will launch the management improvement campaign headed "the year of cost management", whereby adopting strict and refined management measures, to maximize the potential of its internal costs and enhance its core competitiveness. The management concept will be changed. Management aims to serve operations, and production and operation activities determine the direction. Each enterprise shall make efforts to improve its management process and system based on its own actual conditions and targets, and adopt an applicable management model to facilitate the achievement of production and operation targets. We must vigorously implement the refined management by taking appropriate measures, while striving for excellence in operations.

(III) *to deeply advanced the reform and drive high-quality development*

We will abolish the systems and mechanisms that are unable to meet the needs of the Company's future development and further promote innovative and pragmatic reform measures to continuously release our productivity and stimulate the vitality of operation, development and innovation. It is necessary to promote the reform of our headquarters to realize a flattened management structure, the simplified functional departments, and further optimized approval procedures and processes. Besides promoting the reform of the management and control system, we are required to scientifically and, by granting our subsidiaries more management autonomy, clearly defining the responsibilities between our headquarters and front-line entities, and strengthening the supervision of powers. Furthermore, it is necessary to promote the reform of personnel, employment and remuneration policies, including exploring the establishment of a more scientific and reasonable differentiated remuneration policy.

(IV) to insist on compliance operation and effectively prevent and resolve major business risks

We shall strengthen compliance management and regard the standardization of production and operation activities as the cornerstone of risk prevention and development of enterprises. Operation departments and legal, audit, supervision departments shall perform their respective duties, and improve the compliance management system, making compliance management a conscious action of each department. We shall also establish a compliance risk identification and warning mechanism, and improve the compliance risk prevention mechanism. It is necessary to attach importance to the management of license compliance and mining rights maintenance.

(V) to create a new highland for the transformation of scientific and technological achievements with focus on technological innovation

Bearing in mind that "innovation shall be placed as the primary driving force for development", the Group comprehensively deepens the reform on technology and structure, while greatly promotes comprehensive innovation primarily driven by technology innovation. Emphasis is put on cost reduction, efficiency enhancement, and quality improvement with technological advancement, and with accelerated realisation of technology results, the Group improves its technology capabilities and overall economic effectiveness.

(VI) to implement the strategy of reinvigorating enterprises through human resource development by focusing on the establishment of a high-quality talent team

We will carry out the "talent enhancement plan". For key enterprises, we will cultivate excellent management teams, and assign various outstanding talents to the positions that the Company deems as most important for strategic values. Besides effectively building a professional talent team, including a talent team for internationalization and emerging businesses, we will strengthen the training of talent teams holding key positions and technical experts, while promoting the efficient employment of various talents, including appointment of talents at the right time, as well as full utilization of the talents and their expertise.

(VII) to improve the working style and to strengthen our capabilities for overcoming challenges

Management cadres at all levels must continue to strengthen their awareness of development, overall situation, accountability, responsibility and service, while correctly understanding and handling the relationship between power and responsibility, division of labor and collaboration, overall situation and self-worth, individuality and tolerance. In addition, they shall take the lead in setting a benchmark and an example, with strict self-righteousness, harmony and cohesion, to form a good atmosphere where all members of the Company as a whole strive for the same cause, pay close attention to work details like a game of chess, and push forward with corporate development.

The accomplishment of great undertakings requires our joint efforts, and the achievement of important missions requires our concerted efforts. In 2022, we will concentrate our efforts to strive for solutions to our reform, strengthen our business vitality through innovation, and focus on operations to achieve fruitful results, enabling Lingbao Gold to take a new posture, bring forth new actions and make new contributions in the new expedition which facilitates Lingbao Gold to move towards the goal of developing itself into a well-known mining group both at home and abroad.

FINANCIAL INFORMATION

1. Operating Results

Revenue

The Group's sales analysis by products is shown as follows:

	2021			2020		
	Amount	**Sales volume**	**Unit price**	Amount	Sales volume	Unit price
	(RMB'000)	**(kg/tonne)**	**(RMB per kg/tonne)**	(RMB'000)	(kg/tonne)	(RMB per kg/tonne)
Gold bullion	**4,913,037**	**13,094kg**	**375,215**	5,168,910	13,350kg	387,184
Silver	**67,211**	**14,600kg**	**4,603**	82,796	20,540kg	4,031
Copper products	**209,921**	**3,561 tonne**	**58,950**	228,143	5,173 tonne	44,103
Sulphuric acid	**27,481**	**92,344 tonne**	**297**	785	82,794 tonne	9
Gold concentrates	**130,227**	**356kg**	**365,806**	120,714	336kg	359,268
Revenue before tax	**5,347,877**			5,601,348		
Less: Sales taxes	**(17,266)**			(1,401)		
	5,330,611			5,599,947		

The Group's revenue for the Fiscal Year 2021 was approximately RMB5,330,611,000, representing a decrease of approximately 4.8% as compared with the previous year, of which the revenue of gold bullion accounted for 92.2% of that in total revenue. The decrease in the overall sales of gold bullion was due to the decrease in the production volume of gold bullion and the dramatical decrease of the international gold prices during the first half year of 2021.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for the Fiscal Year 2021 were RMB587,810,000 and 11.0%, respectively, and the gross profit and gross profit margin in the previous year were RMB654,633,000 and 11.7%, respectively. Although the average selling price of gold bullion was affected by fluctuations in the international gold sales prices, the Group continued to strictly implement the cost reduction and efficiency enhancement policy to improve its performance and ultimately maintained a stable gross profit margin.

Other net loss

The Group's other net loss for the Fiscal Year 2021 was approximately RMB41,212,000, representing a decrease of approximately 74.7% as compared with approximately RMB162,580,000 in the previous year. The decrease in other net loss was mainly due to the decrease of impairment losses related to long-term assets, decrease of net foreign exchange loss and increase of net realised and unrealised gain on other financial instruments at fair value.

Other revenue

The Group's other revenue for the Fiscal Year 2021 was approximately RMB53,796,000, representing a decrease of approximately 29.6% as compared with approximately RMB76,431,000 in the previous year. The decrease in other revenue was mainly due to the decrease in interest income and service income.

Selling and distribution expenses

The Group's selling and distribution expenses for the Fiscal Year 2021 were approximately RMB3,850,000, representing a decrease of approximately 30.1% as compared with the previous year, mainly benefiting from the implementation of the Group's cost reduction and efficiency enhancement policy.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses for the Fiscal Year 2021 amounted to approximately RMB291,218,000, representing an increase of approximately 5.4% from approximately RMB276,238,000 for the previous year. The slight increase in administrative expenses and other operating expenses was due to the increase of research and development expense and personnel expense.

Finance costs

The Group's finance costs for the Fiscal Year 2021 were approximately RMB138,548,000, representing a decrease of approximately 15.8% as compared with approximately RMB164,522,000 for the previous year. The decrease of finance costs was mainly due to the decrease in average balance of bank and other borrowings.

Profit attributable to the Company's equity shareholders

For the Fiscal Year 2021, the Company recorded a profit of approximately RMB130,026,000 attributable to equity shareholders of the Company (Fiscal Year 2020: RMB89,700,000). The basic and diluted earnings per share for the Fiscal Year 2021 was RMB15.0 cents (Fiscal Year 2020: RMB10.4 cents).

2. Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and cash equivalents and pledged deposits as at 31 December 2021 amounted to RMB1,523,506,000 (31 December 2020: RMB1,626,143,000).

The total equity of the Group as at 31 December 2021 amounted to RMB1,748,196,000 (31 December 2020: RMB1,611,021,000). As at 31 December 2021, the Group had current assets of RMB3,235,866,000 (31 December 2020: RMB3,575,327,000) and current liabilities of RMB4,760,092,000 (31 December 2020: RMB4,898,463,000). The current ratio was 68.0% (31 December 2020: 73.0%).

As at 31 December 2021, the Group had total outstanding bank and other borrowings of approximately RMB3,542,876,000 with interest rates ranging from 2.5% to 5.3% per annum (repayable within one year). The gearing ratio as at 31 December 2021 was 50.6% (31 December 2020: 56.1%), which was calculated by total borrowings divided by total assets.

As at 31 December 2021, the Group had a loan of approximately RMB40,000,000 provided by D&R Investment during the year ended 31 December 2021, bearing interest per annum at 5.39% and with a maturity of one month, which was repaid in January 2022.

As at 31 December 2021, the Group had unutilised bank facilities related to unsecured bank loans facilities of RMB706 million. These facilities could be drawn down by the Group to finance its operation. Based on the past experience and the communication with banks, the Board believes that the Company has the ability to renew or secure banking facilities upon maturity.

In order to effectively lower the debt ratio and improve the financing ability of the Group, the Group has taken the following measures:

1) increasing the production volume of the gold bullion and generate cash flows from operating activities by strengthening internal management and optimizing cost reduction and efficiency enhancement measures, and increasing the output of gold bullion processed from gold concentrates;

2) securing certain funding by enhancing the communication and promoting mutual trust between the Group and banks and other financial institutions as well as taking advantage of the government's relatively loose financing policies;

3) increasing supply chain financing by taking full advantage of the attribute of high liquidity of inventories in the gold mining industry;

4) increasing the liquidity and reducing short-term borrowings. The Group will arrange more secured long-term loan facilities at lower interest rates by the pledging of property, plant and equipment of the Group; and

5) obtaining financing upon the completion of subscription of the Company's shares (as described in the circular dated 31 December 2021). The net proceeds from the subscription will be used to meet the Group's production and working capital needs, which will enhance the liquidity of the Company and further lower its gearing ratio.

3. Security and guarantee

As at 31 December 2021, bank and other borrowings of Shenzhen Jinda, amounting to RMB40,000,000 were secured by its building with carrying amount of RMB65,775,000 (31 December 2020: Nil), and guaranteed by the Company (31 December 2020: Nil).

At 31 December 2021, bank and other borrowings of the Group amounting to RMB1,432,581,000 were secured by pledged deposits with the carrying amount of RMB1,154,200,000.

At 31 December 2021, bank and other borrowings of the Group amounting to RMB270,000,000 were secured by pledged deposits with the carrying amount of RMB135,000,000 and guaranteed by the D&R Investment with maximum guarantees of RMB195,000,000.

At 31 December 2021, bank and other borrowings of the Group amounting to RMB114,848,000 were secured by pledged deposits of RMB6,500,000 and certain inventories.

At 31 December 2021, bank and other borrowings of the Group amounting to RMB716,725,000 were guaranteed by D&R Investment with maximum guarantees of RMB850,000,000.

At 31 December 2021, bank loans of a subsidiary, named Full Gold, amounting to USD5,500,000 (RMB equivalent: 35,066,000) were guaranteed by the Company.

At 31 December 2021, bank loans of the Company amounting to RMB140,000,000 were guaranteed by a subsidiary named Huatai with maximum guarantees of RMB140,000,000 and D&R investment with maximum guarantees of RMB90,000,000, respectively.

At 31 December 2020, bank and other borrowings of the Group amounting to RMB1,380,000,000 were secured by pledged deposits with the carrying amount of RMB1,284,000,000.

At 31 December 2020, bank and other borrowings of the Group amounting to USD12,863,000 (RMB equivalent: 83,932,000) were secured by pledged deposits with the carrying amount of RMB5,600,000 and guaranteed by the D&R Investment with maximum guarantees of RMB100,000,000.

At 31 December 2020, bank and other borrowings of the Group amounting to RMB99,388,000 were secured by pledged deposits of RMB30,000,000 and certain inventories.

At 31 December 2020, bank and other borrowings of the Group amounting to RMB113,101,000 were secured by certain inventories.

At 31 December 2020, bank and other borrowings of the Group amounting to USD50,000,000 (RMB equivalent: 326,245,000) were guaranteed by Lingbao State-owned Assets Operation Company Limited.

At 31 December 2020, bank loans of a subsidiary, named Full Gold, amounting to USD8,200,000 (RMB equivalent: 53,504,000) were guaranteed by the Company.

4. Connected Party Transactions

(1) Loan from a shareholder

On 23 November 2021, the Company and D&R Investment entered into a loan agreement and the unsecured loan of RMB50,000,000 was provided by D&R Investment, which is interest-free and with a maturity of two months. The loan of RMB20,000,000 was repaid in November 2021 and the remaining portion of RMB30,000,000 was repaid in December 2021.

On 28 December 2021, the Company and D&R Investment entered into a loan agreement and the unsecured loan of RMB40,000,000 was provided by D&R Investment, which is bearing interest per annum at 5.39% and with a maturity of one month. The loan of RMB40,000,000 was repaid in January 2022.

D&R Investment is a substantial shareholder of the Company holding 185,339,000 Domestic shares representing approximately 21.4% of the total number of issued shares of the Company as at 31 December 2021.

(2) Guarantee issued by a shareholder

During the year ended 31 December 2021, D&R Investment issued maximum guarantees amounting to RMB1,135,000,000 to several banks in respect of bank and other borrowings, bank acceptance bills and letter of credit of the Company (2020: RMB100,000,000).

On 31 December 2021, the Company and D&R Investment entered into an agreement for guarantee charge in relation to the above guarantees issued by D&R Investment. The guarantee charge was calculated based on the principals of unpledged bank and other borrowings with annual fee rate of 1%. For the bank and other borrowings pledged by deposits, inventories or long-term assets, no guarantee charge was occurred during the year ended 31 December 2021.

5. Material Acquisition or Disposal

Save as otherwise disclosed in this annual report there were no material acquisitions or disposals subsequent to 31 December 2021 and up to the date of this annual report.

6. Market Risks

The Group is exposed to various types of market risks, including fluctuations in gold price and other commodity prices, as well as changes in interest rates, foreign exchange rates and inflation.

Gold price and other commodities price risk

The Group's revenue and profit were affected by fluctuations in the gold prices and other commodity prices as all of our products were sold at market prices and such fluctuations in prices were beyond our control. The Group does not use and strictly prohibits the use of commodity derivative instruments or futures for speculation purpose. All commodity derivative instruments are used to minimise the potential price fluctuation of gold and other commodities.

Interest rate risk

The Group is exposed to risks associated with the fluctuation in interest rates on our debt obligations. The Group undertakes debt obligations for general corporate purposes such as support of capital expenditure and working capital. The Group's bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant regulations of the People's Bank of China. If the People's Bank of China increases the interest rates, our finance cost increases accordingly. In addition, to the extent that we may need to raise our debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt.

Exchange rate risk

The Group's transactions are mainly denominated in Renminbi. As such, fluctuations in exchange rates may affect the international and domestic gold prices, and our operational results may be affected. Renminbi is not freely convertible and could fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free conversion of Renminbi.

In addition to the foregoing, the exchange rate risks to which the Group exposes are mainly caused by certain bank deposits, trade and other receivables, trade and other payables and bank loans, which are denominated in foreign currencies. The currency risk is primarily United States dollars.

Fluctuations in exchange rates may adversely affect the value of our net assets, earnings and any dividends we declare when they are being converted or translated into Hong Kong dollars.

7. Contractual Obligations

As at 31 December 2021, the Group's total capital commitments in respect of the contracted construction costs and the authorised but not contracted construction costs which were not provided for in the financial statements were approximately RMB102,532,000 (31 December 2020: RMB79,351,000) and RMB372,944,000 (31 December 2020: RMB249,263,000), respectively, representing an increase of approximately RMB23,181,000 and an increase of RMB123,681,000, respectively.

8. Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities.

9. Capital Expenditure

For the Fiscal Year 2021, the Group's capital expenditure was approximately RMB902,853,000, representing an increase of approximately 133.8% from approximately RMB386,237,000 for the previous year.

The Group's capital expenditure mainly relates to the construction of mining shafts, acquisition of deep mining rights for Lingjin One Mine and renewal of mining rights for other relevant subsidiaries, expansion of project equipment and upgrading of production equipment.

10. Employees

For the Fiscal Year 2021, the average number of employees of the Group was 3,915. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

EXECUTIVE DIRECTORS

Mr. Zeng Xiangxin (曾祥新先生) ("Mr. Zeng"), born in June 1967, graduated from Hunan Institute of Finance and Economics as a holder of a university degree in financial accounting for industrial enterprises. In 2002, he obtained a master's degree in engineering from Huazhong University of Science and Technology and a professoriate senior accountant. From 1989 to 2009, he served as assistant manager, deputy manager, and deputy chief accountant of the Accounting Department, and director of the Finance Center and chief accountant in the Guangzhou Shipyard International Company Limited. From 2009 to 2011, he served as the chief accountant of Guangzhou CSSC Longxue Shipbuilding Co., Ltd. From 2011 to 2018, he served as general manager of CSSC Finance Company Limited; deputy director of the Assets Department of China State Shipbuilding Corporation Limited* (中國船舶工業集團公司) (on a part-time basis); director of Finance Department of China State Shipbuilding Corporation Limited* (中國船舶工業集團公司); chairman of CSSC Finance Company Limited; general manager and chairman of CSSC (Hong Kong) Shipping Company Limited (a listed company on the Main Board of the Stock Exchange of Hong Kong Limited, stock code: 3877); the chairman of CSSC Investment Development Co., Ltd.; director of Finance Department of China State Shipbuilding Corporation Limited* (中國船舶工業集團公司); and chairman of CSSC Finance Company Limited. In addition, Mr. Zeng served as the chief accountant of China FAW Group Co., Ltd. from 2018 to October 2019. Mr. Zeng was also approved to act as a non-executive director of Bank of Tianjin Co., Ltd., a listed company on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 1578), with effect from 29 July 2016 until 15 June 2018. Mr. Zeng was appointed as an executive Director and the rotating chairman of the management executive committee of the Company from November 2019 to May 2021. On 28 May 2021, Mr. Zeng was elected as the Chairman of the Company. In addition, he was the chairman and president and the legal representative of D&R Asset Management Group Company Limited ("D&R") (達仁投資管理集團股份有限公司) from 25 November 2019 to 18 May 2021. On 18 May 2021, he redesignated as the director of D&R.

Mr. Xing Jiangze (邢江澤先生) ("Mr. Xing"), born in March 1967, holds a bachelor's degree and is a registered certified public accountant, certified tax agent and senior accountant in the PRC with funds practice qualification. He has over 28 years of work experience in finance, accounting and auditing. He has been working in the Group since April 2007 and had served as assistant financial controller, financial controller and chief investment officer. Mr. Xing has served as secretary of the Board since August 2013 and was appointed as an executive Director in June 2015. Since May 2020, Mr. Xing is the vice chairman of the Board, the secretary to the Board, and a member of the management executive committee. Since 8 May 2020, Mr. Xing was appointed as an independent non-executive Director of Xinjiang La Chapelle Fashion Co., Ltd. (formerly known as "Shanghai La Chapelle Fashion Co., Ltd.") (a company listed on Shanghai Stock Exchange, stock code: 603157 and a company listed on Hong Kong Stock Exchange, stock code: 6116).

Mr. He Chengqun (何成群先生) ("Mr. He"), born in February 1971, obtained a bachelor degree in enterprise management of Henan Metallurgical Industry University. Mr. He served as an executive director of the Company from July 2010 to June 2015, the deputy general manager of the Company from June 2015 to February 2017, and has been the senior executive vice president of the Company from June 2018 to May 2021. He was appointed as an executive Director and President of the Company in May 2021. In addition, he is a member of the management executive committee.

Mr. Dai Weitao (戴維濤先生) ("Mr. Dai"), born in March 1971, obtained a bachelor degree in law from the Correspondence Academy of Party School of the Central Committee of the Communist Party and the accounting qualification certificate. From August 1994 to December 2013, he successively worked in Linghu Gold Mine of Lingbao City (靈寶市靈湖金礦), Lingbao Gold Investment Co., Ltd. Jinhe Branch (靈寶黃金投資有限責任公司金河分公司), and Lingbao Judicial Bureau. He has worked in the Company since December 2013 and served as deputy secretary of the party committee, secretary to the disciplinary committee and the chairman of the labor union. Mr. Dai served as the chairman of the supervisory committee of the Company from 8 January 2020 to 17 March 2021. Mr. Dai was appointed as an executive Director, the vice chairman and a member of the management executive committee of the Company in May 2021.

Mr. Wu Liming (吳黎明先生) ("Mr. Wu"), born in February 1982, holds a bachelor's degree in accounting from Jiangsu University of Science and Technology and a master's degree in accounting from Jinan University (暨南大學). He is a senior accountant and a CMA. Mr. Wu worked at CSSC Offshore & Marine Engineering (Group) Company Limited, shares of which are listed on the Hong Kong Stock Exchange (stock code: 317) from July 2005 to October 2019. Mr. Wu was appointed as the chief financial officer in November 2019 and has been the chief financial officer and a member of the management executive committee of the Company since January 2020. Mr. Wu was appointed as an executive Director, the vice chairman, financial controller and a member of the management executive committee of the Company in May 2021. Mr. Wu is also the director of D&R.

NON-EXECUTIVE DIRECTORS

Mr. Zhang Feihu (張飛虎先生) ("Mr. Zhang"), born in November 1971, graduated from the Yuxi Normal School in July 1990. In December 2004, he obtained a bachelor degree in law from the Henan Provincial Party School. Mr. Zhang's career started in teaching in Daying Town, Shan County from September 1990 to April 1992. From May 1992 to October 2001, he worked in Su Village Town and served as deputy head of the town and deputy secretary. From May 2003 to October 2005, he was the mayor of Yangdian Town and from November 2005 to October 2012, he served as the mayor and secretary of Chengguan Town. From November 2012 to April 2016, he worked in the mass work department of Lingbao Municipal Committee and from October 2017 to November 2018, he served as the general manager of Lingbao City Urban Transformation Investment Company Limited, and was the legal representative. Currently he is working in Lingbao State-owned Assets Management Company Ltd. and serves as the chairman and legal representative. Mr. Zhang was appointed as a non-executive Director of the Company in April 2019.

Mr. Wang Guanran (王冠然先生) ("Mr. Wang GR"), born in May 2000, studied in the Department of International Relations and Economics at the George Washington University School of Business in the United States of America with a bachelor's degree due to COVID-19 epidemic. Mr. Wang Guanran has been a director of D&R Asset Management Group Company Limited ("D&R") (達仁投資管理集團股份有限公司) since July 2020 and during the same period he joined in Shenzhen Londian Electrics Co., Ltd as an assistant to the Chairman. Mr. Wang GR was appointed as a director of Shenzhen Londian Electrics Co., Ltd. with effect from December 2020. Mr. Wang GR is the controlling shareholder of D&R and is currently the Chairman of D&R. Mr. Wang GR was appointed as a non-executive Director of the Company in May 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Guanghua (汪光華先生) ("Mr. Wang GH"), born in February 1952, graduated from Beijing Institute of Chemical Technology (renamed Beijing University of Chemical Technology in 1994) majoring in chemical engineering in July 1974. Mr. Wang GH has more than 30 years of experience in investment, government affairs and business operation and management. He worked in New Era New Materials Development Company of China New Era Group Corporation as general manager from January 2006 to February 2012. He served as partner of Elevation China Capital from March 2012 to August 2014 and served as chairman of Ningxia Jiecheng Investment and Management Company Limited and executive partner of Ningxia Jiecheng Venture Capital Fund, which was approved to establish and funded by National Development and Reform Commission and Ministry of Finance from March 2014 to November 2015. He has been serving as a director of Nanjing Jingtaiheng Investment and Management Company Limited since July 2015, during which he served as the chairman from July 2015 to 2018, and in charge of Nanjing Jingyong Healthcare Venture Capital Fund, which was funded by Zijin Group, a financial platform of Nanjing Municipal People's Government. Mr. Wang GH has more than 30 years of working experience in investment, government affairs and business operation and management. Mr. Wang GH was appointed as an independent non-executive Director of the Company in March 2016.

Mr. Wang Jiheng (王繼恒先生) ("Mr. Wang"), born in July 1966, holds a master's degree in law of NorthWest University of Politics and Law and a doctoral degree in law of Wuhan University, and is an associate professor and an advisor of master degree students. He currently engages in the teaching and research of environment and resources law in the Economic Law College of NorthWest University of Politics and Law, and serves as a vice president of the Resources and Energy Law Research Institute of that College, and also the director of the Resources and Energy Law Teaching and Research Department. His part-time jobs include secretary-general of the environment and resources law research association of Xi'an Society of Law, member of the policy advisory committee of Lianhu District of Xi'an, senior trainer of EU — China Environmental Governance Program and trainer of the environmental law institute of the International Union for Conservation of Nature (IUCN). Mr. Wang was appointed as an independent non-executive Director of the Company in June 2015.

Mr. Xu Rong (徐容先生) ("Mr. Xu"), born in December 1975, obtained an associate degree in finance and accounting from Heilongjiang University of Commerce (黑龍江商業大學) in July 1998, and obtained a master's degree in finance and investment management from the University of Hong Kong in March 2012. Mr. Xu is currently a certified public accountant in the People's Republic of China ("PRC"), certified public asset appraiser in the PRC and certified tax agent in the PRC. In 2010, he received the independent director certification from the Shanghai Stock Exchange ("SSE"). In 2019, he received the independent directorship completion certificate from the Science and Technology Innovation Board of the SSE (the "Sci-Tech Board"). Between October 1999 and October 2015, Mr. Xu held various positions at various accounting firms, including project manager or chief partner. Since November 2015, he has been serving as a partner of Beijing Xinghua Certified Public Accountants Firm (Special General Partnership), as well as the principal officer of its Suzhou Branch. Since September 2017, Mr. Xu has been serving as an independent director of BrightGene Bio-Medical (Suzhou) Co., Ltd. (博瑞生物醫藥(蘇州)股份有限公司) (a company listed on the Sci-Tech Board with stock code: 688166). Since May 2018, Mr. Xu has been serving as an independent director of Poly Plastic Masterbatch (SuZhou) Co., Ltd (蘇州寶麗迪材料科技股份有限公司). Mr. Xu served as an independent director of Suzhou Fanglin Technology Co., Ltd. (蘇州方林科技股份有限公司) and SuZhou Kete Environment Protection Co., Ltd. (蘇州科特環保股份有限公司) between August 2016 and June 2019, and between December 2013 and May 2020, respectively. Mr. Xu was appointed as an independent non-executive Director of the Company in July 2020.

Mr. Tan Chong Huat (陳聰發先生) ("Mr. Tan"), born in October 1963, obtained a Bachelor Degree in Law at the National University of Singapore in June 1989 and a LLM from the University of London in December 2007. Mr. Tan has over 30 years of experience in legal industry and has extensive experience in corporate, banking and project finance law in Singapore and the region, and acted in numerous significant corporate transactions in the areas of initial public offerings, reverse takeovers, management buy-outs, restructuring, merger and acquisitions, and financing of major real estate and infrastructure. He has been the senior partner and one of the founding members of RHTLaw Taylor Wessing since May 2011. Mr. Tan was appointed as Deputy Chairman of the Singapore Exchange Disciplinary Committee on 23 February 2017. Mr. Tan is also a member of the Singapore Institute of Directors and the Hong Kong Institute of Directors and sits on the boards of a company listed on Singapore Exchange. Mr. Tan was appointed as Deputy Chairman of the Singapore Exchange Disciplinary Committee in February 2017. Mr. Tan was appointed as an independent non-executive Director of the Company since May 2021.

SUPERVISORY COMMITTEE AND SUPERVISORS

Mr. Chen Jianzheng (陳建正先生) ("Mr. Chen"), born in December 1968. He graduated from Hunan Agricultural University (land management) in July 1990 and later obtained the bachelor degree in law from Hunan Administration Institute in December 2003. He has many years of experience related to the management and the operation of the mining industry. He also has worked in the underground mine and smelter for more than one year and is very familiar with the mining, mineral separation and smelting process. Prior to joining the Group, he was a member of the party leadership and deputy chief of Land and Resources Bureau of Yuanling County in Hunan Province. He was in charge of mine management and reserve management and possesses very good management experience in mining industry. Mr. Chen was the chairman of the Board, an executive Director and the President of the Company from 23 January 2017 to 28 May 2021. Mr. Chen was appointed as the chairman of supervisors committee of the Group since May 2021.

Mr. Yang Shilei (楊石磊先生) ("Mr. Yang"), born in September 1983, an environmental engineer. He graduated from the Third Military Medical University in July 2007 and obtained the bachelor degree of clinical medicine. Currently, he served as the deputy manager of the securities legal department, the deputy general manager of Habahe Huatai Gold Company Limited (哈巴河華泰黃金有限責任公司), chairman of Lingbao Xinan Solid Waste Disposal Co., Ltd. (靈寶鑫安固體廢物處置有限責任公司) and chairman of Chifeng Jinchan Mining Company Limited (赤峰金蟾礦業有限公司) since December 2021. Mr. Yang was appointed as a supervisor of the Group in March 2019.

Mr. Guo Xurang (郭許讓先生) ("Mr. Guo"), born in May 1970, obtained a master's degree in business administration from Hangzhou Dianzi University, Zhejiang Province, in July 2003. Since April 2007 Mr. Guo Xurang has been the chairman of Shannan Wanlaixin Investment Company Limited, which was named Beijing Wanlaixin Investment Company Limited from April 2007 to July 2013. Mr. Guo was appointed as a supervisor of the Group in June 2014.

Mr. Zhao Bingbing (趙兵兵先生) ("Mr. Zhao"), born in March 1978, obtained a bachelor's degree in economic management from Institute of the Chinese Communist Party in Henan Province in September 2010. Mr. Zhao has over 24 years of experience in gold industry. Mr. Zhao is currently the chairman of Lingbao Kaiyuen Mining Company Limited. Mr. Zhao was appointed as a supervisor of the Group in June 2018.

Mr. Liu Haotian (劉皓天) ("Mr. Liu"), born in July 1985, obtained a bachelor's degree in accounting from Zhengzhou University. Previously, he worked at various government bodies, including the Lingbao Health Bureau (靈寶市衛生局) from March 2008 to September 2010, the Lingbao Agricultural Tax Bureau (靈寶市農業稅務局) from October 2010 to March 2011, and the Administrative and Law Section of Lingbao Finance Bureau (靈寶市財政局行政政法科) from April 2011 to September 2015. From October 2015 to December 2017, Mr. Liu was promoted as the deputy director of the Office of Non-Taxation Bureau of Lingbao Finance Bureau (靈寶市財政局非稅局辦公室), and the head of the Investment and Financing Section of the Lingbao Shanty Reform Office (靈寶市棚改辦招商融資科). Since October 2018, Mr. Liu has been the general manager of Lingbao State-owned Assets Operation Limited Liability Company. Mr. Liu was appointed as a supervisor of the Group since May 2021.

SENIOR MANAGEMENT

Mr. Wang Guodong (王國棟先生) ("Mr. Wang GD"), born in March 1971, obtained a college degree in mining engineering from Xi'an Institute of Metallurgy and Architecture. Mr. Wang GD is a senior production and operation division manager and a mine engineer. He served as the chairman of the supervisory committee of the Company from June 2014 to March 2019 and has been the standing vice president of the Company from March 2019 to May 2021. He is currently the standing vice president and a member of the management executive committee of the Company since May 2021.

Mr. Jian Zhanxun (建戰勳先生) ("Mr. Jian"), born in July 1973, obtained a college degree in sales marketing from Henan Radio & Television University and the master degree in business management from Kyrgyz National University. He is a metallurgical engineer. Mr. Jian served as the chairman of the supervisory committee of the Company from March 2019 to January 2020. Mr. Jian has been the vice president of the Company and a member of the management executive committee since January 2020.

CORPORATE GOVERNANCE REPORT

Being one of the integrated gold mining companies based in PRC, the Company is committed to continually achieving high standards of corporate governance practices and has put in place a set of well-defined corporate governance procedures to ensure the transparency of the Company and protect the overall interest and rights of shareholders as well as employees.

The Company has complied with all Code Provisions under the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") save for the deviation from Code A.2.7 that the chairman should at least annually hold one meeting with the non-executive directors (including independent non-executive directors) without the executive directors present.

THE BOARD

The Board is the executive body of the Company and shall be responsible for formulating and executing the operation plans and management decisions of the Company as well as establishing the overall strategic direction. Its duties include evaluating the performance of senior management and supervising the system of the Company. The Board has to act in the best interest of the Company and its shareholders.

The current composition of the Board is set out in the following table:

Director	**Position**
Mr. Zeng Xiangxin	Executive Director and Chairman
Mr. Xing Jiangze	Executive Director and Vice-Chairman
Mr. He Chengqun	Executive Director and President
Mr. Dai Weitao	Executive Director
Mr. Wu Liming	Executive Director
Mr. Zhang Feihu	Non-executive Director
Mr. Wang Guanran	Non-executive Director
Mr. Wang Jiheng	Independent Non-executive Director
Mr. Wang Guanghua	Independent Non-executive Director
Mr. Xu Rong	Independent Non-executive Director
Mr. Tan Chong Huat	Independent Non-executive Director

Pursuant to the articles of association of the Company ("Articles of Association"), the term of appointment of the Directors (including the non-executive Directors and independent non-executive Directors) shall be three years and the Directors are eligible for re-election. The chairman of the Company, Mr. Zeng Xiangxin, and the other four executive Directors are responsible for the business management of the Company, formulation and implementation of important strategies, making daily business decision, and coordination of overall business operation.

All of the Directors can give sufficient time and attention to the Company's affairs.

Non-executive Directors and independent non-executive Directors possess wide expertise and experience and are able to give professional advice in various aspects such as law, accounting, finance, tax, equity capital and industrial and commercial industries. The non-executive Directors would participate in Board meetings of the Company to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. In addition, they would take the lead in Board meetings where potential conflicts of interests arise. They also have to scrutinise the Company's performance in achieving agreed corporate goals and objectives.

Independent non-executive Directors are expressly identified in the corporate communications that disclose the names of the Directors by the Company.

The Company has received annual written confirmation from each of the independent non-executive Directors to ensure they are in compliance with Rule 3.13 of the Listing Rules in respect of their independence. Apart from employment relationships with the Company, there is no any financial, business, family or other material relationships amongst members of the Board. The Company considers that they are independent.

The Company has established various internal control systems which allow the Board to maintain high standard of corporate governance in the management of the Company. To ensure that the Board performs its duties effectively, the management is required to submit business and financial reports of the Company to the Board regularly. The Board is responsible for performing the corporate governance duties according to the code provision D.3.1 set out on the CG Code, which includes: (1) developing and reviewing the policies and practices on corporate governance of the Group; (2) reviewing and monitoring the training and continuous professional development of Directors and senior management; (3) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; (4) developing, reviewing and monitoring the code of conduct applicable to Directors and employees; and (5) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

Directors would make further enquiries if they require further enquiries than is information volunteered by management. The Board has separate and independent access to the company secretary and other senior management at all times to conduct informal discussions. It is at the Company's expense for the Board to contact the auditors, lawyers or other professionals to obtain independent professional opinions when appropriate. Management are regularly reminded by the company secretary that they have an obligation to provide the Board and its committees with adequate, complete and reliable information in a timely manner. All Directors have access to Board papers and related materials which will enable the Board to make an informed decision on matters placed before it. Steps are taken to respond to enquiries raised by Directors as fully as possible.

For the year ended 31 December 2021, the Board of the Company held thirteen meetings to discuss and approve various important matters. All such meetings were convened in accordance with the Articles of Association. The table below lists out the attendance of each Director at the Board meetings held during the year up to the date of the report. The attendance illustrates the attention of the Board to the management of the Company's affairs. The matters processed by the Board in the meetings are all recorded, and the relevant records are kept pursuant to relevant laws and regulations.

Director	Number of Board meetings that the Director was entitled to attend	Number of Board meetings that the Director attended	Attendance (%)	Number of general meetings and class general meeting attended/held
Mr. Zeng Xiangxin	13	13	100	1/1
Mr. Xing Jiangze	13	13	100	1/1
Mr. He Chengqun[1]	8	8	100	1/1
Mr. Dai Weitao[1]	8	8	100	1/1
Mr. Wu Liming[1]	8	8	100	1/1
Mr. Chen Jianzheng[2]	5	5	100	1/1
Ms. Zhou Xing[2]	5	0	0	- /-
Mr. Zhang Feihu	13	13	100	1/1
Mr. Wang Guanran[1]	8	8	100	1/1
Mr. Shi Yuchen[2]	5	5	100	- /-
Mr. Wang Leo[2]	5	5	100	- /-
Mr. Wang Jiheng	13	13	100	1/1
Mr. Wang Guanghua	13	13	100	1/1
Mr. Xu Rong	13	13	100	1/1
Mr. Tan Chong Huat[1]	8	8	100	1/1
Mr. Han Qinchun[2]	5	5	100	- /-

Notes:

1. Appointed as Directors with effect from 28 May 2021.

2. Retired to act as Directors with effect from 28 May 2021.

Prior to each regular Board meeting, the management of the Company shall submit materials relevant to the affairs to be discussed in the meeting to the Board. Notice convening the regular Board meeting shall be sent to all Directors at least ten days before the meeting so that arrangements can be made to attend the meeting. Documents required for the Board meeting shall be sent to the Directors at least three days before the meeting, to ensure that enough time is given to the Directors to review the documents and get prepared for the meeting.

The Board meeting is chaired by the chairman to ensure that sufficient time is allocated to the consideration and discussion of each matter in the agenda and each Director is given an equal opportunity to speak. In addition, the Board are given an opportunity to include matters in the agenda. Minutes of Board meetings and meetings of Board committees record detailed concerns raised by Directors and dissenting views expressed. Minutes of Board meetings and meetings of Board committees would be kept by secretary and such minutes are opened for inspection at any reasonable time on reasonable notice by any Director.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee but a Board meeting would be held. Independent non-executive Directors have no material interest in the transaction would be present at such Board meeting.

Code Provision A.2.7 provides that the chairman should at least annually hold one meeting with the non-executive directors (including independent non-executive directors) without the executive directors' present. The chairman has delegated the secretary of the Board to gather any concerns and/or questions that the non-executive Directors and the independent non-executive Directors might have and to report to him so that the chairman will arrange a meeting with them.

Every newly-appointed Director would receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment, and subsequently continuous briefing and professional development would be arranged to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. All Directors are encouraged by the Group to participate in continuous professional development to develop and refresh their knowledge and skills. On 16 August 2021, the Company invited the Hong Kong legal adviser to conduct thematic training in relation to the directors' responsibilities and the Listing Rules, in which all Directors attended. In addition, all Directors have read latest development of the Company's business or directors' duties and responsibilities and the Listing Rules as well as other applicable regulatory requirements.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to the Articles of Association, Directors shall be subject to election at the Company's general meetings with a term of office of three years and may be re-elected. The Company has implemented a set of effective procedures for the appointment of new Directors. The Nomination Committee shall, in accordance with provisions of the relevant laws and regulations and the Articles of Association, take into account the practical situations of the Company, consider the selection criteria, selection procedures and terms of office of the Directors, and record and submit the resolutions to the Board for approval. All newly nominated Directors are subject to election and approval at general meetings.

All Directors have been elected for a term of three years at the annual general meeting of the Company held on 28 May 2021. All Directors shall be eligible for election at the 2024 annual general meeting of the Company.

BOARD COMMITTEE

The Board has established four committees. Each committee has its terms of reference, including the review of matters of extraordinary nature, giving suggestions to the Board and making decisions on behalf of the Board relating to such matters when appropriate.

(1) Audit Committee

The audit committee of the Board is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for the communication, supervision and inspection of internal and external audit.

After our listing, the Company has been in full compliance with the requirements of Rule 3.21 of the Listing Rules.

In 2021, the audit committee comprises of five members, all of which are non-executive Director or independent non-executive Director. Any former partner of KPMG should be prohibited from acting as a member of the audit committee. Pursuant to the Listing Rules, a member of independent director specializing in accounting will be the chairman of the audit committee who will be in charge of the work of the committee. The committee now comprises of the following members:

Mr. Xu Rong *(Chairman)*
Mr. Wang Jiheng
Mr. Wang Guanghua
Mr. Zhang Feifu
Mr. Tan Chong Huat (appointed on 28 May 2021)
Mr. Shi Yuchen (retired on 28 May 2021)
Mr. Han Qinchun (retired on 28 May 2021)

The principal duties of the audit committee are: (a) to suggest recruiting or changing external audit organization; (b) to supervise the internal audit system of the Company and its implementation; (c) to facilitate the communication between internal audit and external audit; (d) to review the financial information of the Company and its disclosure; (e) to inspect the internal control system of the Company and to audit major connected transactions; (f) to develop and implement policy on the engagement of an external auditor to supply non-audit service; (g) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit committee would discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; (h) to monitor integrity of financial statements and the annual reports of the Company and accounts, half-year reports and to review significant financial reporting judgments contained in them. In this regard, in reviewing the relevant statements and reports before the submission of the Company's annual reports and accounts, half-year reports to the Board, the committee would focus particularly on: (i) any changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from audit; (iv) the going concern assumptions and any qualifications; (v) compliance with accounting standards; (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting; (vii) members of the committee would liaise with the Board, senior management of the Company and the qualified accountant and the committee must meet, at least once a year, with the Company's auditors; and (viii) the committee would consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the qualified accountant, compliance adviser and auditors; (i) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system; (j) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response; (k) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function; (l) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response; (m) to report to the Board on the matters set out in Code Provision C.3.3; and (n) to be responsible for other matters as authorized by the Board of the Company.

The terms of reference of audit committee are kept at the registered office of the Company and have been published on the Company's website for reference.

The audit committee has been provided with sufficient resources to discharge its duty. Details of audit committee meetings held during the year are as follows:

Director	**Number of audit committee meetings in 2021**	**Number of meetings that member of committee attended**	**Attendance (%)**
Mr. Xu Rong *(Chairman)*	2	2	100
Mr. Wang Jiheng	2	2	100
Mr. Wang Guanghua	2	2	100
Mr. Zhang Feihu	1	1	100
Mr. Tan Chong Huat (appointed on 28 May 2021)	1	1	100
Mr. Shi Yuchen (retired on 28 May 2021)	1	1	100
Mr. Han Qinchun (retired on 28 May 2021)	1	1	100

In 2021, two meetings of the audit committee were held. On 18 March 2021, the audit committee reviewed the audited results announcement for the year ended 31 December 2020. On 16 August 2021, the audit committee reviewed the Company's interim report for the year 2021. In addition, the audit committee had reviewed the financial statements for the year ended 31 December 2021 before the announcement of the Company's annual results. During the discussion, the audit committee had reviewed key areas in which management's judgment applied for adequate provision and disclosure, and internal control policies.

(2) Strategic Committee

The strategic committee of the Board is a body specifically set up by the Board according to the resolution of the general meeting and shall mainly be responsible for conducting research and giving advice regarding the long-term development strategies and material investment decisions of the Company.

For the year ended 31 December 2021, the strategic committee comprises of six members, with at least one independent non-executive Director pursuant to the implementation measure. The committee now comprises of the following members:

Mr. Zeng Xiangxin *(Chairman)*
Mr. Xing Jiangze
Mr. He Chengqun (appointed on 28 May 2021)
Mr. Dai Weitao (appointed on 28 May 2021)
Mr. Wu Liming (appointed on 28 May 2021)
Mr. Wang Guanghua
Mr. Chen Jianzheng (retired on 28 May 2021)
Ms. Zhou Xing (retired on 28 May 2021)
Mr. Wang Leo (retired on 28 May 2021)
Mr. Han Qinchun (retired on 28 May 2021)

The principal duties of the strategic committee in strategic and investment planning are: (a) to conduct research and make suggestions concerning the long-term development strategic plans of the Company; (b) to conduct research and make suggestions concerning the material investment and financial proposals which are subject to the approvals of the Board and the general meeting pursuant to the Articles of Association; (c) to conduct research and make suggestions concerning the material capital management and assets management projects which are subject to the approvals of the Board and the general meeting pursuant to the Articles of Association; (d) to conduct research and make suggestions concerning other significant events that influence the development of the Company; (e) to carry out inspection concerning the implementation of the above matters; and (f) to be responsible for other matters as delegated by the Board.

With reference to the amendment made in the Implementation Rules of the strategic committee on 16 February 2022, the strategic committee enhanced the principal duties in environmental, social and governance, which are: (i) to review and give advices on the Company's vision, goals, and strategies for its environmental, social and governance matters; (ii) to review the Company's policies and strategies for environmental, social and governance matters to ensure its compliance with relevant laws, regulations and standards; (iii) to review and assess the Company's risks and opportunities arising from its environmental, social and governance matters; (iv) to review and assess the adequacy and effectiveness of the Company's environmental, social and governance structure; (v) to review and give advices on the Company's environmental, social and governance reports; and (vi) other matters authorized by the Board.

No strategic committee meeting was held in 2021.

(3) Nomination Committee

The nomination committee of the Board is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for making suggestions regarding the selection of the Directors and managers of the Company, choosing and making suggestions relating to the selection standards and procedures.

The nomination committee comprises of the following members, a majority of which are independent non-executive Directors:

Mr. Wang Guanghua *(Chairman)*
Mr. Wang Jiheng
Mr. Zeng Xiangxin
Mr. Xu Rong
Mr. Wang Guanran (appointed on 28 May 2021)
Mr. Han Qinchun (retired on 28 May 2021)

The main duties of the nomination committee include: (a) making recommendations to the Board on the Board's scale and composition in accordance with the operating activities, scale of assets and shareholding structure of the Company; (b) studying the criteria and procedures for the election of Directors and management personnel and making recommendations to the Board thereon; (c) seeking for the right candidates for the position of Directors and management personnel; (d) reviewing the candidates for the position of Directors and management personnel and making recommendations thereon; (e) reviewing other senior management proposed to be appointed by the Board and making recommendations thereon; and (f) undertaking other tasks as delegated by the Board.

The terms of reference of nomination committee have been published on the Company's website.

The nomination committee would hold a meeting to discuss the appropriateness of the candidates and consult the chairman about their proposals relating to the nomination of other executive Directors and have access to professional advice if considered necessary. The criteria for selection include professional qualification, industrial experience and academic background.

Written notice of the intention to nominate a candidate together with the respective resume would be delivered to the Board for its consideration and approval.

In 2021, two meetings of the nomination committee were held to (i) review the structure, size and diversity of the Board; (ii) assess and confirm the independence of the independent non-executive Directors; (iii) consider the re-appointment of retiring directors at the annual general meeting of the Company; and (iv) review the board diversity policy of the Company; and to recommend the appointment of 7th Session of the Board. Attendance of individual members of the nomination committee to the committee meeting in 2021 are as follows:

Director	**Number of Nomination committee meetings in 2021**	**Number of meetings that member of committee attended**	**Attendance (%)**
Mr. Wang Guanghua *(Chairman)*	2	2	100
Mr. Wang Jiheng	2	2	100
Mr. Zeng Xiangxin	2	2	100
Mr. Xu Rong	2	2	100
Mr. Wang Guanran (appointed on 28 May 2021)	—	—	—
Mr. Han Qinchun (retired on 28 May 2021)	2	2	100

(4) Remuneration and Review Committee

The remuneration and review committee is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for formulating the review criteria of and conducting review for the Directors and senior management of the Company, as well as formulating and reviewing their remuneration packages and proposals. It is accountable to the Board. The committee would be provided with sufficient resources to discharge its duty.

In 2021, the remuneration and review committee comprises of three independent non-executive Directors and two executive Directors. The members of the committee are as follows:

Mr. Wang Jiheng *(Chairman)*
Mr. Wang Guanghua
Mr. Zeng Xiangxin
Mr. Xu Rong
Mr. He Chengqun (appointed on 28 May 2021)
Mr. Han Qinchun (retired on 28 May 2021)

The main duties of the remuneration and review committee include: (a) formulating and making recommendation to the Board on policy and structure for remuneration packages or proposals according to the major areas, duties and importance of the management position of Directors and senior management and the remuneration for relevant positions of other relevant enterprises; (b) establishing criteria, procedures and major assessment system for performance assessment and major proposals and systems for awards and punishments; (c) reviewing the performance of duties and conducting annual performance assessment of the Company's Directors and senior management; (d) monitoring the implementation of the Company's remuneration system; and (e) undertaking other tasks as delegated by the Board.

Moreover, the remuneration and review committee has to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

Besides, the remuneration and review committee would review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

The remuneration and review committee will also ensure that none of the Directors or any of their associates is involved in deciding his own remuneration.

The remuneration and review committee makes available its terms of reference, explaining its role and the authority delegated to the Company by the Board, and copies of its terms of reference are kept at the registered office and has been published on the Company's website.

In 2021, one meeting of the remuneration and review committee was held. Attendance of individual members of the remuneration and review committee to the committee meeting in 2021 are as follows:

Director	Number of remuneration and review committee meetings in 2021	Number of meetings that member of committee attended	Attendance (%)
Mr. Wang Jiheng *(Chairman)*	1	1	100
Mr. Wang Guanghua	1	1	100
Mr. Zeng Xiangxin	1	1	100
Mr. Xu Rong	—	—	—
Mr. He Chengqun (appointed on 28 May 2021)	—	—	—
Mr. Han Qinchun (retired on 28 May 2021)	1	1	100

The remuneration and review committee had considered the annual salary review as well as bonus plan of Directors and senior management for 2021.

Breakdown of the Directors' and the supervisors' remuneration for the year ended 31 December 2021 is set out in note 9 to the financial statements

BOARD DIVERSITY POLICY

Purpose

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Directors of the Company will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender and age) will be disclosed in the annual report of the Company.

Monitoring and Reporting

The nomination committee of the Company will review annually the Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors. The Company has made specific enquiry to all Directors and supervisors, who have confirmed that they have complied with the Model Code in 2021.

The Board has established written guidelines for employees who are likely to possess unpublished inside information in respect of their dealings in the securities of the Company.

CHAIRMAN AND PRESIDENT

Mr. Zeng Xiangxin is the chairman of the Company and Mr. He Chengqun is the president of the Company. The roles of the chairman and president are served by different individuals to achieve a balance of authority and power. The main responsibility of the chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. According to Article145 of the Articles of Association of the Company, currently, the management executive committee of the Company (the "Management Executive Committee") exercises the operation and management rights of the Company (including the whole or part of the powers of the president of the Company). The president, supported by the Management Executive Committee, is responsible for the day-to-day management of the Group's business and determining and implementing operational decisions.

MANAGEMENT FUNCTIONS

The Board is responsible for formulating and executing the operation plans and management decisions of the Company as well as establishing the overall strategic direction. When the Board delegates its management functions to the management, clear directions will be given and management will report to the Board on regularly basis. The Board reserves most of the powers and delegates routine duties to management including bank loan arrangement. There would be a periodic review of the arrangement. Management must obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

COMPANY SECRETARY

The Company has engaged in a service contract with an external service provider, Mr. Chui Man Lung Everett, who was appointed as the company secretary of the Company (the "Company Secretary"). Mr. Xing Jiangze, the executive Director, is the primary corporate contact person of the Company with the Company Secretary. Being the Company Secretary, Mr. Chui Man Lung Everett plays an important role in supporting the Board by ensuring good information flow within the Board and that the Board policies and procedures are followed. Mr. Chui Man Lung Everett is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of Directors.

During the year, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING

Management provides financial information with explanation to the Board to assist the Board in assessing the financial position of the Company. Financial statements are the responsibilities of Directors. The Board has to present a balanced, clear and understandable assessment which extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

The reporting responsibilities of KPMG, the international auditors, are stated in the Auditor's Report on pages 58 to 66 of the annual report.

There was no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Board has taken the same view as that of the audit committee in relation to the appointment of KPMG as international auditors of the Company.

AUDITORS' REMUNERATION

During the year, the fees charged for all audit services including review of interim financial statements amounted to approximately RMB6,448,000.

INTERNAL AUDIT

The Company has an internal audit function. The task of internal audit of the Company during the year has been performed by the internal auditor. The internal auditor is neither affiliated with the employees nor external auditor of the Company in order to enhance objectivity, creditability and independence and it reports to the audit committee directly.

The internal auditor submitted an assessment report to the audit committee and the Board. During the year ended 31 December 2021, the Board was of the view that the key areas of the Company's internal control and risk management systems had been reasonably implemented and considered sound and effective.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring the risk management and internal control systems of the Group remain sound and effective. The tasks of risk management and internal control of the Company during the year has been performed by the internal auditor of the Company. The internal auditor is neither affiliated with the employees nor our external auditor of the Company in order to enhance objectivity, creditability and independence. The internal auditor provided a review report to the Board that the risk management and internal control systems of the Company remains sound and effective throughout the year.

During the year, the Board conducted a review of the adequacy and effectiveness of the risk management and internal control systems of the Group by reviewing the work of the internal audit department, the Group's external auditors, and regular reports from management. Such review covers all material controls, including financial, operational and compliance controls and risk management functions. During the year ended 31 December 2021, the Board considered the risk management and internal control systems of the Group effective and adequate and complied with the code provisions of the Corporate Governance Code, and any recommendations put forward in the report will be follow up by the Group to ensure that they are implemented within a reasonable time.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures. Every senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the secretary of the board, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding recurrence.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company highly values its relationship with its investors and shareholders. It maintains amicable relationship with investors, fund managers and shareholders through one-on-one meetings, road shows, seminars and on-site inspection by investors, thereby allowing investors to have a better understanding of the Company's financial position, production operations, management decisions, overall strategic directions and latest development.

CHANGE IN CONSTITUTIONAL DOCUMENTS

In 2021, to further enhance the corporate governance of the Company, the board of the Company proposed to revise the meaning of "senior management" of the Company and shorten the notice of general meetings as stated in the Articles of Association. The amendments were duly passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 17 January 2022. For details of the amendment to the Articles of Association, please refer to the circular of the Company dated 31 December 2021. Save as disclosed above, there was no change in the Articles of Association during the year ended 31 December 2021.

The Articles of Association is available on the websites of the Stock Exchange and the Company.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on every substantial matters, including the election of individual directors, for shareholders' consideration and voting. Furthermore, the Company regards the annual general meeting as an important event and Directors, chairman of each board committee, senior management and external auditors make an effort to attend the annual general meetings of the Company to address the shareholders' queries. All resolutions proposed at shareholders' meetings will be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/lingbao) on the same day of the relevant general meetings.

Procedures for shareholders to propose a general meeting

1. Two or more shareholders holding a total of ten percent (inclusive) or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary shareholders' general meeting or a meeting of shareholders of different series and stating the subject of the meeting. The Board shall convene the shareholders' general meeting or the meeting of shareholders of different series as soon as possible after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made.

2. If the Board fails to issue a notice of such a meeting within 30 days after receipt of the written notice aforesaid, then the shareholders who made such request may themselves convene such meeting 4 months since after the Board's receipt of the request. The procedures to convene shall, to the extent possible, be identical to the procedures the Board convenes the general meetings.

When shareholders convene and hold a meeting because the Board failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent Directors.

Procedures for Shareholders to make Proposals at the General Meeting

When the Company is to hold an annual general meeting, shareholders who individually or jointly hold five percent (inclusive) and more of the total number of the Company's voting shares shall be entitled to propose motions in writing to the Company. The Company shall include in such meeting's agenda the matters which fall within the functions and powers of general meetings.

Procedures and Contact Details for Making Enquiries

1. Deliver their verbal enquiries to the Board members, chairman of Board committees or their delegates, appropriate management executives or auditors who attend the Company's annual general meeting; or

2. Make enquiries to the Company through the following means:

   By post: The secretary office of the Board, Hangu Road and Jingshan Road intersection, Lingbao, Henan Province, the PRC

   By tel: +86 398 8860166

REPORT OF THE SUPERVISORY COMMITTEE

1. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

In 2021, three supervisory committee meetings were held by the supervisory committee.

2. INDEPENDENT WORK REPORT OF THE SUPERVISORY COMMITTEE

In 2021, aiming at protecting the interest of the Company and the shareholders, the supervisory committee of the Company seriously performed its duties in accordance with the Company Law of the PRC ("Company Law"), Securities Law, Listing Rules and other relevant rules and regulations and the Articles of Association, comprehensively monitored aspects such as the Company's capital operation, operating management, financial position and the fulfillment of obligations by senior management. After a serious review, members of the committee unanimously agreed to the following:

i. Legal Compliance of the Company's Operations

The supervisory committee of the Company conscientiously carried out various resolutions according to the relevant resolutions in general meetings, during which its decision-making procedures were in compliance with the relevant requirements of the Company Law, Listing Rules and the Articles and Association. It also strictly implemented the rules and systems for internal control, project investment management approach, connected transactions, resources purchase and project tendering management. None of the officers, including directors and managers, were aware of any violations of the laws, regulations and Articles of Association or any act which would prejudice the Company's interests.

ii. Inspection of the Financial Status of the Company

In 2021, the supervisory committee reviewed the financial system and position of the Company and considered that the financial report of the Company for 2021 truly reflected its financial position and operating results.

iii. External Guarantees

The Company did not have any additional external guarantees for the year ended 31 December 2021.

The Directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2021.

PRINCIPAL PLACE OF BUSINESS

Lingbao Gold Group Company Ltd. is a company incorporated and domiciled in the PRC and has its registered office at Hangu Road and Jingshan Road intersection, Lingbao, Henan Province, the PRC and its principal place of business in Hong Kong at Unit 1104, 11/F., Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the mining, processing, smelting and sales of gold and other metallic products in the PRC. Further details regarding the Group's principal activities are disclosed in note 36 to these financial statements.

BUSINESS REVIEW

A review of the Group's business during the reporting period is provided in the "Chairman's Statement" on pages 12 to 16 and the "Management Discussion & Analysis" on pages 17 to 28 of this annual report. Description of the risks and uncertainties that the Group may face can be found in the "Management Discussion & Analysis" on page 27 in this annual report. The financial risk management of the Group are also set out in the note35 to the financial statements and the financial highlights of the Group are set out on pages 4 to 5 in this annual report.

EVENT AFTER THE REPORTING PERIOD

Reference is made to the Company's announcements dated 11 November 2021, 12 November 2021, 2 December 2021, 29 December 2021 and 30 December 2021, and circulars dated 31 December 2021. The Company and 達仁投資管理集團股份有限公司 (D&R Asset Management Group Co. Ltd.*) ("the Subscriber") entered into the Subscription Agreement on 11 November 2021 (after trading hours)), pursuant to which the Company has conditionally agreed to issue and allot, and the Subscriber has conditionally agreed to subscribe for, 319,772,164 H Shares, representing approximately 37.0% of the issued share capital of the Company as at 11 November 2021 and approximately 27.0% of the enlarged share capital of the Company after completion of the Subscription, at the subscription price of HK$0.85 per H Share. The Subscriber is a substantial shareholder of the Company holding 185,339,000 Domestic Shares representing approximately 21.4% of the total number of issued shares as at 11 November 2021. The aggregate nominal value of the Subscription Shares to be issued, with a par value of RMB0.20 each, will be RMB63,954,432.80 (equivalent to approximately HK$77,384,863.70). As the Subscriber is a substantial shareholder of the Company and therefore a connected person of the Company, the Subscription constitutes a connected transaction for the Company.

Subject to the conditions precedent to the Subscription, the Subscription Shares will be issued and allotted to the Subscriber (the Subscriber may conduct the subscription by the Subscriber itself and/or an entity wholly controlled and/or managed by it to facilitate settlement of the Subscription Shares) on the Completion Date (such date as may be notified by the Company to the Subscriber within the validity period of the China Securities Regulatory Commission approval and upon fulfilment of the conditions precedent under the Subscription Agreement (or such other date as the Company and the Subscriber may agree in writing)).

The Company obtained the approval of independent shareholders to proceed with the subscription and issuance of the Company's H shares under specific mandate to the Subscriber pursuant to the adjourned extraordinary general meeting, the adjourned domestic shareholders class meeting and the adjourned H shareholders class meeting held on 17 January 2022.

It is expected that the gross proceeds from the Subscription will be approximately HK$271.8 million and the net proceeds from the Subscription will be not less than approximately HK$265.6 million (after deduction of expenses of the Subscription). The estimated net subscription price for each Subscription Share will be approximately HK$0.83. The Company expects to apply the net proceeds from the Subscription for (i) the financing of the deep exploration of Henan Lingjin No. 1 Mine; (ii) the financing of the construction and setting up of cyanide-containing sewage desalination facilities; and (iii) general working capital of the Group.

Save as disclosed above and in note 39 to the consolidated financial statements, there is no significant event subsequent to 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's continuing operations sales and purchases attributable to the major customers and suppliers respectively during the current financial year is as follows:

	Percentage of the Groups' total	
	Sales	**Purchases**
The largest customer	77.95%	
Five largest customers in aggregate	82.99%	
The largest supplier		14.29%
Five largest suppliers in aggregate		44.81%

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The financial results of the Group for the year ended 31 December 2021 and the financial position of the Group as at that date are set out in the financial statements on pages 67 to 161 of the annual report.

DIVIDEND

At the Board meeting held on 15 March 2022, the Directors do not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 14 to the financial statements.

RESERVES

Details of the movements in reserves of the Company during the year are set out in note 33(a) to the financial Statements. The Company's reserves available for distribution to shareholders as at 31 December 2021 is RMB967,349,000. (2020: RMB1,043,315,000).

SHARE CAPITAL

As at the date of this report, there was a total of share capital of 864,249,091 shares of the Company which includes:

	Number of shares	Approximate percentage of total share capital
Domestic shares	566,975,091	65.60%
H Shares	297,274,000	34.40%
Total	864,249,091	100.00%

Details of the movements in share capital of the Company during the year are set out in note 33(a) to the financial statements.

EQUITY-LINKED AGREEMENT

No equity-linked agreements were entered into by the Company during the reporting period.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

MANAGEMENT CONTRACTS

Other than the directors' service contracts, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company for the year ended 31 December 2021 and up to the date of this report are as follows:

Directors

Executive Directors

Mr. Zeng Xiangxin *(Chairman)*
Mr. Xing Jiangze *(Vice-Chairman)*
Mr. He Chengqun *(President)* (appointed on 28 May 2021)
Mr. Dai Weitao (appointed on 28 May 2021)
Mr. Wu Liming (appointed on 28 May 2021)
Mr. Chen Jianzheng (retired on 28 May 2021)
Ms. Zhou Xing (retired on 28 May 2021)

Non-executive Directors

Mr. Zhang Feihu
Mr. Wang Guanran (appointed on 28 May 2021)
Mr. Shi Yuchen (retired on 28 May 2021)
Mr. Wang Leo (retired on 28 May 2021)

Independent Non-executive Directors

Mr. Wang Jiheng
Mr. Wang Guanghua
Mr. Xu Rong
Mr. Tan Chong Huat (appointed on 28 May 2021)
Mr. Han Qinchun (retired on 28 May 2021)

Supervisors

Mr. Chen Jianzheng *(Chairman)* (appointed on 28 May 2021)
Mr. Yang Shilei
Mr. Guo Xurang
Mr. Zhao Bingbing
Mr. Liu Haotian (appointed on 28 May 2021)

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, supervisors and senior management of the Company are set out on pages 29 to 33 of the annual report.

HIGHEST PAID INDIVIDUALS

During the year, the relevant information of the five individuals with the highest remuneration in the Group is disclosed in note 10 to the financial statements. All are Directors and supervisors of the Company.

REMUNERATION

The Company has a remuneration committee to formulate compensation policies and determine and manage the compensation of the Company's Directors and senior management with reference to their duties, responsibilities, performance and results of the Group.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and supervisors has entered into a service contract with the Company until the expiry of the term of 7th Session of the Board on 28 May 2024.

Under these deeds, no remuneration is payable to the supervisors.

No Director or supervisor has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

The Company has arranged for an appropriate insurance cover for Directors' and senior management's liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when the Directors' report is approved in accordance with section 391(1)(a) of the Companies Ordinance.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 December 2021, the following Directors or chief executives of the Company or his associates had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Name and Position	Class of shares	Nature of Interest	Number of Shares held	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total issued H share capital	Approximate percentage of the total share capital
Mr. Wang Guanran	Domestic Shares	Interest of controlled corporation	185,339,000 (L) *(note 2)*	32.69%	–	21.45%
	H Shares	Interest of controlled corporation	319,772,164 (L) *(note 3)*	–	107.57%	37.00%

Notes:

1. "L" represents long position in Shares/underlying Shares and "S" represents short position in Shares.

2. This represents the interests in 185,339,000 domestic shares of the Company directly held by D&R Investment. D&R Investment is majority-owned as to approximately 52.26% by Beijing Jiesi Weiye Co., Ltd (北京傑思偉業控股有限公司), which in turn is majority-owned as to approximately 93.04% and 6.96% by Mr. Wang Guanran and two limited liability partnerships whose general partner is Mr. Wang Guanran, respectively. D&R Investment is also directly owned as to approximately 5.79% by Mr. Wang Guanran.

3. This represents the interests in 319,772,164 H shares of the Company directly held by D&R Investment. D&R Investment is majority-owned as to approximately 52.26% by Beijing Jiesi Weiye Co., Ltd (北京傑思偉業控股有限公司), which in turn is majority-owned as to approximately 93.04% and 6.96% by Mr. Wang Guanran and two limited liability partnerships whose general partner is Mr. Wang Guanran, respectively. D&R Investment is also directly owned as to approximately 5.79% by Mr. Wang Guanran. On 11 November 2021, the Company and D&R Investment entered into the subscription agreement and D&R Investment has conditional agreed to subscribe for 319,772,164 H shares. For more details, please refer to the circular of the Company dated 31 December 2021. Each of the resolutions proposed on the Extraordinary General Meeting, Domestic shareholders class meeting and H shareholders class meeting held on 17 January 2022 were duly passed. Further announcement(s) in relation to the progress of the above subscription will be made in compliance with the Listing Rules and other relevant requirements in the PRC as and when appropriate.

Save as disclosed above, as at 31 December 2021, and to the best knowledge of the Directors and chief executives of the Company, no person had any interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES OF THE COMPANY

As at 31 December 2021, so far as was known to the Directors, the following person, other than the Directors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Class of shares	Nature of Interest	Number of Shares held	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total issued H share capital	Approximate percentage of the total share capital
D&R Asset Management Group Company Limited (達仁投資管理集團股份有限公司) ("D&R Investment")	Domestic Shares	Beneficial owner	185,339,000 (L)	32.69%	–	21.45%
	H Shares	Beneficial owner	319,772,164 (L) *(note 2)*	–	107.57%	37.00%
Beijing Jiesi Weiye Co., Ltd (北京傑思偉業控股有限公司) *(note 3)*	Domestic Shares	Interest of controlled corporation	185,339,000 (L)	32.69%	–	21.45%
	H Shares	Interest of controlled corporation	319,772,164 (L) *(note 2)*	–	107.57%	37.00%
Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司)	Domestic Shares	Beneficial owner	73,540,620 (L)	12.97%	–	8.50%
Shanghai Zhengxi Investment Management Partnership (Limited Partnership) (上海正禧投資管理合夥企業(有限合夥))	Domestic Shares	Beneficial owner	57,000,000 (L)	10.05%	–	6.60%

Notes:

1. "L" represents long position in Shares/underlying Shares and "S" represents short position in Shares.

2. On 11 November 2021, the Company and D&R Investment entered into the subscription agreement and D&R Investment has conditional agreed to subscribe for 319,772,164 H shares. For more details, please refer to the circular of the Company dated 31 December 2021. Each of the resolutions proposed on the Extraordinary General Meeting, Domestic shareholders class meeting and H shareholders class meeting held on 17 January 2022 were duly passed. Further announcement(s) in relation to the progress of the above subscription will be made in compliance with the Listing Rules and other relevant requirements in the PRC as and when appropriate.

3. 52.26% of equity interest of D&R Investment is held by Beijing Jiesi Weiye Co., Ltd.

Save as disclosed above, according to the provisions of the SFO, as at 31 December 2021, so far as the Directors are aware, there are no other persons, other than the Directors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its jointly controlled entities was a party and in which the Directors or the supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (excluding the Directors' and supervisors' service contracts).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from disclosed under the paragraph headed "Directors and chief executive's interest in shares of the Company" above, at no time during the year was the Company, its subsidiaries or its jointly controlled entity, a party to any arrangement to enable the Directors and their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group under the Listing Rules.

CONNECTED TRANSACTIONS

The related party transactions during the year as disclosed in note 37 to the financial statements are de minimis transactions that are fully exempted from announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

Save as disclosed above and the Subscription Agreement as described under "Event After The Reporting Period" above, the Group had not entered into any connected transactions which are required to be disclosed in this annual report in compliance with the requirements of Chapter 14A of the Listing Rules during the year ended 31 December 2021. The Directors confirm that they have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2021 are mainly set out in note 28 to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB3,700,000 (2020: RMB910,000).

PRE-EMPTIVE RIGHTS

There are no provisions regarding pre-emptive rights under the Articles of Association of the Company and related laws of Hong Kong and the PRC, which would oblige the Company to issue new shares on pro-rata basis to the existing shareholders of the Company.

POLICY ON INCOME TAX

The Company and its subsidiaries basically paid PRC corporate income tax at a rate of 25% of its assessable profits according to the relevant laws and regulations in the PRC. Details of the Group's income tax information are disclosed in note 8 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20 April 2022 to Friday, 20 May 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents of shares accompanied by the relevant share certificates must be lodged with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office address of the Company at Hangu Road and Jingshan Road Intersection, Lingbao, Henan, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Tuesday, 19 April 2022.

PUBLIC FLOAT

Based on the publicly available information and the best of knowledge of the Directors, the Company has maintained sufficient public float at the latest practicable date prior to the issue of this report.

COMPLIANCE OF CODE OF CONDUCT

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provision set out in the code on Corporate Governance Code for any time from 1 January 2021 to 31 December 2021.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 162 of the annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Zeng Xiangxin
Chairman

Lingbao, Henan, the PRC
15 March 2022

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
Lingbao Gold Group Company Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Lingbao Gold Group Company Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 67 to 161, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Assessment of the Group's ability to continue as a going concern

Refer to note 1(b) to the consolidated financial statements.

The Key Audit Matter

At 31 December 2021, the Group had net current liabilities of RMB1,524 million, total bank and other borrowings of RMB3,543 million and capital commitments of RMB475 million.

The Group finances its operating and exploration and development activities using a combination of cash on hand, operating cash flows, which are generated mainly from the sales of gold, and borrowings.

Based on the cash flow forecasts of the Group, the Directors have concluded that the Group has adequate resources to remain in operation for at least one year from the date of the financial statements, and there are no material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

How the matter was addressed in our audit

Our procedures to assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern included the following:

- walking through the business planning process and assessing the design, implementation and operating effectiveness of management's key internal controls over the assessment of the Group's ability to continue as a going concern;
- comparing the future expected cash flows in management's cash flow forecast with the Group's business plan approved by the Board of Directors;
- evaluating the key assumptions adopted by management in the preparation of the cash flow forecast including,
    - o comparing future gold prices with gold futures contracts in the market;
    - o comparing forecast production quantities and future cost projections with historical information for the past two years;

KEY AUDIT MATTERS (continued)

Assessment of the Group's ability to continue as a going concern

Refer to note 1(b) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
We identified the assessment of the Group's ability to continue as a going concern as a key audit matter because the Group has recorded net current liabilities since 2015 which has increased the risk that the Group may not be able to continue to operate as a going concern and because the assessment of the Group's ability to continue as a going concern is dependent upon certain management assumptions and judgements, in particular in relation to future revenue from sales of gold and the ability of the Group to renew or obtain new bank facilities upon expiry of the existing bank facilities.	• comparing future expected cash flows with historical data and assessing whether any variations were consistent with our expectations based on our understanding of the Group's business; • considering the accuracy and reliability of past cash flow forecasts made by management by comparing them with the current year's results; • comparing the available bank facilities and arrangements to underlying documentation and assessing the impact of any covenants and other restrictive terms attached thereto; • assessing the Group's ability to renew or refinance existing banking and other financing facilities upon maturity by performing a retrospective review of past renewal or roll-over history of banking and other financing facilities in prior year and inspecting loan agreements or underlying documentation for bank loans and other financing facilities borrowed and repaid after the year end; and • assessing the sensitivities of the key assumptions adopted by management in the going concern assessment and considering whether management had incorporated any bias in the selection of such assumptions.

KEY AUDIT MATTERS (continued)

Potential impairment of exploration and evaluation ("E&E") assets

Refer to note 16 to the consolidated financial statements and the accounting policies on page 74 to 97.

The Key Audit Matter

The carrying value of E&E assets of the Group was RMB441 million as at 31 December 2021.

Annually, management assesses whether there are any indicators of impairment of the Group's E&E assets. Such indicators may include:

- expiry or relinquishment of exploration and evaluation licences;
- no expenditure for further exploration and evaluation in the specific area is planned or budgeted for;
- exploration and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and management has decided to discontinue activities in the area; and
- data exists to suggest that the carrying amount of the E&E assets is unlikely to be recovered in full from successful development of the resource or by sale of the related assets.

Where indicators of impairment are identified, the recoverable amounts of E&E assets are determined by management as the greater of the value in use and the fair value less cost of disposal of these E&E assets. Where projects are under development or in operation but the carrying value may not be fully recoverable, discounted cash flow forecasts were prepared by the management.

How the matter was addressed in our audit

Our procedures to assess potential impairment of E&E assets included the following:

- establishing that the Group had the right to explore and had the relevant exploration licenses by inspecting underlying documentation including license agreements or correspondence with relevant government agencies;
- assessing the Group's intention to carry out exploration and evaluation activities in the relevant exploration area by inspecting the budgets and discussing the latest status and budgets in respect of each exploration license with senior management and the executive directors;
- considering whether the Group has the ability to finance its planned future exploration and evaluation activities by comparing budgets with the available financing facilities;
- identifying any fields where the Group's right to explore is either at or close to expiry and assessing the appropriateness of retaining the associated E&E costs as assets;
- where mineral reserve information was available, assessing the commercial viability of the related E&E assets by comparing the mineral reserve information for the relevant area and the market price of the mineral products (primarily gold) with management's expectations as determined in their latest forecasts;

KEY AUDIT MATTERS (continued)

Potential impairment of exploration and evaluation ("E&E") assets

Refer to note 16 to the consolidated financial statements and the accounting policies on page 74 to 97.

The Key Audit Matter

We identified the potential impairment of E&E assets as a key audit matter because the review of impairment indicators requires management to exercise judgement and because the impairment assessments prepared by management are complex and contain certain judgements and assumptions, particularly in respect of future product prices, the long-term growth rates and the discount rates applied, which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

- where indicators of impairment were identified, we assessed whether management had made provisions for impairment for the projects that were not expected to proceed or had prepared discounted cash flow forecasts where the projects are under development or in operation but the carrying value may not be fully recoverable;
- where discounted cash flow forecasts were prepared by management, our procedures to assess the potential impairment of E&E assets included the following;
- comparing data in the discounted cash flow forecasts to relevant data, including future revenue, future cost of sales and other operating expenses, with the budgets which were approved by the Board of Directors;
- with the assistance of our internal valuation specialists, assessing whether the discount rates applied in the discounted cash flow forecasts were within the range adopted by other companies in the same industry;
- comparing the long-term growth rates adopted in the discounted cash flow forecasts with those of comparable companies and external market data;
- comparing the future price of products as adopted in the discounted cash flow forecasts with the market prices for the relevant commodity futures contracts; and
- obtaining from management sensitivity analyses of the key assumptions, including future gold prices, future production quantities and future gross profit margins, adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias.

KEY AUDIT MATTERS (continued)

Impairment assessment of intangible assets, construction in progress ("CIP") and property, plant and equipment ("PP&E") of Full Gold

Refer to notes 14, 15, 16 to the consolidated financial statements and the accounting policies on page 74 to 97.

The Key Audit Matter

Due to the under-performance of a cash-generating unit ("CGU"), Full Gold Mining Limited Liability Company ("Full Gold"), a subsidiary of the Group, which incorporated in and has operations in the Kyrgyz Republic, there is a risk that the value of the intangible assets, CIP and PP&E of Full Gold may not be recoverable in full through the future cash flows to be generated from its mining operations or from disposal of these assets.

Full Gold held intangible assets (excluding exploration and evaluation assets) totalling RMB82 million, CIP totalling RMB25 million and PP&E totalling RMB171 million as at 31 December 2021.

The recoverable amount of the cash generating unit which included Full Gold was determined by management as the greater of the value in use and the fair value less cost of disposal of the assets of Full Gold. A discounted cash flow forecast was prepared by management to determine the value in use.

We identified the impairment assessment of the intangible assets, CIP and PP&E of Full Gold as a key audit matter because the impairment assessment prepared by management is complex and contains certain judgements and assumptions, particularly in relation to future gold prices, the long -term growth rate and the discount rate applied, which are inherently uncertain and may be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of the intangible assets, CIP and PP&E of Full Gold included the following:

- engaging our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards;
- comparing the future gold prices used in the discounted cashflow forecast with gold futures contract prices in the market;
- comparing data in the discounted cashflow forecast with the relevant data, including future revenue, future cost of sales and future other operating expenses, in the budget which was approved by the Board of Directors;
- comparing the revenue and operating costs included in discounted cashflow forecast prepared in the prior year with the current year's performance of Full Gold to assess how accurate the prior year's discounted cashflow forecast was and making enquiries of management as to the reasons for any significant variations identified;
- with the assistance of our internal valuation specialists, assessing whether the discount rate applied in the discounted cashflow forecast was within the range adopted by other companies in the same industry;

KEY AUDIT MATTERS (continued)

Impairment assessment of intangible assets, construction in progress ("CIP") and property, plant and equipment ("PP&E") of Full Gold

Refer to notes 14, 15, 16 to the consolidated financial statements and the accounting policies on page 74 to 97.

The Key Audit Matter	How the matter was addressed in our audit
	• comparing the long-term growth rate adopted in the discounted cashflow forecast with those of comparable companies and external market data; and • obtaining from management sensitivity analyses of the key assumptions, including future gold prices, future production quantities and future gross profit margins, adopted in the discounted cashflow forecast prepared by management and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Yat Fo.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

15 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021 (Expressed in Renminbi Yuan)

	Note	**2021 RMB'000**	2020 RMB'000
Revenue	3	**5,330,611**	5,599,947
Cost of sales		**(4,742,801)**	(4,945,314)
Gross profit		**587,810**	654,633
Other revenue	4	**53,796**	76,431
Other net loss	5	**(41,212)**	(162,580)
Selling and distribution expenses		**(3,850)**	(5,507)
Administrative expenses and other operating expenses		**(291,218)**	(276,238)
Profit from operations		**305,326**	286,739
Finance costs	7(a)	**(138,548)**	(164,522)
Share of profits of associates		**6,089**	—
Profit before taxation	7	**172,867**	122,217
Income tax	8(a)	**(55,228)**	(64,896)
Profit for the year		**117,639**	57,321
Attributable to:			
Equity shareholders of the Company		**130,026**	89,700
Non-controlling interests		**(12,387)**	(32,379)
Profit for the year		**117,639**	57,321
Basic and diluted earnings per share (RMB cents)	13	**15.0**	10.4

The notes on pages 74 to 161 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021 (Expressed in Renminbi Yuan)

	Note	**2021** **RMB'000**	2020 RMB'000
Profit for the year		**117,639**	57,321
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**19,536**	50,678
Total comprehensive income for the year		**137,175**	107,999
Attributable to:			
Equity shareholders of the Company		**145,883**	130,812
Non-controlling interests		**(8,708)**	(22,813)
Total comprehensive income for the year		**137,175**	107,999

The notes on pages 74 to 161 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi Yuan)

	Note	**2021 RMB'000**	2020 RMB'000
Non-current assets			
Property, plant and equipment	14	**1,754,699**	1,363,827
Construction in progress	15	**422,633**	570,953
Intangible assets	16	**1,088,435**	669,732
Goodwill	17	**4,717**	4,717
Right-of-use assets	18	**118,505**	128,511
Interest in associates		**28,620**	22,531
Other financial assets	20	**4,520**	4,520
Investment deposits	21	**–**	9,400
Non-current prepayments	22	**14,294**	13,044
Deferred tax assets	23(b)	**323,612**	334,128
Other non-current assets		**8,000**	8,000
		3,768,035	3,129,363
Current assets			
Inventories	24(a)	**1,518,855**	1,779,200
Trade and other receivables, deposits and prepayments	25	**193,505**	162,705
Current tax recoverable	23(a)	**–**	7,279
Pledged deposits	26	**1,363,361**	1,394,329
Fixed deposits held at banks with maturity over three months		**–**	99,105
Cash and cash equivalents	27	**160,145**	132,709
		3,235,866	3,575,327
Current liabilities			
Bank and other borrowings	28	**3,542,876**	3,760,615
Trade and other payables	29	**1,072,020**	1,073,211
Contract liabilities	30	**30,045**	2,778
Lease liabilities	31	**480**	1,895
Loan from shareholders	32	**40,000**	–
Current tax payable	23(a)	**74,671**	59,964
		4,760,092	4,898,463
Net current liabilities		**(1,524,226)**	(1,323,136)
Total assets less current liabilities		**2,243,809**	1,806,227

	Note	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Other payables	29	**484,955**	181,696
Lease liabilities	31	**3,157**	7,629
Deferred tax liabilities	23(b)	**7,501**	5,881
		495,613	195,206
NET ASSETS		**1,748,196**	1,611,021
CAPITAL AND RESERVES	33		
Share capital		**172,850**	172,850
Reserves		**1,756,181**	1,610,298
Total equity attributable to equity shareholders of the Company		**1,929,031**	1,783,148
Non-controlling interests		**(180,835)**	(172,127)
TOTAL EQUITY		**1,748,196**	1,611,021

Approved and authorised for issue by the Board of Directors on 15 March 2022.

Zeng Xiangxin
Executive director and chairman

Wu Liming
Executive director

The notes on pages 74 to 161 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021 (Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(note 33(b))*	**Share premium** RMB'000 *(note 33(a)(i))*	**PRC statutory reserves** RMB'000 *(note 33(c))*	**Exchange reserve** RMB'000 *(note 33(a)(iii))*	**Other reserve** RMB'000 *(note 33(a)(iv))*	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance at 31 December 2019	172,850	891,926	160,878	(38,637)	(858)	466,177	1,652,336	(149,314)	1,503,022
Changes in equity for 2020:									
Profit/(loss) for the year	–	–	–	–	–	89,700	89,700	(32,379)	57,321
Other comprehensive income	–	–	–	41,112	–	–	41,112	9,566	50,678
Total comprehensive income for the year	–	–	–	41,112	–	89,700	130,812	(22,813)	107,999
Appropriation of safety production funds	–	–	42,224	–	–	(42,224)	–	–	–
Utilisation of safety production funds	–	–	(42,224)	–	–	42,224	–	–	–
Balance at 31 December 2020	172,850	891,926	160,878	2,475	(858)	555,877	1,783,148	(172,127)	1,611,021
Balance at 31 December 2020	**172,850**	**891,926**	**160,878**	**2,475**	**(858)**	**555,877**	**1,783,148**	**(172,127)**	**1,611,021**
Changes in equity for 2021:									
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**130,026**	**130,026**	**(12,387)**	**117,639**
Other comprehensive income	**–**	**–**	**–**	**15,857**	**–**	**–**	**15,857**	**3,679**	**19,536**
Total comprehensive income for the year	**–**	**–**	**–**	**15,857**	**–**	**130,026**	**145,883**	**(8,708)**	**137,175**
Profit appropriation	**–**	**–**	**10,946**	**–**	**–**	**(10,946)**	**–**	**–**	**–**
Appropriation of safety production funds	**–**	**–**	**57,885**	**–**	**–**	**(57,885)**	**–**	**–**	**–**
Utilisation of safety production funds	**–**	**–**	**(57,885)**	**–**	**–**	**57,885**	**–**	**–**	**–**
Balance at 31 December 2021	**172,850**	**891,926**	**171,824**	**18,332**	**(858)**	**674,957**	**1,929,031**	**(180,835)**	**1,748,196**

The notes on pages 74 to 161 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021 (Expressed in Renminbi Yuan)

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation		**172,867**	122,217
Adjustments for:			
— Interest income	4	**(23,132)**	(36,664)
— Net realised and unrealised (gain)/loss on other financial instruments at fair value	5	**(13,955)**	20,832
— Share of profits of associates		**(6,089)**	—
— Net loss/(income) on disposal of property, plant and equipment and intangible assets	5	**1,004**	(330)
— Depreciation	7(b)	**204,391**	168,544
— Finance costs	7(a)	**138,548**	164,522
— Provision/(reversal) of impairment losses on:			
— Other receivables and prepayments	7(b)	**3,739**	2,305
— investment deposits	7(b)	**10,241**	9,400
— purchase deposits	7(b)	**(50)**	(318)
— property, plant and equipment	7(b)	**9,986**	56,431
— intangible assets	7(b)	**—**	1,550
— Amortisation of intangible assets	7(b)	**23,276**	20,220
— Write-down of inventories	24(b)	**23,480**	16,407
— Foreign exchange differences		**11,563**	(2,116)
Operating profit before changes in working capital		**555,869**	543,000
Decrease/(increase) in inventories		**231,462**	(329,449)
Increase in pledged deposits		**(1,378)**	(51,640)
Decrease/(increase) in fixed deposits held at banks with maturity over three months		**99,105**	(99,105)
(Increase)/decrease in trade and other receivables, deposits and prepayments		**(38,957)**	38,481
(Decrease)/increase in trade and other payables		**(155,683)**	317,255
Cash generated from operations		**690,418**	418,542
PRC income tax paid	23(a)	**(21,105)**	(41,108)
Net cash generated from operating activities		**669,313**	377,434

	Note	2021 RMB'000	2020 RMB'000
Investing activities			
Interest received		**24,294**	36,664
Proceeds from/(payment for) settlement of financial instruments		**14,968**	(20,598)
Payment for purchase of property, plant and equipment		**(56,542)**	(80,567)
Proceeds from disposal of property, plant and equipment		**2,683**	3,237
Payment for construction in progress		**(178,157)**	(194,313)
Payment for purchase of intangible assets		**(160,248)**	(59,269)
Payment for investment deposits	21	**(841)**	—
Proceeds from disposal of discontinued operations		**—**	20,277
Acquisition of subsidiary net of cash acquired		**—**	(81)
Net cash used in investing activities		**(353,843)**	(294,650)
Financing activities			
Proceeds from bank and other borrowings	27(b)	**4,261,048**	3,380,866
Repayment of bank and other borrowings	27(b)	**(4,470,366)**	(3,011,262)
Proceeds from loans from shareholders	27(b)	**90,000**	—
Repayment of a loan from shareholders	27(b)	**(50,000)**	—
Repayment of gold lease contracts	27(b)	**—**	(314)
(Payment for)/proceeds from interest swap settlement	27(b)	**(439)**	399
Interest paid for bank and other borrowings	27(b)	**(139,003)**	(166,326)
Interest paid for guarantees from shareholders		**(7,900)**	—
Pledged deposits collected/(placed) for borrowings	27(b)	**24,157**	(468,857)
Pledged deposits collected/(placed) for interest swap		**8,240**	(1,740)
Capital element of lease rentals paid	27(b)	**(3,201)**	(480)
Interest element of lease rentals paid	27(b)	**(339)**	(464)
Net cash used in financing activities		**(287,803)**	(268,178)
Net increase/(decrease) in cash and cash equivalents		**27,667**	(185,394)
Cash and cash equivalents at 1 January	27(a)	**132,709**	318,671
Effect of foreign exchange rate changes		**(231)**	(568)
Cash and cash equivalents at 31 December	27(a)	**160,145**	132,709

The notes on pages 74 to 161 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not effective for the current accounting period.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries and the Group's interest in an associate.

As at 31 December 2021, the Group had net current liabilities of RMB1,524 million, total bank and other borrowings of RMB3,543 million and capital commitments of RMB475 million. In view of these circumstances, the Directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2021, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities related to unsecured bank loans facilities of RMB706 million, ability to renew or refinance the banking facilities upon maturity and ability to adjust the scheduled capital commitments, the Directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at fair value as explained in the accounting policies set out below:

- Other investments in debt and equity securities (see note 1(f))

- Derivative financial instruments (see note 1(g))

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

Non-current assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)(iii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale.

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (k)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates (continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable (see note 1(k)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(k)(iii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(iii)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill (continued)

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in equity securities other than investments in subsidiaries and associates are as follows:

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 35(g). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(u)(iii)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments in debt and equity securities (continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other net (loss)/income in accordance with the policy set out in note 1(u)(ii).

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Property, plant and equipment and construction in progress

(i) Property, plant and equipment

Property, plant and equipment are initially stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(k)(iii)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)).

When proved and probable gold reserves have been determined, costs incurred to develop gold mines are capitalised as part of the cost of mining structures. All other expenditures, including the cost of repairs and maintenance and major overhaul, are expensed as they are incurred. Mining exploration costs, such as expenditures related to locating gold reserves and determining the economic feasibility and the costs of removing waste materials or "stripping costs" are expensed as incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment and construction in progress (continued)

(i) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment other than mining shafts, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	5–35 years
Machinery	4–30 years
Transportation equipment	4–8 years
Office and electronic equipment	4–12 years

Included in property, plant and equipment are mining shafts located at the mining sites. Depreciation is provided to write off the cost of mining shafts using the units of production method based on the proved and probable mineral reserves.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(ii) Construction in progress

Construction in progress represents buildings, various infrastructure projects under construction and equipment pending installation, and is recognised in the consolidated statement of financial position at cost less impairment losses (see note 1(k)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(x)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificate by the relevant authorities in the People’s Republic of China (the “PRC”).

No depreciation is provided in respect of the construction in progress.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)(iii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out below.

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses (see note 1(k)(iii)). The mining rights are amortised to profit or loss using the units of production method based on the proved and probable mineral reserves.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(ii) Exploration rights

Exploration rights are stated at cost less accumulated amortisation and impairment losses (see note 1(k)(iii)). The exploration rights are amortised to exploration and evaluation assets (see note 1(i)(iii)) on a straight-line basis over the estimated useful lives of one to three years.

(iii) Exploration and evaluation assets and mining development assets

Exploration and evaluation assets are stated at cost less impairment losses (see note 1(k)(iii)). Exploration and evaluation assets include exploration and development costs.

When it can be reasonably ascertained that a mining structure is capable of commercial production, exploration and development costs capitalised are transferred to mining development assets and amortised to profit or loss using the units of production method based on the proved and probable mineral reserves. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 1(k)(iii)), except for the following types of right-of-use asset:

— right-of-use assets that meet the definition of investment property are carried at fair value;

— right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

— right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(i) As a lessee (continued)

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see note 1(f)(i), 1(u)(iii) and 1(k)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(ii) As a lessor (continued)

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial assets measured at amortised cost

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to associates and joint ventures, which are held for the collection of contractual cash flows which represent solely payments of principal and interest).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

— failure to make payments on their contractually due dates;

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

— an actual or expected significant deterioration in the operating results of the debtor; and

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

Significant increases in credit risk (continued)

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial assets measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(u)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(k)(i) apply.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued (continued)

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— intangible assets;

— right-of-use assets;

— goodwill; and

— investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets (continued)

- *Recognition of impairment losses*
  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use (if determinable).

- *Reversals of impairment losses*
  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost using the effective interest method and including allowance for credit losses (see note 1(k)(i)).

Insurance reimbursement is recognised and measured in accordance with note 1(t).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(k)(i).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(u)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(x)).

(r) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

— (continued)

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue and other income (continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the goods.

(ii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(k)(i)).

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(v) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and consequently are recognised in profit or loss on a systematic basis over the useful life of the asset.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rate approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Asset acquisition (continued)

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Critical accounting judgements

Note 1(b) contains information about judgements made in concluding that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

Key sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Depreciation and amortisation of mining related assets and reserves estimates

As explained in notes 1(h) and 1(i), mining shafts, mining rights and mining development assets are depreciated and amortised using the units of production method based on the proved and probable mineral reserves.

Engineering estimates of the Group's gold reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There is a national standard set by the PRC Government regarding the engineering criteria that have to be met before estimated gold reserves can be designated as "proved and probable". Proved and probable gold reserve estimates are updated at regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable gold reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment losses. Depreciation rates are determined based on estimated proved and probable gold reserve quantity (the denominator) and capitalised costs of mining shafts and mining rights (the numerator). The capitalised cost of mining shafts and mining rights are amortised based on the units of gold produced.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(ii) Impairments

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, construction in progress, right-of-use assets, intangible assets, goodwill, investments in equity securities with no quoted price in an active market and investments in its subsidiaries, recoverable amount of these assets need to be determined. The recoverable amount is the greater of its fair value less costs to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining value in use, expected cash flows generated by these assets are discounted to their present value, which requires significant judgement relating to items such as level of sales volume, selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and the amount of operating costs.

In considering the impairment losses that may be required for trade and other receivables, the Group uses a provision of matrix to calculate ECLs for trade and other receivables. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the ageing of trade and other receivables, the payment history of the Group's individual customers, current market conditions and customer-specific conditions, all of which involve a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and of customer-specific conditions. The information about the ECLs and trade and other receivables are disclosed in notes 25 and 35(a). If the financial condition of the customers was to deteriorate, actual loss allowance would be higher than estimated.

(iii) Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. In estimating the net realisable value, future cashflows need to be determined. One of the key estimates that has to be made is about the future selling price, it is possible that the recent selling price is not indicative of the future selling price. Any increase or decrease in selling price would affect profit or loss in future years.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(iv) Depreciation

Other than the mining shafts, mining rights and mining development assets, property, plant and equipment and other intangible assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(v) Recognition of deferred tax assets

Deferred tax assets carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

3 REVENUE

The principal activities of the Group are mining, processing, smelting and sales of gold and other metallic products in the PRC.

Revenue represents the sales value of goods sold to customers, net of sales tax and value added tax.

(i) Disaggregation of Revenue

Disaggregation of revenue from contracts with customers by major products lines is as follow:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
— Sales of gold	**4,977,778**	5,285,893
— Sales of other metals	**277,133**	310,939
— Others	**92,967**	4,516
Less: Sales taxes and levies	**(17,267)**	(1,401)
	5,330,611	5,599,947

3 REVENUE (continued)

(i) Disaggregation of Revenue (continued)

All revenue was recognised at a point in time under HKFRS 15.

The Group has only one customer with whom transactions have exceeded 10% of the Group's revenues (2020: one). In 2021, revenues from sales of gold products to this customer amounted to approximately RMB4,913,037,000 (2020: RMB5,168,910,000) arose in the Henan Province, the PRC. Details of concentrations of credit risk arising from this customer are set out in note 35(a).

Further details regarding the Group's principal activities are disclosed in note 36 to these financial statements.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

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

4 OTHER REVENUE

	2021 RMB'000	2020 RMB'000
Interest income on financial assets measured at amortised cost	**23,132**	36,664
Government grants	**15,221**	12,256
Scrap sales	**13,317**	6,342
Service income	**—**	9,536
Sundry income	**2,126**	11,633
	53,796	76,431

5 OTHER NET LOSS

	2021 **RMB'000**	2020 RMB'000
Net realised and unrealised (gain)/loss on other financial instruments at fair value	**(13,955)**	20,832
Net loss/(income) on disposal of property, plant and equipment and intangible assets	**1,004**	(330)
Net foreign exchange loss	**22,088**	52,874
Impairment losses of:		
— property, plant and equipment *(note 14)*	**9,986**	56,431
— intangible assets *(note 16)*	**—**	1,550
— investment deposits *(note 21)*	**10,241**	9,400
Economic loss of production equipment for fire of a subsidiary	**—**	12,035
Provision for legal claims	**15,338**	—
Others	**(3,490)**	9,788
	41,212	162,580

6 STAFF COSTS

	2021 **RMB'000**	2020 RMB'000
Salaries, wages and other benefits	**251,740**	234,949
Contributions to defined contribution retirement plan	**29,409**	15,681
	281,149	250,630
Less: Staff costs capitalised into construction in progress	**(1,520)**	(2,046)
	279,629	248,584

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at the rate of 16% (2020: 16%–19%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2021 RMB'000	2020 RMB'000
(a) Finance costs		
Interest expenses on bank loans	**31,396**	67,485
Interest expenses on lease liabilities *(note 27(b))*	**339**	442
Other borrowing costs	**106,813**	96,595
	138,548	164,522

	2021 RMB'000	2020 RMB'000
(b) Other items:		
Depreciation of right-of-use assets# *(note 18)*	**5,566**	5,245
Amortisation of intangible assets# *(note 16)*	**23,276**	20,220
Depreciation of property, plant and equipment# *(note 14)*	**199,017**	163,804
Less: Depreciation capitalised construction in progress	**(192)**	(505)
	198,825	163,299
Provision/(reversal) of impairment losses on:		
— investment deposits *(note 21)*	**10,241**	9,400
— other receivables *(note 25(b))*	**4,739**	2,305
— purchase deposits *(note 25(c))*	**(50)**	(318)
— prepayments	**(1,000)**	—
— property, plant and equipment *(note 14)*	**9,986**	56,431
— intangible assets *(note 16)*	**—**	1,550
Auditors' remuneration-audit services	**6,448**	5,041
Research and development expenses	**16,010**	3,504
Environmental rehabilitation fees	**8,890**	10,819
Cost of inventories# *(note 24(b))*	**4,742,801**	4,945,314

Cost of inventories includes RMB324,145,000 (2020: RMB272,048,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately in note 6 and above for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2021 RMB'000	2020 RMB'000
Current tax — PRC income tax		
Provision for the year	**43,296**	69,997
Over-provision in respect of prior years	**(205)**	(4,769)
	43,091	65,228
Deferred tax		
Origination and reversal of temporary differences	**12,137**	(332)
	55,228	64,896

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Note	2021 RMB'000	2020 RMB'000
Profit before taxation		**172,867**	122,217
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	(i)(ii)(iii)	**55,383**	74,216
Effect of tax concessions	(i)	**(12,426)**	—
Effect of non-deductible expenses		**8,325**	13,810
Effect of non-taxable income		**(8,342)**	—
Effect of tax assessment and levying		**1,739**	4,672
Utilisation of temporary differences not recognised in previous years		**(7,671)**	(28,890)
Tax losses and temporary differences not recognised	(iv)	**19,124**	5,481
Over-provision in prior years		**(205)**	(4,769)
Others		**(699)**	376
Actual tax expense		**55,228**	64,896

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(b) (continued)

Notes:

(i) Under the Corporate Income Tax Law of the PRC (the "CIT Law"), which was passed by the Fifth Plenary Session of the Tenth National People's Congress, effective from 1 January 2008, the Company and its PRC subsidiaries are subject to income tax at the statutory rate of 25%, unless otherwise specified.

One of the subsidiaries, Habahe Huatai Gold Company Limited ("Huatai") was accredited as a "High and New Technology Enterprise" in December 2020 with 3-year validity period. Huatai was entitled to a preferential income tax rate of 15% since 1 January 2021.

(ii) Hong Kong Profits Tax rate for 2021 is 16.5% (2020: 16.5%). No provision for Hong Kong Profits Tax is made as the subsidiary located in Hong Kong did not earn any income which is subject to Hong Kong Profits Tax.

(iii) Kyrgyzstan corporate income tax rate ("KR CIT") in 2021 is 0% (2020: 0%).

On 9 August 2012, the Parliament of Kyrgyz Republic passed the law on amendments and additions to the Tax Code of the Kyrgyz Republic ("Amended Tax Code") which became effective from 1 January 2013. In accordance with the Amended Tax Code, starting from 1 January 2013 the KR CIT rate for gold mining companies is set at 0% and a revenue-based tax is introduced. Such revenue-based tax is recognised in "sales taxes and levies".

(iv) Considering the uncertainty of the future available taxable profits against which certain tax benefits can be utilised in the relevant tax jurisdiction and entity, the Group has not recognised deferred tax assets of RMB19,124,000 (2020: RMB5,481,000) in respect of unused tax losses of RMB66,588,000 (2020: RMB13,648,000) and temporary differences of RMB9,908,000 (2020: RMB8,276,000) for the year ended 31 December 2021.

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2021

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Bonus RMB'000	Total RMB'000
Executive directors					
Mr. Chen Jianzheng (re-designated to supervisors in May 2021))	–	316	12	–	328
Mr. Zeng Xiangxin	–	796	29	–	825
Mr. Xing Jiangze	–	751	29	–	780
Ms. Zhou Xing (resigned in May 2021)	–	–	–	–	–
Mr. Dai Weitao (appointed in May 2021)	–	548	22	–	570
Mr. Wu Liming (appointed in May 2021)	–	701	29	–	730
Mr. He Chengqun (appointed in May 2021)	–	721	29	–	750
Non-executive directors					
Mr. Wang Leo (resigned in May 2021)	42	–	–	–	42
Mr. Shi Yuchen (resigned in May 2021)	42	–	–	–	42
Mr. Wang Guanran (appointed in May 2021)	58	–	–	–	58
Mr. Zhang Feihu	–	–	–	–	–
Independent non-executive directors					
Mr. Han Qinchun (resigned in May 2021)	50	–	–	–	50
Mr. Wang Jiheng	100	–	–	–	100
Mr. Wang Guanghua	100	–	–	–	100
Mr. Xu Rong	100	–	–	–	100
Mr. Chen Congfa (appointed in May 2021)	58	–	–	–	58
Supervisors					
Mr. Dai Weitao (resigned in March 2021)	–	171	7	–	178
Mr. Guo Xurang	–	36	–	–	36
Mr. Zhao Bingbing	–	36	–	–	36
Mr. Yang Shilei	–	95	29	–	124
Mr. Liu Haotian (appointed in May 2021)	–	–	–	–	–
Mr. Chen Jianzheng (re-designated from executive directors in May 2021)	–	442	17	–	459
Total	550	4,613	203	–	5,366

9 DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2020

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Bonus RMB'000	Total RMB'000
Executive directors					
Mr. Chen Jianzheng	—	764	22	—	786
Mr. Zeng Xiangxin	—	766	22	—	788
Mr. Xing Jiangze	—	723	22	—	745
Ms. Zhou Xing	—	—	—	—	—
Mr. Wang Leo (re-designated to non-executive director in July 2020)	—	50	—	—	50
Non-executive directors					
Mr. Wang Leo (re-designated from executive director in July 2020)	50	—	—	—	50
Mr. Shi Yuchen	100	—	—	—	100
Mr. Zhang Feihu	—	—	—	—	—
Independent non-executive directors					
Mr. Han Qinchun	120	—	—	—	120
Mr. Yang Dongsheng (resigned in July 2020)	58	—	—	—	58
Mr. Wang Jiheng	100	—	—	—	100
Mr. Wang Guanghua	100	—	—	—	100
Mr. Xu Rong (appointed in July 2020)	50	—	—	—	50
Supervisors					
Mr. Dai Weitao (appointed in January 2020 and resigned in March 2021)	—	690	22	—	712
Mr. Guo Xurang	—	36	—	—	36
Mr. Zhao Bingbing	—	36	—	—	36
Mr. Yang Shilei	—	177	18	—	195
Mr. Jian Zhanxun (resigned in January 2020)	—	—	—	—	—
Total	578	3,242	106	—	3,926

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, five (2020: four) are directors and supervisors of the Company whose emoluments are disclosed in note 9.

For the year ended 31 December 2020, the emolument in respect of the other one individual is as follows:

	2021 RMB'000	2020 RMB'000
Salary and wage	**–**	685
Contribution to retirement benefit scheme	**–**	21
	–	706

11 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

No dividend attributable to the year was declared in 2021 or proposed after the end of the reporting period (2020: Nil).

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

No dividend attribute to the previous financial year was approved or paid in 2021 (2020:Nil).

12 OTHER COMPREHENSIVE INCOME

The component of other comprehensive income does not have any significant tax effect for each of the years ended 31 December 2021 and 2020.

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the earnings attributable to equity shareholders of the Company of RMB130,026,000 (2020: RMB89,700,000) and 864,249,091 ordinary shares (2020: 864,249,091 ordinary shares) in issue during the year ended 31 December 2021.

(b) Diluted earnings per share

The diluted earnings per share for the current and the prior year is the same as the basic earnings per share as there are no dilutive ordinary shares during the years.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining shafts RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2020	1,184,905	1,259,673	868,263	75,873	74,826	3,463,540
Exchange adjustments	(23,845)	(15,647)	(10,107)	(2,092)	(58)	(51,749)
Additions	43,821	37,566	21,707	8,049	5,736	116,879
Transfer from construction in progress *(note 15)*	51,127	100,552	25,738	224	367	178,008
Disposals	(2,393)	—	(22,125)	(2,201)	(710)	(27,429)
At 31 December 2020	1,253,615	1,382,144	883,476	79,853	80,161	3,679,249
Depreciation and impairment:						
At 1 January 2020	518,228	798,338	700,487	59,672	66,450	2,143,175
Exchange adjustments	(14,135)	(11,778)	(7,552)	(2,009)	(27)	(35,501)
Charge for the year	73,548	44,021	38,679	3,054	4,502	163,804
Impairment loss	—	56,431	—	—	—	56,431
Written back on disposals	—	—	(9,784)	(2,046)	(657)	(12,487)
At 31 December 2020	577,641	887,012	721,830	58,671	70,268	2,315,422
Net book value:						
At 31 December 2020	675,974	495,132	161,646	21,182	9,893	1,363,827

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Mining shafts RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2021	1,253,615	1,382,144	883,476	79,853	80,161	3,679,249
Exchange adjustments	(7,937)	(5,326)	(3,357)	(732)	(24)	(17,376)
Additions	16,416	27,323	37,729	3,513	2,815	87,796
Transfer from construction in progress *(note 15)*	73,210	334,789	103,142	2,841	4,313	518,295
Disposals	(2,413)	(348)	(5,130)	(1,247)	(344)	(9,482)
At 31 December 2021	1,332,891	1,738,582	1,015,860	84,228	86,921	4,258,482
Depreciation and impairment:						
At 1 January 2021	577,641	887,012	721,830	58,671	70,268	2,315,422
Exchange adjustments	(5,135)	(4,842)	(2,678)	(677)	(13)	(13,345)
Charge for the year	63,486	88,552	40,720	3,538	2,721	199,017
Impairment loss *(note (a))*	—	9,986	—	—	—	9,986
Written back on disposals	(869)	(331)	(4,920)	(1,104)	(73)	(7,297)
At 31 December 2021	635,123	980,377	754,952	60,428	72,903	2,503,783
Net book value:						
At 31 December 2021	697,768	758,205	260,908	23,800	14,018	1,754,699

Note:

(a) **Impairment loss**

Impairment loss of RMB9,986,000 was recognised in respect of a cash-generating unit ("CGU"), Lingbao Hongxin Mining Company Limited ("Hongxin"), which is under the mining — PRC reportable segment, during the year ended 31 December 2021. Owing to the under-performance of production and operation of Hongxin, the Group identified an impairment indicator of its property, plant and equipment, and performed an impairment assessment of the related assets based on their estimated recoverable amounts.

The recoverable amounts of this CGU are estimated using the present value of future cash flows based on the financial budgets approved by management covering a four-year period, and pre-tax discount rates of 16%. Future cash flows during the forecast period for the CGU are based on several key assumptions, including the expected gross margin, expected production volume and future gold price. The forecasted gross margin of 30% and production volume are based on past business performance. The future gold price is consistent with the market participants' expectations for market development.

As a result of the assessment, the Group recognised an impairment loss of RMB9,986,000 on the property, plant and equipment to reduce the carrying amount of this CGU to its recoverable amount of RMB25,304,000. The impairment loss was recorded in "other net loss" (see note 5) in the consolidated statement of profit or loss for the year ended 31 December 2021.

15 CONSTRUCTION IN PROGRESS

	2021 RMB'000	2020 RMB'000
At 1 January	**570,953**	534,101
Exchange adjustments	**(394)**	(744)
Additions	**370,369**	215,604
Transfer to property, plant and equipment *(note 14)*	**(518,295)**	(178,008)
At 31 December	**422,633**	570,953

16 INTANGIBLE ASSETS

	Shanghai Gold Exchange trading rights RMB'000	Exploration and evaluation assets *(note (a))* RMB'000	Mining development assets RMB'000	Mining rights *(note (b))* RMB'000	Exploration rights *(note (c))* RMB'000	Total RMB'000
Cost:						
At 1 January 2020	820	443,927	118,092	373,888	204,884	1,141,611
Exchange adjustments	—	(678)	(1,997)	(8,188)	—	(10,863)
Additions	—	41,197	—	12,557	—	53,754
Disposal of a subsidiary	—	(15,686)	—	—	(13,920)	(29,606)
At 31 December 2020	820	468,760	116,095	378,257	190,964	1,154,896
Amortisation and impairment:						
At 1 January 2020	—	50,332	26,358	215,540	204,884	497,114
Exchange adjustments	—	—	(15)	(4,099)	—	(4,114)
Charge for the year	—	—	—	20,220	—	20,220
Impairment loss	—	1,550	—	—	—	1,550
Disposal of a subsidiary	—	(15,686)	—	—	(13,920)	(29,606)
At 31 December 2020	—	36,196	26,343	231,661	190,964	485,164
Net book value:						
At 31 December 2020	820	432,564	89,752	146,596	—	669,732

16 INTANGIBLE ASSETS (continued)

	Shanghai Gold Exchange trading rights RMB'000	Exploration and evaluation assets *(note (a))* RMB'000	Mining development assets RMB'000	Mining rights *(note (b))* RMB'000	Exploration rights *(note (c))* RMB'000	Total RMB'000
Cost:						
At 1 January 2021	820	468,760	116,095	378,257	190,964	1,154,896
Exchange adjustments	—	(224)	(660)	(2,707)	—	(3,591)
Additions	—	9,129	—	435,010	—	444,139
At 31 December 2021	820	477,665	115,435	810,560	190,964	1,595,444
Amortisation and impairment:						
At 1 January 2021	—	36,196	26,343	231,661	190,964	485,164
Exchange adjustments	—	—	(4)	(1,427)	—	(1,431)
Charge for the year	—	—	6,123	17,153	—	23,276
At 31 December 2021	—	36,196	32,462	247,387	190,964	507,009
Net book value:						
At 31 December 2021	820	441,469	82,973	563,173	—	1,088,435

Notes:

(a) Included in the Group's exploration and evaluation assets are assets related to mines, which are under the exploration and evaluation stage as at 31 December 2021, with a carrying value of RMB441,469,000 (31 December 2020: RMB432,564,000). These assets are not subject to amortisation until they are placed in use.

(b) The Group's mining rights as at 31 December 2021 are as follows:

Mine	Location	Expiry date
Lingjin One Mine	Lingbao, Henan	May 2045
Lingjin Two Mine *(note (i))*	Lingbao, Henan	July 2021
Lingjin Three Mine	Lingbao, Henan	March 2023
Hongxin Gold Mine	Lingbao, Henan	November 2023
Hongtuling Gold Mine	Lingbao, Henan	February 2028
Duolanasayi Gold Mine	Habahe, Xinjiang	October 2026
Tuokuzibayi Gold Mine	Habahe, Xinjiang	December 2022
Chifeng Jinchan Mining Company Limited Gold Mine	Chifeng, Inner Mongolia	January 2023
Laowan Gold Mine	Nanyang, Henan	July 2040
Istanbul Gold Mine	KR	February 2026
Istanbul Gold Eastern Mine	KR	December 2022

16 INTANGIBLE ASSETS (continued)

Notes: (continued)

(b) (continued)

Notes:

(i) As at 31 December 2021, the Group was in the process of applying for extension of certain mining rights. The Group's management are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned intangible assets.

(ii) The amortisation charge for the year is included in "cost of sales" in the consolidated statement of profit or loss of the Group.

(c) The exploration rights are amortised to exploration and evaluation assets on a straight-line basis over the estimated useful lives of one to three years.

17 GOODWILL

	RMB'000
Cost:	
At 31 December 2020, 1 January 2021 and 31 December 2021	38,775
Accumulated impairment losses:	
At 31 December 2020, 1 January 2021 and 31 December 2021	(34,058)
Carrying amount:	
At 31 December 2020 and 31 December 2021	4,717

Impairment tests for CGUs containing goodwill

Goodwill is allocated to the Group's CGUs identified as follows:

	2021 **RMB'000**	2020 RMB'000
Habahe Huatai Gold Company Limited	**2,262**	2,262
Tongbai Xingyuan Mining Company Limited	**2,455**	2,455
Total	**4,717**	4,717

17 GOODWILL (continued)

Impairment tests for CGUs containing goodwill (continued)

The recoverable amounts of the CGUs are determined based on value-in-use calculations with certain key assumptions. Value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rates of 16%. Cash flow projections during the forecast period for the CGUs are based on several key assumptions, including the expected gross margin, expected production volume, and future gold price. The forecasted gross margin (33%–37%) and production volume during the forecast period have been determined based on past business performance. The future gold price is consistent with the market participants' expectations for market development.

The Group's management determined that no additional impairment provision was required based on the impairment assessment performed as at 31 December 2021 (31 December 2020: Nil).

18 RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Other properties leased for own use RMB'000	Total RMB'000
Cost:			
At 1 January 2020 and 31 December 2020	127,745	12,268	140,013
Depreciation:			
At 1 January 2020	4,839	1,418	6,257
Charge for the year	3,818	1,427	5,245
At 31 December 2020	8,657	2,845	11,502
Net book value:			
At 31 December 2020	119,088	9,423	128,511

18 RIGHT-OF-USE ASSETS (continued)

	Land use rights RMB'000	Other properties leased for own use RMB'000	Total RMB'000
Cost:			
At 1 January 2021	127,745	12,268	140,013
Addition	673	—	673
Disposals	—	(8,047)	(8,047)
At 31 December 2021	128,418	4,221	132,639
Depreciation:			
At 1 January 2021	8,657	2,845	11,502
Charge for the year	4,709	857	5,566
Written back on disposals	—	(2,934)	(2,934)
At 31 December 2021	13,366	768	14,134
Net book value:			
At 31 December 2021	115,052	3,453	118,505

19 INTERESTS IN SUBSIDIARIES

Details of the subsidiaries at 31 December 2021 are as follows:

Name of companies	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Xinjiang Baoxin Mining Company Limited	Limited liability company	The PRC	80	20	RMB10,000/ RMB10,000	Sales of mineral products
Lingbao Hongxin Mining Company Limited	Limited liability company	The PRC	80	–	RMB3,000/ RMB3,000	Exploration and processing of gold; sales of mineral products
Jiangxi Mingxin Mining Company Limited	Limited liability company	The PRC	80	–	RMB5,000/ RMB5,000	Production and sales of precious metal products
Habahe Huatai Gold Company Limited ("Huatai")	Limited liability company	The PRC	98.4	1.6	RMB100,000/ RMB100,000	Mining, processing and smelting of gold, production of gold products, sales of gold bullion products, machinery,equipment and components for gold processing
Tongbai Xingyuan Mining Company Limited	Limited liability company	The PRC	100	–	RMB17,000/ RMB17,000	Geological exploration of mineral reserves
Chi Feng City Zheng Ji Mining Company Limited	Limited liability company	The PRC	80	–	RMB15,131/ RMB15,131	Processing of metallurgy products, sales of mineral products
Lingbao Gold International Company Limited ("Lingbao Gold International")	Limited liability company	Hong Kong	100	–	HKD61,775/ HKD61,775	Investment holding
Chifeng Jinchan Mining Company Limited	Limited liability company	The PRC	100	–	RMB20,000/ RMB20,000	Mining and exploration of mineral reserves
Chifeng Lingjin Mining Company Limited	Limited liability company	The PRC	80	–	RMB40,000/ RMB40,000	Mining and exploration of mineral reserves
Full Gold Mining Limited Liability Company ("Full Gold")	Limited liability company	Kyrgyz Republic	82	–	SOM33,330/ SOM33,330	Mining and exploration of mineral reserves
Lingbao Jinda Mineral Products Trading Company Limited	Limited liability company	The PRC	–	100	Nil/ RMB10,000	Sale of mineral products

19 INTERESTS IN SUBSIDIARIES (continued)

Name of companies	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Lingbao City Lingdong Mineral Products Company Limited	Limited liability company	The PRC	100	—	RMB8,000/ RMB8,000	Sale of mineral products, mine engineering construction
Tianshui Hongwu Mining Development Company Limited ("Tianshui Hongwu")	Limited liability company	The PRC	74 *(note (a))*	—	RMB1,000/ RMB1,000	Mining and exploration of mineral reserves
Lanzhou Lingjin Mining Company Limited	Limited liability company	The PRC	100	—	RMB1,000/ RMB1,000	Mining and exploration of mineral reserves
Beijing Fushengda Investment Company Limited	Limited liability company	The PRC	100	—	RMB10,000/ RMB10,000	Investment holding
Ha Mi Jiachang Mining Investment and Development Company Limited	Limited liability company	The PRC	—	100	RMB20,000/ RMB20,000	Mining and exploration of mineral reserves
Lingbao Gold Yili Metallurgical Company Limited	Limited liability company	The PRC	100	—	RMB25,000/ RMB25,000	Processing and smelting of gold, further processing and sales of gold products
Habahe Huayuan Mining Company Limited	Limited liability company	The PRC	—	60	RMB5,000/ RMB5,000	Mining and exploration of mineral reserves
Lingbao Lingjin Technology Company Limited	Limited liability company	The PRC	100	—	RMB1,000/ RMB1,000	Development of mining and exploration of mineral reserves technology; design of mineral engineering
Lingbao Lingxin Gold Metallurgical Company Limited	Limited liability company	The PRC	100	—	RMB550,000/ RMB550,000	Processing and smelting of gold, further processing and sales of gold products
Lingbao City Dexin Mining Company Limited	Limited liability company	The PRC	100	—	Nil/ RMB300,000	Mining, processing and sales of mineral reserves
Tianshui Dongshanhong Mining Development Company Limited	Limited liability company	The PRC	—	74	RMB1,000/ RMB1,000	Mining, processing and sales of mineral reserves

19 INTERESTS IN SUBSIDIARIES (continued)

Name of companies	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Shenzhen Jinda Gold Company Limited ("Shenzhen Jinda")	Limited liability company	The PRC	100	–	RMB200,000/ RMB200,000	Sales of mineral products
Lingbao Jinda Gold Company Limited	Limited liability company	The PRC	–	100	RMB10,000/ RMB10,000	Sales of mineral products
Hainan Jinda Jewelry Company Limited	Limited liability company	The PRC	–	100	RMB Nil/ RMB10,000	Sales of jewelry

Note:

(a) Tianshui Hongwu was acquired by the Group in November 2007. Pursuant to the sale and purchase agreement, the Group is entitled to an amount of initial profit which is equivalent to the Group's investment cost in Tianshui Hongwu. Profit generated thereafter is shared between the Group and the non-controlling interests on a 74%: 26% basis.

The following table lists out the information relating to Full Gold, a subsidiary of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

Full Gold

	2021 RMB'000	2020 RMB'000
NCI percentage	**18%**	18%
Current assets	**257,978**	245,436
Non-current assets	**287,060**	285,189
Current liabilities	**(1,210,657)**	(620,450)
Non-current liabilities	**(231,718)**	(780,432)
Net liabilities	**(897,337)**	(870,257)
Carrying amount of NCI	**(149,966)**	(145,091)
Revenue	**60,767**	141,890
Loss for the year	**(47,519)**	(174,510)
Loss attributable to NCI	**(8,553)**	(31,412)
Total comprehensive income	**(27,080)**	(121,359)
Total comprehensive income attributable to NCI	**(4,874)**	(21,845)
Cash flows generated from operating activities	**72,065**	57,250
Cash flows used in investing activities	**(50,675)**	(9,183)
Cash flows used in financing activities	**(20,236)**	(44,751)

20 OTHER FINANCIAL ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Financial assets measured at FVPL		
— Unlisted, at fair value		
— Henan Jinqu Gold Co., Ltd. *(note (a))*	**4,500**	4,500
— Others	**20**	20
	4,520	4,520

Note:

(a) It represents the Group's 5% equity interests in a PRC domiciled enterprise which is mainly engaged in geological exploration, mining, processing, sales of gold, as well as research, development, production and sale of artificial industrial diamonds.

21 INVESTMENT DEPOSITS

	2021 RMB'000	2020 RMB'000
Investment deposits		
— Beijing Jiuyi *(note (a))*	**76,594**	75,753
— Henan Asset Management *(note (b))*	**94,000**	94,000
Less: Impairment losses	**(170,594)**	(160,353)
	—	9,400

Notes:

(a) During the year ended 31 December 2007, an investment deposit of RMB80,000,000 was paid to an independent third party, Beijing Jiuyi Investment Company Limited ("Beijing Jiuyi"), for acquiring certain company with mining assets situated in Gansu Province, the PRC. The relevant agreements in connection with this acquisition expired on 31 October 2009 and the acquisition was not completed as at 31 December 2009. An impairment loss of RMB80,000,000 was made in the consolidated financial statements for the year ended 31 December 2009.

During the year ended 31 December 2019, the Group received RMB4,247,000 due to the enforcements acts carried out by the people's courts and reversed the corresponding impairment loss of RMB4,247,000.

During the year ended 31 December 2021, the Group received notification from the people's courts that RMB841,000 was transferred to the Group by mistake for the above enforcement acts. Therefore, an impairment loss of RMB841,000 was made in "other net loss" (note 5) in the consolidated statements of profit or loss for the year ended 31 December 2021.

21 INVESTMENT DEPOSITS (continued)

Notes: (continued)

(b) During the year ended 31 December 2018, an investment deposit of RMB94,000,000 was placed to an independent third party, Henan Assets Management Company (河南資產管理公司) ("Henan Assets Management"), for acquiring certain mining assets which were offered for sale through an open tender. After the Group had performed relevant due diligence work on the target mining assets, the Group decided to withdraw its investment intention and requested for a refund of the deposit. At 31 December 2018, Henan Assets Management had not returned the deposit back to the Group and the Group engaged a lawyer to lodge a claim against Henan Assets Management for full refund of the deposit. At 31 December 2018, the Group classified the investment deposit as non-current assets and had made an impairment loss of RMB9,400,000, which was mainly the impact arising from the discounting of the expected cash flow by effective interest rate.

In June 2019, the Group filed an application to the court in the PRC to reclaim the investment deposit of RMB94,000,000. The case was put in trials in the PRC court in August 2019. However, on 19 November 2019, a first instance court judgement had been rendered against the Group. In December 2019, the Group filed an appeal and as at 31 December 2019, the lawsuit was still under review before the Higher People's Court of Henan Province. Based on the Group's assessment on the claim and the PRC lawyer's opinion, the Directors considered the recoverability of the above investment deposit due from Henan Assets Management was reduced. Therefore, at 31 December 2019, the Group has additionally made an impairment loss for the investment deposit amounting to RMB65,800,000, representing 70% of total investment deposit.

In April 2020, the Higher People's Court of Henan Province found against the Group. In July 2020, the Group filed an appeal before the Supreme People's Court of the PRC ("Supreme People's Court"), which was dismissed by the Supreme People's Court in November 2020. In March 2021, the Group filed another appeal before the Supreme People's Procuratorate of the PRC in respect of the above investment deposit. Based on the legal advice and taking into account of further legal action, at 31 December 2020, the Group has additionally made an impairment loss for the investment deposit amounting to RMB9,400,000 in respect of this lawsuit, representing 10% of total investment deposit.

In June 2021, the People's Procuratorate of Henan Province accepted the Group's protest application. As there is no further positive progress for this lawsuit, at 31 December 2021, the Group has additionally made an impairment loss for the investment deposit amounting to RMB9,400,000, representing 10% of total investment deposit, which was recorded in "other net loss" (see note 5) in the consolidated statement of profit or loss for the year ended 31 December 2021. As at 31 December 2021, the accumulated impairment loss of the above investment deposit was RMB94,000,000.

22 NON-CURRENT PREPAYMENTS

	2021 **RMB'000**	2020 RMB'000
Prepayments for purchase of property, plant and equipment and construction of mining shafts	**14,294**	13,044
Prepayments for taxes *(note (a))*	**170,305**	170,305
	184,599	183,349
Less: Loss allowance	**(170,305)**	(170,305)
	14,294	13,044

Note:

(a) The prepayments for taxes were mainly related to resource tax, urban maintenance and construction tax, property tax and land use tax paid to tax authorities in the PRC, which were used to offset future tax liabilities of the same nature in the same tax authorities.

Pursuant to the discussion between the Group and the tax authorities in December 2018, the Group's management concluded that the possibility of utilising the above prepayments for taxes in the future is low. As a result, an impairment loss of RMB174,580,000 was made in the consolidated financial statements for the year ended 31 December 2018.

During the year ended 31 December 2019, the prepayments for taxes of RMB4,275,000 were written off in the consolidated financial statements for the year ended 31 December 2019.

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2021 **RMB'000**	2020 RMB'000
At the beginning of the year	**52,685**	28,565
Provision for PRC income tax *(note 8)*	**43,091**	65,228
PRC income tax paid	**(21,105)**	(41,108)
At the end of the year	**74,671**	52,685
Representing:		
PRC income tax		
— Recoverable	**—**	(7,279)
— Payable	**74,671**	59,964
At the end of the year	**74,671**	52,685

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation of property, plant and equipment RMB'000	Amortisation of intangible assets RMB'000	Allowance for bad debt RMB'000	Inventories RMB'000	Other accruals and payables RMB'000	Financial instruments RMB'000	Share of profits of associates RMB'000	Tax losses RMB'000	Total RMB'000
Deferred tax arising from:									
At 1 January 2020	1,222	5,080	261,923	8,587	41,686	3,214	–	6,203	327,915
Credited/(charged) to profit or loss	6,646	1,856	(8)	(1,146)	(1,830)	(1,655)	–	(3,530)	333
At 31 December 2020	**7,868**	**6,936**	**261,915**	**7,441**	**39,856**	**1,559**	**–**	**2,673**	**328,248**
(Charged)/credited to profit or loss	**(2,679)**	**(2,330)**	**(8,610)**	**7,015**	**(3,842)**	**202**	**(1,522)**	**(371)**	**(12,137)**
At 31 December 2021	**5,189**	**4,606**	**253,305**	**14,456**	**36,014**	**1,761**	**(1,522)**	**2,302**	**316,111**

(ii) Reconciliation to the consolidated statement of financial position

	2021 RMB'000	2020 RMB'000
Net deferred tax asset recognised on the consolidated statement of financial position	**323,612**	334,128
Net deferred tax liability recognised on the consolidated statement of financial position	**(7,501)**	(5,881)
	316,111	328,247

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative unused tax losses of RMB156,026,000 (2020: RMB199,797,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Tax losses of RMB44,054,000, RMB40,381,000, RMB49,875,000, RMB6,853,000 and RMB14,863,000 if unused, will expire in 2022, 2023, 2024, 2025 and 2026, respectively.

24 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2021 **RMB'000**	2020 RMB'000
Raw materials	**828,402**	1,171,889
Work in progress	**156,733**	129,645
Finished goods	**422,472**	388,853
Spare parts and materials	**111,248**	88,813
	1,518,855	1,779,200

(b) The analysis of the amount of inventories recognised as an expense and included in profit and loss is as follows:

	2021 **RMB'000**	2020 RMB'000
Carrying amount of inventories sold	**4,719,321**	4,928,907
Write-down of inventories	**23,480**	16,407
	4,742,801	4,945,314

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 RMB'000	2020 RMB'000
Trade receivables, net of loss allowance	**11,819**	21,324
Bills receivable	**12,669**	—
	24,488	21,324
Other receivables, net of loss allowance *(note (b))*	**65,949**	77,955
Amounts due from related parties *(note 37)*	**231**	—
Financial assets at fair value through profit or loss	**485**	—
	66,665	77,955
Financial assets measured at amortised cost	**91,153**	99,279
Deposits and prepayments	**49,099**	49,277
Purchase deposits *(note (c))*	**794,765**	800,354
Less: Allowance for non-delivery	**(741,512)**	(786,205)
	53,253	14,149
Amount due from Beijing Jiuyi *(note (d))*	**—**	—
	193,505	162,705

All of the trade and other receivables, deposits and prepayments are expected to be recovered within one year.

Transfers of financial assets

(i) Transferred financial assets that are not derecognised in their entirety

As at 31 December 2021, the Group endorsed certain bank acceptance bills with a carrying amount of RMB9,283,000 (31 December 2020: Nil) to suppliers for settling trade payables of the same amount on a full recourse basis. As the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, the Group's management determined not to derecognise the carrying amounts of these bills receivable and the associated trade payables settled.

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Transfers of financial assets (continued)

(ii) Transferred financial assets that are derecognised in their entirety

As at 31 December 2021, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date less than twelve months from the end of the reporting period. The Group's management determined that the Group has transferred substantially all the risks and rewards of ownership of these bills to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit rating and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2021, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to banks or suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB19,000,000 (31 December 2020: Nil) and RMB14,050,000 (31 December 2020: RMB150,000), respectively.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows.

	2021 RMB'000	2020 RMB'000
Within three months	**17,228**	21,324
Over three months but less than six months	**6,460**	—
Over six months but less than one year	**800**	—
At 31 December	**24,488**	21,324

For sales of gold, the Group requests customers to pay cash in full immediately upon the delivery. For sales of other metallic products, trade and bills receivables are due within one month to one year from the date of billing. Further details on the Group's credit policy are set out in note 35(a).

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Transfers of financial assets (continued)

(ii) Transferred financial assets that are derecognised in their entirety (continued)

(b) Other receivables, net of loss allowance

The allowance for expected credit losses of other receivables as at 31 December is as follows:

	2021 RMB'000	2020 RMB'000
Other receivables	**83,567**	116,525
Less: Allowance for expected credit losses	**(17,618)**	(38,570)
	65,949	77,955

During the year ended 31 December 2021, the Group recognised the loss allowance for expected credit losses of other receivables of RMB4,739,000 (31 December 2020: RMB2,305,000).

During the year ended 31 December 2021, the Group wrote off the gross carrying amount of other receivables amounting to RMB25,691,000 (31 December 2020: RMB11,028,000) and the corresponding allowance for expected credit losses of RMB25,691,000 (31 December 2020: RMB11,028,000).

In measuring expected credit losses, the Group takes into account reasonable and supportable information that is available without undue cost or effort, which includes information about past events, current conditions and forecasts of future economic conditions.

(c) Purchase deposits

Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in future periods.

Impairment loss in respect of purchase deposits is recorded in accordance with the accounting policy set out in note 1(k)(i).

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Transfers of financial assets (continued)

(ii) Transferred financial assets that are derecognised in their entirety (continued)

(c) Purchase deposits (continued)

The movement in the allowance for non-delivery of purchase deposits during the year is as follows:

	2021 **RMB'000**	2020 RMB'000
At 1 January	**786,205**	786,523
Reversal of impairment loss	**(50)**	(318)
Write-off of impairment loss	**(44,643)**	—
At 31 December	**741,512**	786,205

During the year ended 31 December 2021, the Group wrote off the gross carrying amount of purchase deposits amounting to RMB44,643,000 and the corresponding impairment losses of RMB44,643,000.

The management considered that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the remaining purchase deposits of RMB53,253,000 as at 31 December 2021 would be gradually recovered through future purchases of mineral sand from the respective suppliers.

(d) Amount due from Beijing Jiuyi

	2021 **RMB'000**	2020 RMB'000
Amount due from Beijing Jiuyi	**30,800**	30,800
Less: Impairment losses	**(30,800)**	(30,800)
	—	—

The balance due from Beijing Jiuyi was relating to a compensation payment for a proposed acquisition in previous years, which was determined not to be recoverable.

26 PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	2021 RMB'000	2020 RMB'000
Guarantee deposits for issuance of letter of credit	**32,190**	34,450
Guarantee deposits for bank and other borrowings	**1,295,700**	1,319,857
Guarantee deposits for issuance of bank acceptance bills	**25,000**	21,008
Guarantee deposits for interest swap	**–**	8,240
Guarantee deposits for environment governance	**7,098**	8,401
Others	**3,373**	2,373
	1,363,361	1,394,329

At 31 December 2021, guarantee deposits of RMB1,352,890,000 (31 December 2020: RMB1,375,315,000) have been pledged with various banks to obtain bank and other borrowings, to issue letter of credit and bank acceptance bills. The pledge in respect of the bank deposits will be released with the expiration of the relevant bank and other borrowings, letter of credit and bank acceptance bills. All of these deposits are to be collected within one year.

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2021 RMB'000	2020 RMB'000
Cash at bank and on hand	**160,145**	132,709

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings RMB'000 *(note 28)*	Guarantee deposits for bank and other borrowings RMB'000 *(note 26)*	Interest payable RMB'000 *(note 29)*	Financial liabilities at fair value through profit or loss RMB'000 *(note 29)*	Lease liabilities RMB'000 *(note 31)*	Loan from shareholders RMB'000 *(note 32)*	Total RMB'000
At 1 January 2021	3,760,615	(1,319,857)	1,084	233	9,524	–	2,451,599
Changes from financing cash flows:							
Proceeds from bank and other borrowings	4,261,048	–	–	–	–	–	4,261,048
Repayment of bank and other borrowings	(4,470,366)	–	–	–	–	–	(4,470,366)
Proceeds from loans from shareholders	–	–	–	–	–	90,000	90,000
Repayment of a loan from shareholders	–	–	–	–	–	(50,000)	(50,000)
Pledged deposits collected for borrowings	–	24,157	–	–	–	–	24,157
Interest paid for bank and other borrowings	–	–	(139,003)	–	–	–	(139,003)
Payment for interest swap settlement	–	–	–	(439)	–	–	(439)
Capital element of lease rentals paid	–	–	–	–	(3,201)	–	(3,201)
Interest element of lease rentals paid	–	–	–	–	(339)	–	(339)
Total changes from financing cash flows	(209,318)	24,157	(139,003)	(439)	(3,540)	40,000	(288,143)
Exchange adjustments	(8,421)	–	849	–	–	–	(7,572)
Other changes:							
Reclassification	–	–	–	1,499	–	–	1,499
Increase in lease liabilities from entering into new leases during the year	–	–	–	–	(2,686)	–	(2,686)
Interest expenses *(note 7(a))*	–	–	138,209	–	339	–	138,548
At 31 December 2021	3,542,876	(1,295,700)	1,139	1,293	3,637	40,000	2,293,245

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings RMB'000 *(note 28)*	Guarantee deposits for bank and other borrowings RMB'000 *(note 26)*	Interest payable RMB'000 *(note 29)*	Financial liabilities at fair value through profit or loss RMB'000 *(note 29)*	Lease liabilities RMB'000 *(note 31)*	Total RMB'000
At 1 January 2020	3,417,277	(42,000)	2,888	148	12,260	3,390,573
Changes from financing cash flows:						
Proceeds from bank and other borrowings	3,380,866	–	–	–	–	3,380,866
Repayment of bank and other borrowings	(3,011,262)	–	–	–	–	(3,011,262)
Pledged deposits placed for borrowings	–	(468,857)	–	–	–	(468,857)
Interest paid for bank and other borrowings	–	–	(166,326)	–	–	(166,326)
Repayment of gold lease contracts	–	–	–	(314)	–	(314)
Proceeds from interest swap settlement	–	–	–	399	–	399
Capital element of lease rentals paid	–	–	–	–	(480)	(480)
Interest element of lease rentals paid	–	–	–	–	(464)	(464)
Total changes from financing cash flows	369,604	(468,857)	(166,326)	85	(944)	(266,438)
Exchange adjustments	(26,266)	–	442	–	–	(25,824)
Other changes:						
Reclassification	–	(809,000)	–	–	–	(809,000)
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	(2,234)	(2,234)
Interest expenses *(note 7(a))*	–	–	164,080	–	442	164,522
At 31 December 2020	3,760,615	(1,319,857)	1,084	233	9,524	2,451,599

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 **RMB'000**	2020 RMB'000
Within operating cash flows	**–**	30
Within financing cash flows	**3,540**	944
	3,540	974

All these amounts are related to lease rentals paid.

28 BANK AND OTHER BORROWINGS

The analysis of the carrying amount of bank and other borrowings is as follows:

	At **31 December** **2021** **RMB'000**	At 31 December 2020 RMB'000
Short-term bank and other borrowings:		
— Bank and other borrowings	**3,507,810**	3,380,866
— Add: Current portion of long-term bank and other borrowings	**35,066**	379,749
	3,542,876	3,760,615
Long-term bank and other borrowings:		
— Bank and other borrowings	**35,066**	379,749
— Less: Current portion of long-term bank and other borrowings	**(35,066)**	(379,749)
	–	–
	3,542,876	3,760,615

28 BANK AND OTHER BORROWINGS (continued)

At 31 December 2021, the bank and other borrowings were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within one year or on demand	**3,542,876**	3,760,615

At 31 December 2021, the bank and other borrowings were secured as follows:

	2021 RMB'000	2020 RMB'000
Bank and other borrowings		
— Secured	**1,857,429**	1,676,421
— Guaranteed	**891,791**	379,749
— Unsecured	**793,656**	1,704,445
	3,542,876	3,760,615

At 31 December 2021, bank loans of a subsidiary, named Shenzhen Jinda, amounting to RMB40,000,000 were secured by its building with carrying amount of RMB65,775,000, and guaranteed by the Company (see note 34(b)).

At 31 December 2021, bank and other borrowings of the Group amounting to RMB1,432,581,000 were secured by pledged deposits with the carrying amount of RMB1,154,200,000.

At 31 December 2021, bank and other borrowings of the Group amounting to RMB270,000,000 were secured by pledged deposits with the carrying amount of RMB135,000,000 and guaranteed by the D&R Asset Management Group Company Limited ("D&R Investment") with maximum guarantees of RMB195,000,000 (see note 37(c)).

At 31 December 2021, bank and other borrowings of the Group amounting to RMB114,848,000 were secured by pledged deposits of RMB6,500,000 and certain inventories.

At 31 December 2021, bank and other borrowings of the Group amounting to RMB716,725,000 were guaranteed by D&R Investment with maximum guarantees of RMB850,000,000 (see note 37(c)).

At 31 December 2021, bank loans of a subsidiary, named Full Gold, amounting to USD5,500,000 (RMB equivalent 35,066,000) were guaranteed by the Company (see note 34(b)).

28 BANK AND OTHER BORROWINGS (continued)

At 31 December 2021, bank loans of the Company amounting to RMB140,000,000 were guaranteed by a subsidiary named Huatai with maximum guarantees of RMB140,000,000 (see note 34(b)) and D&R Investment with maximum guarantees of RMB90,000,000 (see note 37(c)), respectively.

Certain of the Group's bank loan agreements were subject to the fulfilment of covenants imposing certain specific performance requirements on the Group. If the Group were to breach the covenants, bank loans drawn down would become payable on demand. As at 31 December 2021, certain covenants of the bank loan agreements from two banks were breached by the Company and one of its subsidiaries named Full Gold. The Company obtained waiver letter from one bank, confirming that they do not treat the Company has breached the relevant covenants under the existing loan agreement. For the bank loan drawn down by Full Gold, no waiver letter had been obtained as at 31 December 2021. As a result, the balance of bank loan amounting to USD5,500,000 (RMB equivalent 35,066,000) was recorded in the current portion of long-term bank and other borrowings as at 31 December 2021.

At 31 December 2020, bank and other borrowings of the Group amounting to RMB1,380,000,000 were secured by pledged deposits with the carrying amount of RMB1,284,000,000.

At 31 December 2020, bank and other borrowings of the Group amounting to USD12,863,000 (RMB equivalent 83,932,000) were secured by pledged deposits with the carrying amount of RMB5,600,000 and guaranteed by the D&R Investment with maximum guarantees of RMB100,000,000 (see note 37(c)).

At 31 December 2020, bank and other borrowings of the Group amounting to RMB99,388,000 were secured by pledged deposits of RMB30,000,000 and certain inventories.

At 31 December 2020, bank and other borrowings of the Group amounting to RMB113,101,000 were secured by certain inventories.

At 31 December 2020, bank and other borrowings of the Group amounting to USD50,000,000 (RMB equivalent 326,245,000) were guaranteed by Lingbao State-owned Assets Operation Company Limited.

At 31 December 2020, bank loans of a subsidiary, named Full Gold, amounting to USD8,200,000 (RMB equivalent 53,504,000) were guaranteed by the Company (see note 34(b)).

29 TRADE AND OTHER PAYABLES

Current trade and other payables

	31 December 2021 RMB'000	31 December 2020 RMB'000
Bills payable	**74,000**	21,008
Trade payables	**326,214**	582,729
Other payables and accruals	**472,851**	321,771
Interest payables *(note 27(b))*	**1,139**	1,084
Payable for mining rights	**111,934**	79,440
Deferred income *(note (a))*	**79,779**	62,136
Payable to non-controlling interests	**52**	52
Dividend payable	**4,758**	4,758
Financial liabilities at fair value through profit or loss	**1,293**	233
	1,072,020	1,073,211
Non-current other payables		
Payable for long-term assets *(note (b))*	**311,032**	—
Deferred income *(note (a))*	**59,364**	87,472
Decommissioning costs *(note (c))*	**114,559**	94,224
	484,955	181,696

Notes:

(a) Deferred income represents grants received from the government for the exploration of mines and construction of mining related assets. When certain conditions are met, the government grants are recognised as income over the periods necessarily to match them with the related costs of assets constructed which they are intended to compensate over the periods and in the proportion in which depreciation on those assets is charged.

(b) Payable for long-term assets represents non-current payables in respect of procurement of property, plant and equipment, construction in progress and mining rights.

(c) The decommissioning costs relate to reclamation and closure costs relating to the Group's mine operations. The decommissioning costs are calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, discounted at 4.9%, which amounted to RMB114,559,000 (31 December 2020: RMB94,224,000) in total as at 31 December 2021.

29 TRADE AND OTHER PAYABLES (continued)

Current trade and other payables (continued)

The ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within three months	**281,980**	544,643
Over three months but less than six months	**16,909**	20,784
Over six months but less than one year	**9,922**	3,968
Over one year but less than two years	**4,549**	5,177
Over two years	**12,854**	8,157
	326,214	582,729

30 CONTRACT LIABILITIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Made-to-order manufacturing arrangements — Billings in advance of performance	**30,045**	2,778

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Made-to-order manufacturing arrangements

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised when control over a product transferred to the customers. The Group typically receives a deposit on acceptance of orders from new customers, the amount of the deposit, if any, was negotiated on a case by case basis with customers.

30 CONTRACT LIABILITIES (continued)

Movements in contract liabilities

	2021 RMB'000	2020 RMB'000
Balance at 1 January	**2,778**	6,796
Increase in contract liabilities as a result of billing in advance of manufacturing activities	**273,771**	124,896
Decrease in contract liabilities as a result of recognising revenue during the year	**(246,504)**	(128,914)
Balance at 31 December	**30,045**	2,778

31 LEASE LIABILITIES

At 31 December 2021, the lease liabilities were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	**480**	1,895
After 1 year but within 2 years	**315**	1,577
After 2 years but within 5 years	**1,256**	4,296
After 5 years	**1,586**	1,756
	3,157	7,629
	3,637	9,524

32 LOAN FROM SHAREHOLDERS

The unsecured loan of RMB40,000,000 was provided by D&R Investment during the year ended 31 December 2021, bearing interest per annum at 5.39% and with a maturity of one month, which was repaid in January 2022 (see note 37(b)).

33 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital *(note 33(b))* RMB'000	Share premium *(note (i))* RMB'000	PRC statutory reserves *(note (ii))* RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2020		172,850	891,926	160,070	974,744	2,199,590
Changes in equity for 2020						
Total comprehensive income for the year		—	—	—	105,182	105,182
Appropriation of safety production fund		—	—	27,316	(27,316)	—
Utilisation of safety production fund		—	—	(27,316)	27,316	—
At 31 December 2020	38	**172,850**	**891,926**	**160,070**	**1,079,926**	**2,304,772**
Changes in equity for 2021						
Total comprehensive income for the year		**—**	**—**	**—**	**(65,020)**	**(65,020)**
Appropriation of safety production fund		**—**	**—**	**40,908**	**(40,908)**	**—**
Utilisation of safety production fund		**—**	**—**	**(40,908)**	**40,908**	**—**
At 31 December 2021	38	**172,850**	**891,926**	**160,070**	**1,014,906**	**2,239,752**

Notes:

(i) *Share premium*

The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received upon the global initial public offering. The application of the share premium account is governed by sections 167 and 168 of the PRC Company Law.

(ii) *PRC statutory reserves*

Transfers from retained earnings to the PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and articles of association of the Company and its subsidiaries incorporated in the PRC.

The Company and the subsidiaries incorporated in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve (the "SSR") until the reserve balance reaches 50% of the registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the SSR may be converted to increase the share capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered share capital.

33 CAPITAL AND RESERVES (continued)

(a) Movements in components of equity (continued)

The Company (continued)

Notes: (continued)

(ii) *PRC statutory reserves (continued)*
Pursuant to the relevant regulations in the PRC, the Group is required to provide for safety production fund based on volume of ores excavated and sales amount of certain products.

For the year ended 31 December 2021, the Company transferred RMB40,908,000 (2020: RMB27,316,000) from retained earnings to specific reserve for the provision for the safety production fund, and transferred RMB40,908,000 (2020: RMB27,316,000) from reserves to retained earnings for the utilisation of the safety production fund according to relevant PRC regulations.

(iii) *Exchange reserve*
The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

(iv) *Other reserve*
The excess of purchase consideration on acquisition of non-controlling interests over the carrying value of the share of net assets acquired are charged to other reserve.

(b) Share capital

	Number of shares	Amount RMB'000
As at 31 December 2020, 1 January 2021 and 31 December 2021		
Registered, issued and fully paid:		
Domestic shares of RMB0.20 each	566,975,091	113,395
H shares of RMB0.20 each	297,274,000	59,455
Total	864,249,091	172,850

The holders of Domestic shares and H shares are entitled to receive dividends as and when declared by the Company. All Domestic shares and H shares are ordinary shares and rank pari passu with the same rights and benefits.

33 CAPITAL AND RESERVES (continued)

(c) Statutory reserves — specific reserves

Pursuant to the relevant regulations in the PRC, the Group is required to provide for safety production fund based on volume of ores excavated and sales amount of certain products.

For the year ended 31 December 2021, the Group transferred RMB57,885,000 (2020: RMB42,224,000) from retained earnings to specific reserve provision for the safety production fund and transferred RMB57,885,000 (2020: RMB42,224,000) from specific reserve to retained earnings for the utilisation of the safety production fund according to relevant PRC regulations.

As at 31 December 2021, the consolidated retained profits included an appropriation of RMB47,557,000 (31 December 2020: RMB36,611,000) to PRC statutory reserve made by the subsidiaries of the Group.

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes bank and other borrowings, trade and other payables, lease liabilities less cash and cash equivalents and pledged deposits). Adjusted capital comprises all components of equity attributable to equity shareholders of the Company less unaccrued proposed dividends.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

33 CAPITAL AND RESERVES (continued)

(d) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2021 and 31 December 2020 was as follows:

	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Current liabilities:			
— Bank and other borrowings	28	**3,542,876**	3,760,615
— Trade and other payables	29	**1,072,020**	1,073,211
— Lease liabilities	31	**480**	1,895
— Loan from shareholders	32	**40,000**	—
		4,655,376	4,835,721
Non-current liabilities:			
— Other payables	29	**484,955**	181,696
— Lease liabilities	31	**3,157**	7,629
		488,112	189,325
Total debt		**5,143,488**	5,025,046
Less: Cash and cash equivalents	27	**(160,145)**	(132,709)
Fixed deposits held at banks with maturity over three months		**—**	(99,105)
Pledged deposits	26	**(1,363,361)**	(1,394,329)
Adjusted net debt		**3,619,982**	3,398,903
Total equity attributable to equity shareholders of the Company		**1,929,031**	1,783,148
Adjusted net debt-to-capital ratio		**188%**	191%

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments, representing purchase of property, plant and equipment and intangible assets outstanding at 31 December 2021 not provided for in the financial statements, were as follows:

	2021 RMB'000	2020 RMB'000
Authorised and contracted for	**102,532**	79,351
Authorised but not contracted for	**372,944**	249,263
	475,476	328,614

(b) Financial guarantees issued

As at 31 December 2021, the Company has issued the following guarantees:

(i) Guarantees to a subsidiary, Lingbao Gold International, in respect of a loan granted to another subsidiary, Full Gold, of USD1,426,000 (RMB equivalent 9,092,000) (31 December 2020: USD1,426,000 (RMB equivalent 9,305,000));

(ii) Guarantees to a bank in respect of a bank loan granted to a subsidiary, Shenzhen Jinda, of RMB40,000,000 (31 December 2020: Nil) (see note 28); and

(iii) Guarantees to certain banks in respect of bank loans granted to a subsidiary, Full Gold, of USD5,500,000 (RMB equivalent 35,066,000) (31 December 2020: USD8,200,000 (RMB equivalent 53,504,000)) (see note 28).

As at 31 December 2021, a subsidiary of the Group, Huatai, has issued a guarantee to the Company in respect of bank loans granted to the Company, of RMB140,000,000 (31 December 2020: Nil) (see note 28).

The management does not consider it probable that a claim will be made against the Group or the Company under any of the guarantees. The maximum liability of the Group or the Company at the end of the reporting period under the guarantees issued is the above outstanding loans granted to the subsidiaries of the Company.

Except for the above guarantees, the Group or the Company does not provide any guarantees which would expose the Group or the Company to credit risk.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, gold price, other commodity price, foreign currency and procurement of raw material risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, deposits and prepayments and investment deposits. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit quality, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

The Group's major customers are Shanghai Gold Exchange and metallurgical companies in the PRC, which accounted for significant amounts of the Group's total revenues during the year.

For sales of gold, the Group has no significant credit risk as the transaction amounts of sales of gold are required to be settled immediately upon the delivery.

For sales of other metallic products, the Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant. Normally, the Group obtains a part of advance receipts from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk (continued)

Credit risk arising from purchase deposits and investment deposits

As at 31 December 2021, the Group had purchase deposits of RMB53,253,000 (net of provision) (31 December 2020: RMB14,149,000) to suppliers to secure its supplies of mineral sand which is the major raw materials in the smelting process. The balance represented 1.65% of the total current assets at 31 December 2021 (31 December 2020: 0.40%). The purchase deposits will be recovered through purchases from these suppliers in future periods. In the event that these suppliers ceased to provide mineral sand to the Group, the Group may expose itself to significant credit risk arising from the recoverability of the purchase deposits and hence the profitability will be adversely affected.

As at 31 December 2021, the Group's purchase deposits of RMB741,512,000 (31 December 2020: RMB786,205,000) were individually determined to be impaired (see note 25(c)). Management of the Group will continue to monitor the progress of the recoverability of the purchase deposits and chase for settlement of the outstanding balances from the suppliers regularly.

As at 31 December 2021, the accumulated impairment loss of an investment deposit was RMB94,000,000 (31 December 2020: RMB84,600,000) (see note 21(b)). Management of the Group will continue to monitor the progress of the recoverability of the investments including the legal action taken and chase for settlement of the outstanding balances from the debtor regularly. Management considers to carry out due diligence work on the proposed acquisition before investment decision is made in order to reduce the related credit risk.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance, and discounted and endorsed bills with full recourse which were derecognised by the Group (see note 25).

Except for the financial guarantees given by the Company and a subsidiary, as set out in note 34(b), the Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and purchase deposits are set out in note 25.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient funding to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Other than discounted and endorsed bills with full recourse which were derecognised by the Group, the following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

		2021 Contractual undiscounted cash outflow						2020 Contractual undiscounted cash outflow					
	Note	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 Dec RMB'000**	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000
Bank and other borrowings	28	**3,558,405**	**–**	**–**	**–**	**3,558,405**	**3,542,876**	3,776,757	–	–	–	3,776,757	3,760,615
Lease liabilities	31	**720**	**480**	**1,360**	**2,800**	**5,360**	**3,637**	1,895	1,895	4,820	2,555	11,165	9,524
Loan from shareholders	32	**40,165**	**–**	**–**	**–**	**40,165**	**40,000**	–	–	–	–	–	–
Trade and other payables		**1,047,520**	**111,787**	**107,361**	**165,148**	**1,431,816**	**1,358,551**	1,049,295	–	–	–	1,049,295	1,049,295
		4,646,810	**112,267**	**108,721**	**167,948**	**5,035,746**	**4,945,064**	4,827,947	1,895	4,820	2,555	4,837,217	4,819,434

Note: Further information on management's plans to manage the Group's liquidity needs is set out in note 1(b).

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise. The Group's interest rate profile as monitored by management is set out below.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period, after taking into account the effect of swap contracts.

	2021		2020	
	Interest rate %	**RMB'000**	Interest rate %	RMB'000
Net fixed rate borrowings:				
Bank and other borrowings	**2.63 ~ 4.79**	**2,975,961**	2.95 ~ 5.30	3,160,866
Lease liabilities	**4.90**	**3,637**	4.90	9,524
Loan from shareholders	**5.39**	**40,000**	n/a	n/a
Less: fixed deposits held at banks with maturity over three months	**–**	**–**	1.10 ~ 1.30	(99,105)
		3,019,598		3,071,285
Net variable rate borrowings:				
Bank and other borrowings	**3.85 ~ 4.85**	**566,915**	2.46 ~ 4.63	599,749
Less: Cash and cash equivalents	**0.05 ~ 4.20**	**(160,145)**	0.00 ~ 4.20	(132,709)
Pledged deposits	**0.05 ~ 2.70**	**(1,363,361)**	0.30 ~ 2.75	(1,394,329)
		(956,591)		(927,289)
Total net borrowings		**2,063,007**		2,143,996
Net fixed rate borrowings as a percentage of total net borrowings		**146%**		143%

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

As at 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would increase/decrease the Group's net profit for the year and retained earnings by approximately RMB7,174,000 (2020: RMB9,273,000). This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of reporting period and the change was applied to the Group's variable rate borrowings at that date with exposure to cash flow interest rate risk. The impact on the Group's net profit and retained earnings is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2020.

(d) Commodity price risk

Gold price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of gold.

The Group entered into forward and futures contracts for the sale of gold. All forward and future commodity contracts can only be carried out under the approval of the General Manager's Office which is composed of top management of the Company and established by the Board of Directors of the Company. As approved by the Board of Directors of the Company, the holding position of gold underlying the exposure positions of forward and future contracts should not exceed certain percentage of annual gold planned production volume of the Group, respectively. In addition, the price range of the forward and future commodity contracts is closely monitored by the General Manager's Office. As at 31 December 2021 and 2020, most forward and future commodity contracts had been closed out.

Accordingly, a reasonably possible fluctuation of 10% in commodity prices would have no significant impact on the Group's net profit and retained earnings for the year.

(e) Foreign currency risk

The Group is exposed to currency risk primarily through cash and cash equivalent, trade and other receivables, trade and other payables and bank and other borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("USD"). In addition, as the Hong Kong dollar ("HKD") is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Foreign currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entities to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currency (expressed in Renminbi)	
	2021	2020
	USD	USD
	RMB'000	RMB'000
Trade and other receivables	**968,651**	777,445
Cash and cash equivalents	**5,532**	3,680
Trade and other payables	**(53,580)**	(19,479)
Bank and other borrowings	**(216,029)**	(558,308)
Overall net exposure	**704,574**	203,338

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2021		2020	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and increase/ (decrease) in retained profits**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and increase/ (decrease) in retained profits
	%	**RMB'000**	%	RMB'000
USD	**3**	**15,853**	3	4,575
	(3)	**(15,853)**	(3)	(4,575)

Result of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Foreign currency risk (continued)

(ii) Sensitivity analysis (continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations in the Group's presentation currency. The analysis is performed on the same basis for 2020.

(f) Procurement risk of raw material

During the year ended 31 December 2021, the Group's supplies of direct materials from independent third parties for smelting segment represent 77.2% (2020: 65.9%) of the Group's total direct materials, in which, the top five suppliers in 2021 represent 43.1% (2020: 27.3%) of the Group's total direct materials. Although the Group believes that it maintains good relationships with its suppliers, there can be no assurance that its suppliers will continue to sell to the Group on normal commercial terms as and when needed. In the event that these suppliers cease to sell to the Group and the Group could not secure other sources of supply, the Group's revenue and profitability will be adversely affected.

(g) Fair value measurement

(i) Financial assets and liabilities carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Fair value measurement (continued)

(i) Financial assets and liabilities carried at fair value (continued)

Fair value hierarchy (continued)

The Group has a team headed by the finance manager performing valuations for the financial instruments. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
— Unlisted equity securities	4,520	–	–	4,520
— Gold Future	485	485	–	–
Financial liabilities at fair value through profit or loss:				
— Precious metal derivatives	(1,293)	(1,293)	–	–

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Fair value measurement (continued)

(i) Financial assets and liabilities carried at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
— Unlisted equity securities	4,520	—	—	4,520
Financial liabilities at fair value through profit or loss:				
— Interest rate swaps	(233)	—	(233)	—

During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2 (2020: Nil), or transfers into or out of Level 3 (2020: the unlisted equity securities of RMB4,520,000 were transferred out from Level 2 to Level 3).

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swaps at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Fair value measurement (continued)

(i) Financial assets and liabilities carried at fair value (continued)

Information about Level 3 fair value measurements

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2021 **RMB'000**	2020 RMB'000
Unlisted equity securities		
At 1 January	**4,520**	–
Transfer out of Level 2	**–**	4,520
At 31 December	**4,520**	4,520

The fair value of unlisted equity securities is determined using the price/sales ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

	Valuation techniques	**Significant unobservable inputs**
Unlisted equity securities	Market comparable companies	Discount for lack of marketability

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020 and 2021.

36 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (production processes, products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. Operating segments with similar nature of the production process, products and services have been aggregated to form the following reportable segments.

Mining — PRC	—	Gold mining and mineral ores processing operations in the PRC.
Mining — KR	—	Gold mining and mineral ores processing operations in the KR.
Smelting	—	Gold and other metal smelting and refinery operations carried out in the PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, deferred tax assets and current assets with the exception of investments in financial assets and other corporate assets managed by head office. Segment liabilities include trade creditors and accruals attributable to the activities of the individual segments, deferred tax liabilities and bank and other borrowings managed directly by the segments with the exception of bank and other borrowings managed by head office.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of goods, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

36 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	Mining – PRC		Mining – KR		Smelting		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue from external customers	63,662	3,526	64,741	83,719	5,219,475	5,514,103	5,347,878	5,601,348
Inter-segment revenue	1,355,534	923,031	11,551	58,171	–	–	1,367,085	981,202
Sales taxes and levies	(102)	(125)	(15,525)	–	(1,640)	(1,276)	(17,267)	(1,401)
Reportable segment revenue	1,419,094	926,432	60,767	141,890	5,217,835	5,512,827	6,697,696	6,581,149
Reportable segment profit/(loss)	521,676	380,146	(39,424)	(61,317)	(7,069)	185,192	475,183	504,021
Reportable segment assets	3,460,741	2,553,252	540,728	526,316	2,722,614	2,746,091	6,724,083	5,825,659
Reportable segment liabilities	2,261,007	1,761,491	1,442,375	1,400,882	1,968,129	2,021,593	5,671,511	5,183,966
Other segment information								
Interest expenses	(30,589)	(23,608)	(2,823)	(25,578)	(44,746)	(72,069)	(78,158)	(121,255)
Depreciation and amortisation for the year	(161,594)	(99,485)	(20,955)	(51,074)	(23,068)	(35,448)	(205,617)	(186,007)
(Provision)/reversal of impairment on:								
– trade and other receivables	(1,600)	(286)	–	–	20	–	(1,580)	(286)
– purchase deposits	–	–	–	–	50	318	50	318
– property, plant and equipment	(9,986)	–	–	(56,431)	–	–	(9,986)	(56,431)
– intangible assets	–	(1,550)	–	–	–	–	–	(1,550)
– investment deposits	–	–	–	–	(9,400)	(9,400)	(9,400)	(9,400)

36 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2021 RMB'000	2020 RMB'000
Revenue		
Reportable segment revenue	**6,697,696**	6,581,149
Elimination of inter-segment revenue	**(1,367,085)**	(981,202)
Consolidated revenue	**5,330,611**	5,599,947
Profit or loss		
Reportable segment profit	**475,183**	504,021
Elimination of inter-segment profits	**(62,412)**	(25,860)
Reportable segment profit derived from the Group's external customers	**412,771**	478,161
Other net loss	**(41,212)**	(162,580)
Share of profits of associates	**6,089**	—
Finance costs	**(138,548)**	(164,522)
Unallocated head office and corporate expenses	**(66,233)**	(28,842)
Consolidated profit before taxation	**172,867**	122,217
Income tax	**(55,228)**	(64,896)
Profit for the year	**117,639**	57,321

36 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	2021 RMB'000	2020 RMB'000
Assets		
Reportable segment assets	**6,724,083**	5,825,659
Elimination of inter-segment receivables	**(989,619)**	(372,567)
Elimination of unrealised profits	**(105,718)**	(43,306)
	5,628,746	5,409,786
Interest in associates	**28,620**	22,531
Other financial assets	**4,520**	4,520
Cash and cash equivalents managed by head office	**832,861**	905,779
Unallocated head office and corporate assets	**509,154**	362,074
Consolidated total assets	**7,003,901**	6,704,690
Liabilities		
Reportable segment liabilities	**5,671,511**	5,183,966
Elimination of inter-segment payables	**(989,619)**	(372,567)
	4,681,892	4,811,399
Unallocated head office and corporate liabilities	**573,813**	282,270
Consolidated total liabilities	**5,255,705**	5,093,669

37 RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021, the Directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
D&R Investment 達仁投資管理集團股份有限公司	Major shareholder of the Group
Lingbao Wason Copper-Foil Company Limited 靈寶華鑫銅箔有限責任公司 ("Wason Copper-Foil")	Entity controlled by D&R Investment
Lingbao Hongyu Electronics Company Limited 靈寶鴻宇電子有限責任公司	Entity controlled by D&R Investment
Lingbao Baoxin Electronic Technology Company Limited 靈寶寶鑫電子科技有限公司	Entity controlled by D&R Investment
Shenzhen Londian Electrics Company Limited 深圳龍電電氣股份有限公司 ("Shenzhen Londian")	Entity controlled by D&R Investment

The English translation of the names is for reference only. The official names of these entities are in Chinese.

(a) Transactions with related parties

	2021 RMB'000	2020 RMB'000
Loan from shareholders		
D&R Investment *(note (i))*	**90,000**	–
Guarantee charge		
D&R Investment *(note 37(c))*	**3,590**	–
Rental expense		
D&R Investment	**2,520**	–
Sales of other metals		
Wason Copper-Foil	**2,593**	921
Payment on behalf of the Company		
D&R Investment	**1,477**	1,397
Rental income		
Shenzhen Londian	**1,200**	–
Interest expense		
D&R Investment	**165**	–

37 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) **Loan from shareholders**

On 23 November 2021, the Company and D&R Investment entered into a loan agreement and the unsecured loan of RMB50,000,000 was provided by D&R Investment, which is interest-free and with a maturity of two months. The loan of RMB20,000,000 was repaid in November 2021 and the remaining portion of RMB30,000,000 was repaid in December 2021.

On 28 December 2021, the Company and D&R Investment entered into a loan agreement and the unsecured loan of RMB40,000,000 was provided by D&R Investment, which is bearing interest per annum at 5.39% and with a maturity of one month. The loan of RMB40,000,000 was repaid in January 2022 (see note 32).

(b) Balances with related parties

As at the end of each reporting period, the Group had the following balances with related parties:

	2021 RMB'000	2020 RMB'000
Amount due from related parties		
Shenzhen Londian	**231**	—
Loan from related parties		
D&R Investment	**40,000**	—
Amounts due to related parties		
Shenzhen Londian	**443**	—
D&R Investment	**116**	113
Payment to related parties in advance		
D&R Investment	**4,310**	—
Receipts from related parties in advance		
Wason Copper-Foil	**155**	—

37 RELATED PARTY TRANSACTIONS (continued)

(c) Guarantee issued by related parties

During the year ended 31 December 2021, D&R Investment issued maximum guarantees amounting to RMB1,135,000,000 to several banks in respect of bank and other borrowings (see note 28), bank acceptance bills and letter of credit of the Company (2020: RMB100,000,000).

On 31 December 2021, the Company and D&R Investment entered into an agreement for guarantee charge in relation to the above guarantees issued by D&R Investment. The guarantee charge was calculated based on the principals of unpledged bank and other borrowings with annual fee rate of 1%. For the bank and other borrowings pledged by deposits, inventories or long-term assets, no guarantee charge was occurred during the year ended 31 December 2021.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 9 is as follows:

	2021 **RMB'000**	2020 RMB'000
Short-term employee benefits	**5,898**	6,205
Post-employment benefits	**261**	193
	6,159	6,398

Total remuneration is included in "staff costs" (see note 6).

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the guarantees provided by D&R Investment in above note 37(c) constitute connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Directors' Report.

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment		**913,007**	694,736
Construction in progress		**108,031**	152,799
Intangible assets		**467,484**	54,511
Right-of-use assets		**66,900**	69,880
Interests in subsidiaries	19	**2,897,470**	2,683,382
Interests in associates		**28,620**	22,531
Other financial assets		**4,520**	4,520
Non-current prepayments		**742**	8,752
Deferred tax assets		**508,687**	488,116
		4,995,461	4,179,227
Current assets			
Inventories		**1,177,969**	1,258,452
Trade and other receivables, deposits and prepayments		**109,101**	101,159
Amounts due from subsidiaries		**308,534**	485,554
Pledged deposits		**1,301,550**	1,370,226
Fixed deposits held at banks with maturity over three months		**–**	99,105
Cash and cash equivalents		**38,202**	112,436
		2,935,356	3,426,932

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Current liabilities			
Bank and other borrowings		**2,087,810**	1,810,866
Trade and other payables		**553,681**	574,158
Loan from shareholders	32	**40,000**	—
Current tax payable		**42,576**	42,576
Amounts due to subsidiaries		**2,587,819**	2,792,862
		5,311,886	5,220,462
Net current liabilities		**(2,376,530)**	(1,793,530)
Total assets less current liabilities		**2,618,931**	2,385,697
Non-current liabilities			
Other payables		**376,868**	80,234
Deferred tax liabilities		**2,311**	691
		379,179	80,925
NET ASSETS		**2,239,752**	2,304,772
CAPITAL AND RESERVES	33		
Share capital		**172,850**	172,850
Reserves		**2,066,902**	2,131,922
TOTAL EQUITY		**2,239,752**	2,304,772

(Expressed in Renminbi Yuan unless otherwise indicated)

39 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Company and D&R Investment entered into the Subscription Agreement on 11 November 2021, pursuant to which the Company has conditionally agreed to issue and allot, and D&R Investment has conditionally agreed to subscribe for, 319,772,164 H shares ("the Subscription"), representing approximately 37.0% of the issued share capital of the Company as at 11 November 2021 and approximately 27.0% of the enlarged share capital of the Company after completion of the Subscription, at the subscription price of HKD0.85 per H share. D&R Investment is a substantial shareholder of the Company holding 185,339,000 Domestic shares representing approximately 21.4% of the total number of issued shares as at 31 December 2021.

Subsequent to the end of the reporting period, the Company obtained the approval of independent shareholders to proceed with the Subscription pursuant to the adjourned extraordinary general meeting, the adjourned domestic shareholders class meeting and the adjourned H shareholders class meeting held on 17 January 2022. It is expected that the gross proceeds from the Subscription will be approximately HKD272 million and the net proceeds from the Subscription will be not less than approximately HKD266 million (after deduction of expenses of the Subscription). The estimated net subscription price for each share of Subscription will be approximately HKD0.83. No adjustment has been made in the financial statements for the year ended 31 December 2021 in this regard.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the conceptual framework*	1 January 2022
Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*	1 January 2022
Amendments to HKAS 37, *Onerous contracts — cost of fulfilling a contract*	1 January 2022
Annual improvements to HKFRSs 2018–2020 cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE YEARS SUMMARY

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**3,768,035**	3,129,363	3,038,076	2,975,760	4,024,224
Net current liabilities	**1,524,226**	1,323,136	977,769	101,145	978,919
Total assets less current liabilities	**2,243,809**	1,806,227	2,060,307	2,874,615	3,045,305
Non-current liabilities	**495,613**	195,206	557,285	937,189	1,661,943
NET ASSETS	**1,748,196**	1,611,021	1,503,022	1,937,426	1,383,362
Share capital	**172,850**	172,850	172,850	172,850	154,050
Reserves	**1,756,181**	1,610,298	1,479,486	1,893,599	1,069,881
Total equity attributable to equity shareholders of the Company	**1,929,031**	1,783,148	1,652,336	2,066,449	1,223,931
Non-controlling interests	**(180,835)**	(172,127)	(149,314)	(129,023)	159,431
TOTAL EQUITY	**1,748,196**	1,611,021	1,503,022	1,937,426	1,383,362
Operating results	**5,330,611**	5,599,947	5,874,357	5,384,027	5,911,096
Revenue					
Profit/(loss) from operations	**305,326**	286,739	(20,768)	(716,954)	357,954
Finance costs	**(138,548)**	(164,522)	(182,464)	(299,593)	(246,648)
Profit/(loss) before taxation	**172,867**	122,217	(203,232)	(1,016,547)	111,306
Income tax	**(55,228)**	(64,896)	(48,609)	126,480	(60,668)
Profit on disposal of discontinued operations	**—**	—	—	1,667,901	—
Profit/(loss) for the year	**117,639**	57,321	(251,841)	777,834	50,638
Attributable to:					
Equity shareholders of the Company	**130,026**	89,700	(233,502)	796,162	79,834
Non-controlling interests	**(12,387)**	(32,379)	(18,339)	(18,328)	(29,196)
Profit/(loss) for the year	**117,639**	57,321	(251,841)	777,834	50,638

Note: The above figures include continuing operations and discontinued operations.