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

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3939

Annual Report **2021**

Integrate Resources,
Create Values,
Build Benefits And
Contribute
To The Society

Content

Corporate Information

DIRECTORS

Executive Directors:

Gao Mingqing *(Chairman, Chief Executive Officer)*
Gao Jinzhu (resigned on 30 September 2021)
Xie Yaolin (resigned on 30 September 2021)
Liu Zhichun
Wang Renxiang (appointed on 30 September 2021)
Wang Nan (appointed on 30 September 2021)

Non-executive Directors:

Li Kwok Ping (resigned on 30 September 2021)
Lee Hung Yuen (resigned on 30 September 2021)

Independent non-executive Directors:

Lu Jian Zhong
Qi Yang
Shen Peng
Wang Xin

AUDIT COMMITTEE

Shen Peng *(Chairman)*
Qi Yang
Lu Jian Zhong
Wang Xin

REMUNERATION COMMITTEE

Qi Yang *(Chairman)*
Lu Jian Zhong
Liu Zhichun

NOMINATION COMMITTEE

Shen Peng *(Chairman)*
Qi Yang
Gao Jinzhu (resigned on 30 September 2021)
Wang Xin (appointed on 30 September 2021)

COMPANY SECRETARY

Wong Chi Wah *(HKICPA, FCCA)*

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Xinzhuang Township Yifeng County
Jiangxi Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1, 28/F
Singga Commercial Centre
144-151 Connaught Road West
Hong Kong

REGISTERED OFFICE

3rd Floor, Queensgate House
113 South Church Street
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Crowe (HK) CPA Limited
Certified Public Accountants
9/F, Leighton Centre,
77 Leighton Road,
Causeway Bay,
Hong Kong

LEGAL ADVISER

as to Hong Kong Law
Dentons Hong Kong LLP
3201 Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

Bank of China, Yifeng Branch
239 Xinchang West Street
Yifeng County
Jiangxi Province
PRC

STOCK CODE

3939

COMPANY WEBSITE

www.wgmine.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of Directors (the "**Directors**", each a "**Director**") of Wanguo International Mining Group Limited (the "**Company**"), I am pleased to present the audited results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the financial year ended 31 December 2021.

For the year ended 31 December 2021, the Group mined 980,301 tonnes of ores, of which it sold copper in copper concentrates of 3,839 tonnes, iron concentrates of 95,437 tonnes, zinc in zinc concentrates of 7,386 tonnes, sulfur concentrates of 193,529 tonnes, lead in lead concentrates of 1,113 tonnes, sulfur and iron concentrates of 23,406 tonnes, gold of 213 kg, silver of 12,068kg and copper of 383 kg. We achieved revenue of RMB2,014.4 million, gross profit of RMB316.2 million and profit attributable to owners of the Company of RMB198.4 million.

Looking back on 2021, there were ups and downs for the Group: on the up side, we welcomed our new strategic investor – Humon Smelting which further strengthened our development capability, and yet the Group remains a relatively junior capital market player with rooms to grow; Our Xinzhuang Mine located in Jiangxi Province of China has achieved the best financial results since its development and is forging ahead into its fifteen years of peak growth, and yet there is still a fair way to go to meet the Group's expectation of being a world class mine; the development of Gold Ridge Mine in the Solomon Islands is well underway with the heap leaching process starting to produce gold, however the COVID-19 pandemic has delayed the mine's trial production from the end of 2021 to the second quarter of 2022; The feasibility study and development plan for the Walege mine have been finalised with permitting works advanced, however the progress of converting exploration right to mining right was short of expectation. Overall, the Group advanced in the midst of challenges in 2021, achieved growth in maturity and stability, and the best financial results since the listing.

Starting from a new height, together we march towards 2022 striving to achieve our development plans and goals. I strongly believe, in the new year, with new hopes, new efforts, Wanguo people's dedication and the full support of our friends from all walks of life, we will leap forward and create new brilliance.

On behalf of the Group, I would like to take this opportunity to express my sincere gratitude to all of our customers, business partners and investors for their support and trust to the Group. In addition, I would like to express my heartfelt thanks to our Directors and employees for their dedication and contribution to the Group.

By order of the Board

Gao Mingqing
Chairman and Chief Executive Officer
15 March 2022

MANAGEMENT
DISCUSSION AND ANALYSIS

MARKET REVIEW

Copper

According to World Bureau of Metal Statistics, the copper market recorded a deficit of 397,000 tonnes in January to December 2021 which follows a deficit of 690,000 tonnes in the whole of 2020. Reported stocks (including London Metal Exchange ("**LME**") off warrant stocks) at the end of December 2021 were 180,400 tonnes lower than at the end of December 2020. Net deliveries out of Shanghai warehouses were 37,000 tonnes and Comex stocks decreased by 7,500 tonnes. Demand is measured on an apparent basis and it is likely that the full effects of national lockdowns will have distorted the trade statistics. No allowance is made in the consumption calculation for unreported stock changes, particularly in the Chinese government stockpile.

World mine production in January to December 2021 was 21.4 million tonnes which was 3.8% higher than the whole of 2020. Global refined production for January to December 2021 was 24.7 million tonnes up 2.1% compared with the previous year with significant increases recorded in China (up 466,000 tonnes) and in India (up 151,000 tonnes).

Global demand in January to December 2021 was 25.1 million tonnes which was 0.9% higher than the total recorded for the whole of 2020. Chinese apparent demand for the period January to December 2021 was 13.9 million tonnes which was 4.4% lower than the comparable period in 2020. Reported output of semi manufactures in China rose by 3.8%. US refined copper production was 1,022,700 tonnes which was 105,000 tonnes higher than the comparable months of 2020.

MARKET REVIEW *(Continued)*

Iron

In 2021, under the repeated epidemic as well as the exercises of macro policy regulations such as the flat control of crude steel production and double controls of energy consumption, the domestic steel industry trend was ups and downs, driving the Chinese pig iron market price upwards. From January to May 2021, driven by macro policies, foreign demand and prices, the prices rose strongly to record highs in early May. With the gradual implementation of the policy to stabilise supply and protect prices, market prices returned to rational level. The pig iron market then has been oscillating from late May to the end of October in 2021. Pig iron price achieved the second highest point in November 2021, followed with an oscillating downwards trends resulted from downturn mood of steel market and tightening production restrictions.

Zinc

According to World Bureau of Metal Statistics, the zinc market was in deficit by 26,100 tonnes during January to December 2021 which compares with a surplus of 632,000 tonnes recorded in the whole of the previous year. Reported stocks decreased by 69,800 tonnes during 2021 which included a net increase in Shanghai of 25,000 tonnes over the period. LME (including off warrant stocks) closed 20,700 tonnes above the December 2020 level. Total LME stocks represent 33% of the global total with the bulk of the metal held in Asian and US warehouses. Demand is measured on an apparent basis and it is likely that the full effects of national lockdowns have not been fully reflected in the trade statistics.

Global refined production fell by 0.05% and demand was 4.9% higher than the levels recorded last year. Japanese apparent demand was, at 540,700 tonnes, 50% above the equivalent total for January to December 2020.

World demand was 651,000 tonnes higher than for January to December 2020. Chinese apparent demand was 7,000,500 tonnes which is 50% of the global total. No allowance is made in the consumption calculation for unreported stock changes.

Management Discussion and Analysis

MARKET REVIEW *(Continued)*

Lead

According to World Bureau of Metal Statistics, the lead market recorded a deficit of 130,900 tonnes in January to December 2021 which follows a deficit of 108,700 tonnes recorded in the whole of 2020. Total stocks at the end of December were 55,500 tonnes lower than at the end of 2020. No allowance is made in the consumption calculation for unreported stock changes. Demand is measured on an apparent basis, and it is likely that the full effects of national lockdowns will have distorted the trade statistics.

World refined production during January to December 2021 from both primary and secondary sources was 14,374,000 tonnes which was 21.7% higher than in the comparable months of 2020. Chinese apparent demand was estimated at 7,288,800 tonnes which was 2,291,000 tonnes higher than the comparable period in 2020 and represented about 50% of the global total. For the United States of America, apparent demand has increased by 103,000 tonnes for January to December 2021 compared to the same months of 2020.

Gold and Silver

As the world steadily recovered from COVID-19 throughout much of 2021, gold retreated from those elevated levels. US President Joe Biden administration's enormous USD1.9 trillion pandemic relief package at the beginning of the year, for instance, was a major factor in sending gold prices lower, with the yellow metal falling significantly from around USD1,950/ounce in early January to below USD1,700/ounce by the first week of March 2021. Although gold prices surged back to over USD1,900/ounce by June amid the accelerating inflation and fears surrounding the Delta variant of the coronavirus, gold price did not ascend to such highs since then, staying below USD1,800/ounce for most of the time.

Gold prices have since reversed course, remaining below USD1,800/ounce from the final week of November 2021 onward. This can at least partly be explained by the renomination of Jerome Powell as chair of the Board of Governors of the Federal Reserve System (the Fed), which brings renewed expectations of a normalisation of monetary policy through hiking interest rates and/or cutting asset purchases sooner than initially anticipated.

Sliver is also one of the precious metals like gold and the trend in 2021 followed with gold. The performance of sliver price was not satisfactory. It has been oscillating downwards throughout the year.

Management Discussion and Analysis

BUSINESS REVIEW

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

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

In addition, the Group has on 30 April 2020, completed acquisition of 77.78% interest of AXF Gold Ridge Pty Limited, which owns 90% interest of a gold ridge mine located in the Solomon Islands ("**Gold Ridge Mine**") in which we may further exploit for open-pit and underground mining. The Gold Ridge Mine has a substantial volume of mineral resources of gold.

EXPANSION IN EXISTING MINES

Xinzhuang Mine

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

Yifeng Wanguo entered into an agreement with China Nerin Engineering Co., Ltd (中國瑞林工程技術有限公司) ("**Nerin**") for conducting a feasibility study on an expansion plan of our Xinzhuang Mine to 900,000 tpa. The Group has received Nerin's feasibility study report and has commenced initial production and safety design in August 2021. In November 2021, registration for the Lead-Zinc processing plant technical modification project has been obtained from relevant authority. The Group will start launching the technical renovation of the Lead Zinc processing plant in 2022. In February 2022, the Group received the approval in relation to 900,000 tpa expansion plan of copper-lead-zinc Xinzhuang Mine from the Development and Reform Commission of Jiangxi Province (江西省發展改革委員會).

Walege Mine

In February 2021, the Walege Mine has been notified as one of the outstanding mines in Strategic Action for Mineral Exploration and breakthroughs (找礦突破戰略行動) announced by Ministry of Nature Resources (自然資源部). We are in the progress of applying for the mining license for the Walege Mine. During August 2021, we have received and finalised the Mineral Resources Development and Utilisation Programme (礦產資源開發利用方案) for submission.

Gold Ridge Mine

During 2021, the Group continued to progress the recommissioning activities in the Gold Ridge Mine, including commencement of heap leach operation, flotation plant installation in progress as well as completion of compliance requirements set by Solomon Islands Government in respect of heap leach operation.

Management Discussion and Analysis

EXPANSION IN SURROUNDING AREAS

According to the Independent Technical Expert's Report in the Prospectus, there are significant additional defined mineral resources outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining licence held by the Group. On 20 November 2012, Yifeng Wanguo entered into an exploration agreement (the "**Exploration Agreement**") with the Bureau of Geology and Mineral Exploration of Jiangxi Province (the "**Jiangxi Geology Bureau**"). By the end of 2013, Jiangxi Geology Bureau has completed the field exploration work.

A Mineral Resources Verification Report (資源儲量核實報告) has been finished and approved by Jiangxi Province Land Resources Bureau in April 2014 and obtained registration in December 2014.

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

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 29 December 2020, the Company entered into a subscription agreement (the "**Subscription Agreement**") with Shandong Humon Smelting Co., Ltd (山東恒邦冶煉股份有限公司) (the "**Subscriber**"), a company listed on the Shenzhen Stock Exchange (stock code: 002237), and is principally engaged in gold and silver smelting, production and sales of electrolytic copper, cathode copper, lead ingots, non-ferrous metals, rare and precious metals and their products. Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe for 108,000,000 new Shares at the subscription price of HK$2.18 per subscription share (the "**Subscription**"). The closing price of the Share as quoted on the Stock Exchange on the date of the Subscription Agreement was HK$2.20.

The Directors considered that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its development of Gold Ridge Mine.

On 26 January 2021, the Company, the Subscriber and Shandong Humon Mining Development Limited (山東恒邦礦業發展有限公司) ("**Humon Mining**"), an indirectly wholly-owned subsidiary of the Subscriber, entered into a supplementary agreement, pursuant to which the Subscriber assigned its rights and obligations under the Subscription Agreement to Humon Mining.

On 2 March 2021, the Subscription was completed and 108,000,000 new Shares (representing approximately 13.04% of the then issued share capital as enlarged by the allotment and issuance of the subscription shares) have been allotted and issued to Humon Mining under the general mandate granted to the Directors at the annual general meeting of the Company held on 26 June 2020 at the subscription price of HK$2.18 per subscription share.

Please refer to the Company's announcements dated 29 December 2020, 22 February 2021 and 2 March 2021 respectively for details.

The net proceeds from the Subscription was approximately HK$235.3 million. It is expected that 90% of the net proceeds will be used for funding of the project concerning the exploitation of the Gold Ridge Mine (the "**Gold Ridge Project**") and 10% of the net proceeds will be used for general working capital of the Company.

Management Discussion and Analysis

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE *(Continued)*

As at 31 December 2021, the utilisation of the net proceeds from the Subscription was as follows:

	Planned use of net proceeds HKD (million)	**Actual use of net proceeds as at 31 December 2021** HKD (million)	**Unutilised net proceeds as at 31 December 2021** HKD (million)
Funding of the Gold Ridge Project	211.8	211.8	–
General working capital	23.5	23.5	–
Balance	235.3	235.3	–

Entering into an offtake contract

On 28 August 2021, Gold Ridge Mining Limited ("**GRML**"), an indirectly non-wholly-owned subsidiary, entered into a purchase contract (the "**Offtake Contract**") with Trafigura Pte Ltd ("**Trafigura**"), a Singapore-registered commodities trader, pursuant to which GRML agrees to sell, and Trafigura agrees to purchase gold concentrate to be produced from the Gold Ridge Mine ("**Concentrate**") for the five-year period commencing from 1 January 2022. On 31 October 2021, GRML and Trafigura further agreed the minimum offtake volume under the Offtake Contract to be 205,000 dry tons.

Trafigura is a Fortune Global 500 company and one of the world's largest metals and mineral trader, as well as in oil and petroleum arena. With offices in 48 countries on six continents, transportation and infrastructure investments all over the world, Trafigura is capable of providing end to end service for customers from almost anywhere. Its integrated physical trading and logistics operation is critical to delivering excellent service and to connecting customers across the supply chain to global economy.

Trafigura strives to meet and develop international best practice throughout trading activities from sourcing, storage, to management of ports and vessels, and implements comprehensive health, safety, environment and community (HSEC) standards and policies.

The Board believes that entering into the Offtake Contract has the benefits of not only securing the offtake of Concentrate produced from the Gold Ridge Mine at competitive payable rates, but also stable shipment schedules and payment terms which ensure fast cashflow turnaround. The Board is also of the view that the Offtake Contract will allow GRML to utilize the strength of Trafigura's global logistics network to enhance GRML's supply chain efficiencies and optimise its shipping routes.

Please refer to the Company's announcement dated 10 November 2021 for details.

Management Discussion and Analysis

MINERAL RESOURCES AND RESERVES

The Xinzhuang Mine Mineral Resource Summary – as at 31 December 2021

Mineralization Type	JORC Mineral Resource Category	Tonnage	Grades					Contained Metals				
			Cu	Pb	Zn	TFe	mFe	Cu	Pb	Zn	TFe	mFe
		kt	%	%	%	%	%	kt	kt	kt	kt	kt
Cu-Fe	Measured	4,629	0.80	–	–	–	–	37.22	–	–	–	–
	Indicated	11,266	0.68	–	–	–	–	77.08	–	–	–	–
	Subtotal	**15,895**	**0.72**	**–**	**–**	**–**	**–**	**114.30**	**–**	**–**	**–**	**–**
	Inferred	845	0.47	–	–	–	–	3.93	–	–	–	–
	Total	**16,740**	**0.71**	**–**	**–**	**–**	**–**	**118.23**	**–**	**–**	**–**	**–**
Fe-Cu	Measured	1,660	0.19	–	–	44.17	30.98	3.10	–	–	733.27	514.28
	Indicated	2,887	0.34	–	–	39.59	24.23	9.82	–	–	1,143.04	699.62
	Subtotal	**4,547**	**0.28**	**–**	**–**	**41.30**	**26.75**	**12.92**	**–**	**–**	**1,876.31**	**1,213.90**
	Inferred	296	0.53	–	–	44.13	31.03	1.58	–	–	130.62	91.84
	Total	**4,843**	**0.29**	**–**	**–**	**41.45**	**26.98**	**14.50**	**–**	**–**	**2,006.93**	**1,305.74**
Cu-Pb-Zn	Measured	1,504	0.13	0.97	5.36	–	–	1.97	14.63	80.54	–	–
	Indicated	1,966	0.09	1.88	3.70	–	–	1.71	37.00	72.74	–	–
	Subtotal	**3,470**	**0.11**	**1.49**	**4.42**	**–**	**–**	**3.68**	**51.63**	**153.28**	**–**	**–**
	Inferred	340	0.13	0.39	4.44	–	–	0.43	1.34	15.08	–	–
	Total	**3,810**	**0.11**	**1.40**	**4.42**	**–**	**–**	**4.11**	**52.97**	**168.36**	**–**	**–**
Total	Measured	7,793	–	–	–	–	–	42.29	14.63	80.54	733.27	514.28
	Indicated	16,119	–	–	–	–	–	88.61	37.00	72.74	1,143.04	699.62
	Subtotal	**23,912**	**–**	**–**	**–**	**–**	**–**	**130.90**	**51.63**	**153.28**	**1,876.31**	**1,213.90**
	Inferred	1,481	–	–	–	–	–	5.94	1.34	15.08	130.62	91.84
	Total	**25,393**	**–**	**–**	**–**	**–**	**–**	**136.84**	**52.97**	**168.36**	**2,006.93**	**1,305.74**

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

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

(3) There were no material changes in these estimates during the period from 31 December 2011 to 31 December 2021.

MINERAL RESOURCES AND RESERVES *(Continued)*

The Xinzhuang Mine Ore Reserve Summary – as at 31 December 2021

Mineralization Type	JORC Ore Reserve Category	Tonnage	Grades					Contained Metals				
			Cu	Pb	Zn	TFe	mFe	Cu	Pb	Zn	TFe	mFe
		kt	%	%	%	%	%	kt	kt	kt	kt	kt
Cu-Fe	Proved	3,188	0.77	–	–	–	–	24.33	–	–	–	–
	Probable	3,967	0.65	–	–	–	–	26.37	–	–	–	–
	Total	**7,155**	**0.71**	**–**	**–**	**–**	**–**	**50.70**	**–**	**–**	**–**	**–**
Fe-Cu	Proved	1,760	0.21	–	–	37.19	32.88	3.65	–	–	654.49	578.71
	Probable	1,316	0.32	–	–	23.17	19.26	4.23	–	–	304.92	253.42
	Total	**3,076**	**0.26**	**–**	**–**	**31.19**	**27.05**	**7.88**	**–**	**–**	**959.41**	**832.13**
Cu-Pb-Zn	Proved	941	0.08	0.87	5.03	–	–	0.79	8.19	47.33	–	–
	Probable	538	0.04	1.36	2.92	–	–	0.19	7.33	15.70	–	–
	Total	**1,479**	**0.07**	**1.05**	**4.26**	**–**	**–**	**0.98**	**15.52**	**63.03**	**–**	**–**
Total	Proved	5,889	–	–	–	–	–	28.77	8.19	47.33	654.49	578.71
	Probable	5,821	–	–	–	–	–	30.79	7.33	15.70	304.92	253.42
	Total	**11,710**	**–**	**–**	**–**	**–**	**–**	**59.56**	**15.52**	**63.03**	**959.41**	**832.13**

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

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

(3) There were no material changes in these estimates during the period from 31 December 2011 to 31 December 2021.

MINERAL RESOURCES AND RESERVES *(Continued)*

The Walege Mine Mineral Resource Summary – as at 31 December 2021 Grade Tonnage Reported above a Cut-off Grade of 2.5% Pb

JORC Mineral Resource Category	Tonnes (Mt)	Grade (Pb%)	Ag (g/t)	Lead Metal (1,000t)	Silver Metal (1,000Kg)
Measured	13.996	3.79	44.80	530.4	627.1
Indicated	18.343	3.57	43.32	655.6	794.7
Inferred	10.688	3.82	48.22	408.5	515.4
Totals	**43.027**	**3.71**	**45.02**	**1,594.5**	**1,937.2**

Notes:

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

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

(3) The mineral resource estimates were based on 72 diamond drill holes completed up until 2013 and the wireframes were generated based on cross sectional widths of 100m-100m spacing as disclosed in the Company's circular dated 2 December 2015. Save as disclosed above, there were no material changes in these estimates during the period from 31 December 2018 to 31 December 2021.

MINERAL RESOURCES AND RESERVES *(Continued)*

JORC Mineral Resource Category	Tonnes (Mt)	Gold Grade (g/t Au)	Contained Gold (k oz Au)	As (ppm)*	Cu (ppm)*	S (%)*
	Gold Ridge Mine Resources Summary – as at 31 December 2021 at 0.6 g/t Au cut-off grade					
Measured	24.1	1.35	1,000	232	84	1.51
Indicated	20.4	1.34	900	119	88	1.43
Inferred	31.3	1.55	1,600	79	91	1.47
Total**	**75.8**	**1.43**	**3,500**	**139**	**88**	**1.47**

* Due to the sparseness of As, Cu and S assays these contaminant grades are indicative only.

** Totals may not add up due to rounding.

Notes:

1) The mineral resource estimates have been derived from samples collected from diamond core drilling and some RC drilling programs in the Gold Ridge Mine's drilling database which contains 4,565 holes and 221,310m of drilling.

2) The 2014 topographic mined out surface was used as the upper boundary of the resource model. This surface was provided by mine surveys at the cessation of mining on 1 April 2014. To limit the extrapolation of grades at depth in the resource model, a surface representing the Base of Drilling was created.

3) A pit shell at 1.5 times the base revenue and approximately equivalent to a pit shell optimised with a US$1,950 per ounce gold price was selected to limit the reporting of mineral resources above the 'reasonable prospects for eventual economic extraction' (RPEEE) pit sell. This was further constraint with a 0.6g/t Au cut-off grade.

4) There were no material changes in these estimates during the year ended 31 December 2021.

Ore Reserve Class	Tonnes (Mt)	Gold Grade (g/t Au)	Contained Gold (k oz Au)
	Gold Ridge Mine Ore Reserves Summary as at 31 December 2021		
Probable	**31.2**	**1.43**	**1,434**

Notes:

1) The Ore Reserve conforms with and uses the JORC Code (2012) definitions.

2) The Ore Reserve was estimated using a fixed cut-off grade of 0.6 g/t Au.

3) Ore block grade and tonnage dilution were incorporated through the use of an Ordinary Kriged Resource Model.

4) All figures are rounded to reflect appropriate levels of confidence.

5) Apparent differences may occur due to rounding.

Management Discussion and Analysis

FINANCIAL REVIEW

	Year ended 31 December					
	Concentrates products (own mined) RMB'000	**Trading of electrolytic copper and lead and other concentrate (sourced outside) RMB'000**	**2021 Total RMB'000**	Concentrates products (own mined) RMB'000	Trading of electrolytic copper and other concentrate (sourced outside) RMB'000	2020 Total RMB'000
Revenue	**569,005**	**1,445,390**	**2,014,395**	364,678	1,029,466	1,394,144
Cost of sales	**(254,293)**	**(1,443,895)**	**(1,698,188)**	(207,620)	(1,029,115)	(1,236,735)
Gross profit	**314,712**	**1,495**	**316,207**	157,058	351	157,409
Gross profit margin	**55.3%**	**0.10%**	**15.7%**	43.1%	0.03%	11.3%

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

The Group's overall revenue increased by approximately 44.5% from RMB1,394.1 million in 2020 to approximately RMB2,014.4 million in 2021, which was primarily due to the increase in both sales of our own mined concentrated products and sales of electrolytic copper. Our cost of sales increased by approximately 37.3% from approximately RMB1,236.7 million in 2020 to approximately RMB1,698.2 million in 2021 which was mainly driven by the corresponding increase in sales of electrolytic copper.

The overall gross profit of the Group increased by approximately 100.9% from approximately RMB157.4 million for the year ended 31 December 2020 to approximately RMB316.2 million for the year ended 31 December 2021. The overall gross profit margin increased from approximately 11.3% for the year ended 31 December 2020 to approximately 15.7% for the year ended 31 December 2021. Such increase was mainly attributable to the increase in revenue portion of sales of our own mined concentrates products, which had a higher profit margin.

(i) Concentrates products (own mined)

Revenue from sales of concentrates products increased by approximately 56.0% from approximately RMB364.7 million for the year ended 31 December 2020 to approximately RMB569.0 million for the year ended 31 December 2021.

For the year ended 31 December 2021, we sold 3,839 tonnes of copper in copper concentrates, 95,437 tonnes of iron concentrates and 7,386 tonnes of zinc in zinc concentrates, compared to 3,808 tonnes, 104,726 tonnes and 5,429 tonnes respectively for the year ended 31 December 2020, representing increases of approximately 0.8% and 36.0% for copper in copper concentrates and zinc in zinc concentrates respectively which were principally attributable to the increase in production efficiency with the use of upgraded machines and technology improvements in both mining and processing processes, and a decrease of approximately 8.9% for iron concentrates due to the decrease in grading of ores.

The average prices of copper in copper concentrates, iron concentrates and zinc in zinc concentrates in 2021 were RMB54,286, RMB946 and RMB14,962 per tonne respectively, compared to RMB37,367, RMB597 and RMB11,080 per tonne respectively in 2020, representing increases of approximately 45.3%, 58.5% and 35.0% respectively, resulting from the significant recovery of metal market demand in 2021.

The cost of sales of concentrates products increased by approximately 22.5% from approximately RMB207.6 million in 2020 to approximately RMB254.3 million in 2021, which was mainly driven by the corresponding increase in sales revenue.

FINANCIAL REVIEW *(Continued)*

Revenue, cost of sales, gross profit and gross profit margin *(Continued)*

(i) Concentrates products (own mined) *(Continued)*

The gross profit of concentrates products for the year ended 31 December 2021 was approximately RMB314.7 million, representing an increase of approximately 100.3% compared to approximately RMB157.1 million for the year ended 31 December 2020, which was mainly attributable to the increase in volume of concentrates sold following the upgrading of machines and technology improvements in both mining and processing processes as well as increase in metal prices in 2021. The gross profit margin increased from approximately 43.1% for the year ended 31 December 2020 to approximately 55.3% for the year ended 31 December 2021. Such increase was mainly attributable to the rise in the selling price of the concentrates.

(ii) Trading of electrolytic copper and lead and other concentrates (sourced outside)

Starting from November 2019, the Group set up a company for trading of electrolytic copper, electrolytic lead and other concentrates. Revenue from trading of electrolytic copper, electrolytic lead and other concentrates increased by approximately 40.4% from approximately RMB1,029.5 million for the year ended 31 December 2020 to approximately RMB1,445.4 million for the year ended 31 December 2021, resulting from the significant recovery of metal market demand in 2021.

The corresponding cost of sales of electrolytic copper, electrolytic lead and other concentrates increased by approximately 40.3% from approximately RMB1,029.1 million for the year ended 31 December 2020 to approximately RMB1,443.9 million for the year ended 31 December 2021, which was mainly driven by the corresponding increase in sales revenue.

The gross profit of trading of electrolytic copper, electrolytic lead and other concentrates increased by approximately 275.0% from approximately RMB0.4 million for the year ended 31 December 2020 to approximately RMB1.5 million for the year ended 31 December 2021. The gross profit margin increased from approximately 0.03% for the year ended 31 December 2020 to approximately 0.10% for the year ended 31 December 2021.

Other income

Our other income mainly comprised bank interest income of approximately RMB0.9 million, incentives received from governmental authorities of approximately RMB0.7 million and government grant and subsidy to Yifeng Wanguo in relation to the mining technology improvement of approximately RMB1.2 million for the year ended 31 December 2021. Other income decreased by approximately RMB0.9 million as compared with 2020, which was mainly attributable to the decrease in incentives received from local governmental authorities.

Other gains and losses

Our other gains and losses decreased by approximately RMB4.5 million, which comprised mainly gain on disposal of property, plant and equipment of approximately RMB0.1 million and unrealised exchange gain of approximately RMB1.1 million as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi as at 31 December 2021, whereas for the year ended 31 December 2020, there were unrealised exchange gain of approximately RMB5.3 million as a result of the translation of Australian dollars and Hong Kong dollars into Renminbi.

Distribution and selling expenses

Our distribution and selling expenses increased by approximately 51.6% from approximately RMB3.1 million for the year ended 31 December 2020 to approximately RMB4.7 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in the railway and transportation fees as result of the increase in the sales volume of concentrates products.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Administrative expenses

Our administrative expenses increased by approximately 42.2% from approximately RMB53.1 million in 2020 to approximately RMB75.5 million in 2021. The increase was principally attributable to the increase in staff costs and travelling expenses following the completion of the acquisition of AXF Gold Ridge by end of April 2020.

Finance costs

Our finance costs decreased by approximately 21.6% from approximately RMB9.7 million in 2020 to approximately RMB7.6 million in 2021, primarily due to the decrease in imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary.

Impairment loss on exploration and evaluation assets and other intangible asset

According to the impairment assessment on the exploration and evaluation assets and other intangible asset of Xizang Changdu which was carried out by an independent professional valuer, the recoverable amount of these assets was approximately RMB501.4 million while the carrying value of these assets was approximately RMB512.8 million. As a result, impairment loss on exploration and evaluation assets and other intangible asset of approximately RMB4.3 million and RMB7.1 million respectively were recognised in the profit and loss for the year ended 31 December 2021.

Income tax expense

Our income tax expense was approximately RMB39.3 million in 2021, consisting of PRC corporate income tax payable of approximately RMB36.5 million, withholding tax payable of approximately RMB4.6 million and deferred tax credit of approximately RMB1.8 million. Our income tax expense was approximately RMB16.0 million in 2020, consisting of PRC corporate income tax payable of approximately RMB16.1 million, withholding tax paid of approximately RMB1.0 million and deferred tax credit of approximately RMB1.0 million.

The increase in our income tax expense for the year ended 31 December 2021 was primarily due to the increase in the PRC corporate income tax expense as a result of increase in operating profit and withholding tax payable for distribution of profit.

Profit for the year

As a result of the foregoing, our profit after taxation increased by approximately 113.9% or approximately RMB96.7 million, from approximately RMB84.9 million for the year ended 31 December 2020 to approximately RMB181.6 million for the year ended 31 December 2021. Our net profit margin increased from approximately 6.1% for the year ended 31 December 2020 to approximately 9.0% for the year ended 31 December 2021. Such increase was mainly because the revenue increased by a larger scale than cost of sales and other expenses.

Profit attributable to owners of our Company

The profit attributable to the owners of our Company increased by approximately 123.1% or approximately RMB106.7 million, from approximately RMB86.7 million for the year ended 31 December 2020 to approximately RMB193.4 million for the year ended 31 December 2021.

Analysis of property, plant and equipment and construction in progress

As at 31 December 2021, the Group's property, plant and equipment and construction in progress were approximately RMB632.4 million, representing an increase of approximately RMB164.1 million or approximately 35.0% over last year mainly due to the purchase of mining and processing equipment and construction of mining structures in the Gold Ridge Mine.

Analysis of inventories

Inventories consist of raw materials, ore and processed concentrates. Raw materials mainly include forged steel grinding balls, explosives, chemical products and diesel oil used for the production of concentrates. As at 31 December 2021 and 2020, our inventories were approximately RMB18.6 million and approximately RMB9.4 million respectively. The increase in inventories was mainly due to substantial volume of ore and concentrates produced during the last quarter of 2021.

FINANCIAL REVIEW *(Continued)*

Analysis of trade and bills receivables

Trade receivables represent receivables from the sale of processed concentrates. Our Group generally requests our concentrates customers to make a certain amount of down payment prior to delivery. For trade customers, our Group grants a credit period up to 60 days. Our trade receivables and bills receivables were approximately RMB2.1 million and RMB2.7 million respectively as at 31 December 2021, compared to approximately RMB4.1 million and RMB3.5 million respectively as at 31 December 2020. The decrease in trade receivables as at 31 December 2021 was mainly due to more down payments being received prior to delivery and the decrease in bills receivables as at 31 December 2021 was resulted from most of the bills being exercised before year ended.

Analysis of trade payables

Trade payables mainly consist of payables in respect of (i) the purchase of forged steel grinding balls and cement and (ii) construction fee payable to our contractors under the expansion plan. As at 31 December 2021 and 2020, our trade payables were approximately RMB14.0 million and approximately RMB14.6 million respectively. The balances were comparable in the two years.

Liquidity and capital resources

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

Our Group had cash and cash equivalents of approximately RMB116.3 million as at 31 December 2021, compared to approximately RMB36.7 million as at 31 December 2020, of which approximately RMB1.9 million (2020: approximately RMB0.8 million) was denominated in Hong Kong dollars, Australian dollars, Solomon Islands dollars and US dollars.

As at 31 December 2021, the Group recorded net assets and net current liabilities of approximately RMB1,327.4 million (2020: approximately RMB999.4 million) and approximately RMB36.2 million (2020: approximately RMB206.3 million) respectively. The current ratio of the Group as at 31 December 2021 was 0.89 times as compared to 0.33 times as at 31 December 2020. The decrease in net current liabilities and increase in current ratio were attributable to the increase in bank balances mainly resulted from increase in operating profit. Going forward, the Directors believe the Group's liquidity requirements will be satisfied by using funds from a combination of internal generated cash, external borrowings, and advances from related parties in a timely manner.

Borrowings

As at 31 December 2021, the Group had secured bank borrowings of approximately RMB78.2 million and unsecured bank borrowings of approximately RMB49.8 million (2020: secured bank borrowings of approximately RMB81.7 million and unsecured bank borrowings of approximately RMB26.0 million) in aggregate with maturity from one year to six years and effective interest rate of approximately 5.51%.

Gearing Ratio

The Group's gearing ratio (representing total bank borrowings and payables to former non-controlling shareholder of a subsidiary divided by total assets) amounted to approximately 10.3% (2020: approximately 11.4%). The decrease in gearing ratio was mainly attributable to increase in bank balances, property, plant and equipment and construction in progress.

FINANCIAL REVIEW *(Continued)*

Cash Flows

The following table sets out a condensed summary of our Group's consolidated statement of cash flows for the year ended 31 December 2021 and 2020:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net cash inflow from operating activities	**145,924**	85,203
Net cash outflow from investing activities	**(226,919)**	(78,240)
Net cash inflow from financing activities	**160,706**	25,037
Net increase in cash and cash equivalents	**79,711**	32,000
Effect of foreign exchange rate changes	**(79)**	–
Cash and cash equivalents at the beginning of the year	**36,662**	4,662
Cash and cash equivalents at the end of the year	**116,294**	36,662

Net cash flow from operating activities

For the year ended 31 December 2021, net cash inflow from operating activities amounted to approximately RMB145.9 million, which mainly comprised the profit before working capital changes of approximately RMB279.0 million, together with increase in trade and other payables of approximately RMB24.9 million and was offset by decrease in contract liabilities of approximately RMB24.2 million, increase in inventories of approximately RMB9.2 million, increase in trade and other receivables of approximately RMB109.3 million and income tax paid of approximately RMB15.3 million.

Net cash flow from investing activities

Net cash outflow from investing activities amounted to approximately RMB226.9 million for the year ended 31 December 2021. It was primarily attributable to the payments of capital expenditure for property, plant and equipment of approximately RMB229.2 million, payment for evaluation and exploration assets of approximately RMB2.7 million and was offset by release of restricted bank balances of approximately RMB4.0 million, proceeds from disposal of property, plant and equipment of approximately RMB0.2 million and interest income of approximately RMB0.8 million.

Net cash flow from financing activities

Net cash inflow from financing activities amounted to approximately RMB160.7 million for the year ended 31 December 2021. This was principally due to net proceeds from issue of shares of approximately RMB196.1 million, new borrowings of approximately RMB96.0 million and advance from related parties of approximately RMB11.4 million and was offset by repayment of borrowings and interests of approximately RMB83.2 million, repayment of lease liabilities of approximately RMB0.3 million, dividend paid to shareholders of approximately RMB24.7 million as well as repayment to related parties of approximately RMB34.6 million.

Capital Expenditure

The total capital expenditure of the Group increased from approximately RMB73.6 million for the year ended 31 December 2020 to approximately RMB230.1 million for the year ended 31 December 2021, representing an increase of approximately 212.6%. The capital expenditure in 2021 was primarily incurred from the purchase of mining and processing equipment and construction of mining structures at the Xinzhuang Mine and Gold Ridge Mine.

FINANCIAL REVIEW *(Continued)*

Contractual Obligations and Capital Commitment

As at 31 December 2021, the Group's capital commitments amounted to approximately RMB22.2 million, which was attributable to the development of the Xinzhuang Mine.

	RMB'000
Three new shafts projects	616
Upgrading the processing plants	5,147
Other civil work	16,426
	22,189

As at 31 December 2021, the Group has also entered the following commitments in relation to the reconstruction works for the Gold Ridge Project.

	RMB'000
Construction works	25,385
Mining and processing equipment	3,572
	28,957

Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities or guarantees.

Significant Investments, Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this annual report, the Group had no material acquisition and disposal of subsidiaries, associated and joint ventures during the year ended 31 December 2021.

Future Plan for Material Investments and Capital Assets

Save as disclosed in this annual report, the Group does not have any plan authorised by the Board for material investments or additions of capital assets as at the date of this annual report.

Charge on Group Assets

As at 31 December 2021, the Group's mining right, right-of-use-assets and buildings with carrying value of approximately RMB74.6 million (31 December 2020: approximately RMB79.5 million) were pledged to secure the Group's bank borrowings.

Exposure to Fluctuations in Exchange Rates

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

As Renminbi fluctuates against Hong Kong dollars and Australian dollars in a limited extent during the year 2021, the Group had no material adverse exposure to foreign exchange fluctuations during the year 2021.

FINANCIAL REVIEW *(Continued)*

Interest Rate Risk

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

Financial Instruments

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

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB10.10 cents (equivalent to approximately HK$12.35 cents) per Share for the year ended 31 December 2021 (2020: RMB2.98 cents), representing approximately 53.6% of the profit and total comprehensive income attributable to owners of the Company, payable to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on Monday, 13 June 2022. Based on the number of issued Shares as at the date of this annual report, this represents a total distribution of approximately RMB83.6 million. Subject to the approval of the payment of the final dividend by the Shareholders at the annual general meeting to be held on Thursday, 2 June 2022, it is expected that the proposed final dividend will be paid on or before Wednesday, 31 August 2022.

ANNUAL GENERAL MEETING

The 2021 annual general meeting (the "**AGM**") of the Company will be held on Thursday, 2 June 2022. A notice convening the AGM will be published and despatched to the Shareholders in accordance with the requirements of the articles of association of the Company (the "**Articles**") and the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange in due course.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 27 May 2022.

The final dividend is payable to the Shareholders whose names appear on the register of members of the Company at close of business on Monday, 13 June 2022. For determination of entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 9 June 2022 to Monday, 13 June 2022, both days inclusive. In order to qualify for the proposed final dividend, all share certificates with the properly completed transfer forms, either overleaf or separately, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 8 June 2022.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, we had a total of 606 (2020: 360) employees, excluding the independent third-party contractor which is responsible for underground mining work in Xinzhuang Mine. Such increase was attributable to increase in employees in our Gold Ridge Mine.

	Number
Underground technical and supporting mine workers	
– Safety supervision	30
– Mining and geological technical staff	57
– Mining record and surveying staff	12
– Geological drilling operators	16
– Ventilation and hauling facilities and water-pump operators and maintenance staff	71
– Backfilling team	22
Processing plant workers	139
Infrastructure workers	20
Laboratory staff	8
Mine management and supporting staff	231
	606

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

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Xinzhuang Mine

Mineral exploration

During 2021, the exploration activities in the Xinzhuang Mine was within 4-29 exploration line. We have completed underground geological drilling of 24,631 m, with drill size of 60-108 mm for the year ended 31 December 2021. We have also finished tunnel drilling of 578 m and completed adit mapping of 1,342 m. For the year ended 31 December 2021, approximately RMB5.3 million was incurred for the mineral exploration.

Development

During 2021, Xinzhuang Mine incurred development expenditure of approximately RMB73.2 million.

Detailed breakdown of development expenditure is as follows:

	RMB' (million)
Mining structures	59.8
Machinery and electronic equipment for processing plants	11.6
Motor vehicles	1.8
	73.2

Management Discussion and Analysis

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES *(Continued)*

Xinzhuang Mine *(Continued)*

Mining activities

During 2021, we processed a total of 968,735 tonnes of ore in the Xinzhuang Mine. The following table shows the volume of our concentrates products sold during 2021.

Type of concentrates sold	Volume
Copper in copper concentrates	3,839 tonnes
Iron concentrates	95,437 tonnes
Zinc in zinc concentrates	7,386 tonnes
Sulfur concentrates	193,529 tonnes
Lead in lead concentrates	1,113 tonnes
Sulfur and iron concentrates	23,406 tonnes
Gold in copper concentrates	71 kg
Silver in copper concentrates	6,289 kg
Gold in zinc concentrates	43 kg
Silver in zinc concentrates	686 kg
Gold in lead concentrates	99 kg
Sliver in lead concentrates	5,093 kg
Copper in lead concentrates	383 kg

During 2021, the Group incurred expenditures for mining and processing activities were approximately RMB138.8 million (2020: approximately RMB111.6 million) and approximately RMB87.9 million (2020: approximately RMB65.6 million) respectively. The unit expenditures for mining and processing activities were approximately RMB141.6/t (2020: approximately RMB125.1/t) and approximately RMB90.7/t (2020: approximately RMB73.8/t) respectively. The increase in unit expenditure was mainly attributable to increase in material prices such as steel grinding balls and chemicals as well as increase in sub-contracting charges in relation to grading of ores mined.

Walege Mine

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

Mineral exploration

No mineral exploration was conducted in 2021. During 2021, the main activities were the license maintenance as well as application of conversion of exploration license to mining license.

Development

During 2021, Walege Mine incurred development expenditure of approximately RMB2.7 million mainly in respect of various experts discussion, meetings and information analysis for finalization of Mineral Resources Development and Utilisation Programme (礦產資源開發利用方案) for submission to the Ministry of Natural Resources of the Tibet Autonomous Region.

Mining activities

Since the Walege Mine is still in development stage, no mining activity has taken place during the year ended 31 December 2021.

Management Discussion and Analysis

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES *(Continued)*

Gold Ridge Mine

Mineral exploration

In order to upgrade and increase the mineral resources as well as to undertake metallurgical recovery optimisation tests, the Gold Ridge Mine launched a drilling project within the Charivunga deposit in 2019. The project comprised 11 designed diamond drill holes ("**DDH**"). As at 31 December 2021, 5 DDHs were completed with drilling hole diameter of 75.7mm-122.6mm, totaling 2,576 meters drilled. The drilling results are promising with resource increase expected. Final resource update model and reserve will be published once we complete the designed DDHs.

During the year ended 31 December 2021, expenditure of mineral exploration was approximately RMB6.6 million.

Development

During the year ended 31 December 2021, the Gold Ridge Mine incurred development expenditure of approximately RMB156.0 million.

	RMB' (million)
Mining structures	87.5
Machinery and electronic equipment for processing plants	66.9
Motor vehicles	1.6
	156.0

Mining activities

As COVID-19 related travel restrictions and shipping bottleneck have pushed out the trial production timing of the Gold Ridge Mine for a few months, the Group expects trial production for floation processing of sulphide ores will commence in the second quarter of 2022. Heap leach processing of oxide ores commenced in the second half of 2021, with an approximately 37kg of gold in carbon produced by the end of 2021.

PROSPECT

We intend to continue to grow our business into a leading non-ferrous mining company in the PRC and South Pacific region through the following major strategies.

Growing production at our mine and outsourcing our mining works

The scale of our production operation in the Xinzhuang Mine has increased to our targeted mining capacity and processing capacity of 600,000 tpa by end of 2014. We planned to further upgrade the mining capacity to 1,000,000 tpa in coming years. To minimise costs, we will continue to outsource our underground mining works to third-party contractors.

Horizontal expansion through future acquisitions of new mines

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

Management Discussion and Analysis

OUTLOOK

Experts believed global metal prices will face downward pressure due to concerns about global and US inflation, the interest rate hike cycle being adopted by central banks around the world, and a slowdown in industrial activity from its peak in 2020. It has also been advised that base metals such as copper, zinc, aluminium and lead will likely stabilise over the next 1-2 quarters after staying hot for most of the year, before cooling off later in 2022.

In view of current surge of gold price caused by global uncertainty under Ukraine-Russia war, the Group will speed up the recommissioning of our gold mine in Solomon Islands for the purpose of early gold production.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has complied with the PRC laws relating to the mineral industry such as Mineral Resources Law of the PRC (中華人民共和國礦產資源法), the Rules for Implementation of the Mineral Resources Law (中華人民共和國礦產資源法實施細則), the Procedures for the Registration of Mining and Mineral Resources (礦產資源開採登記管理辦法) and adopted other practices to ensure adherence to applicable legal and regulatory requirements in our PRC operation. The Group is also governed by the Mines and Minerals Act (including its associated amendments and regulations) and the National Minerals Policy as published by the Ministry of Mines, Energy and Rural Electrification for our Solomon Islands operation. Other laws and regulations are also of relevance to the Group by nature of its mining operations, such as Explosives Act and Environment Act, as well as Companies Act and Labour Act. The Board reviews and monitors regularly the Group's policies and practices on compliance with legal and regulatory requirements. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and senior management from time to time.

In addition, as a company listed on the Main Board of the Stock Exchange, the Company is subject to, among others, the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission, the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**"). To the best knowledge of the Directors, the Company has complied with the relevant laws and regulations during the year ended 31 December 2021.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. GAO Mingqing (高明清), aged 69, is our chairman, chief executive officer and executive Director. He has been the general manager of Yifeng Wanguo and GRML since November 2003 and August 2020 respectively. Mr. Gao was appointed as our executive Director on 13 May 2011. Mr. Gao has approximately 20 years of experience in the mining industry. He is primarily responsible for our business strategies planning, management and supervision of overall operations including production, business development and financing and investment activities of our Group. In January 2012, Mr. Gao received a second class China Nonferrous Metals Industry Science and Technology Award from the China Nonferrous Metals Industry Association and the Nonferrous Metals Society of Chinain respect of the Integrated Technology for Complicated Hard-to-mine Heavy Water Deposits Safety Mining of the Xinzhuang Mine. Mr. Gao was recognised by the People's Government of Yichun Municipal as an Excellent Entrepreneur in 2007 and an Outstanding Individual in New Business Establishment (全民創業標兵) in 2007, 2008 and 2010. Mr. Gao is also a director of Victor Soar Investments Limited, a substantial and controlling shareholder of the Company. Mr. Gao is a cousin of Mr. Li Kwok Ping, our former non-executive Director who resigned with effect from 30 September 2021.

Mr. LIU Zhichun (劉志純), aged 54, is an executive Director and a member of the remuneration committee (the "**Remuneration Committee**") of the Board. He has been the deputy general manager of Yifeng Wanguo since he joined our Group in January 2008. Mr. Liu was appointed as an executive Director on 12 June 2012. He is primarily responsible for the marketing and sale of our products. Mr. Liu has approximately 22 years of experience in general marketing and sales of mining products. Prior to joining us in 2008, Mr. Liu worked in Hunan Province Chejiang Copper Mine from 1991 to 1997 where he last served as the deputy manager of the business department. Mr. Liu received a bachelor's degree in history from the Hunan Science and Technology University, previously known as the Xiangtan Normal University, in June 1991.

Mr. Wang Renxiang (王任翔), aged 37, has been appointed as our executive Director on 30 September 2021. He has been acting as the deputy general manager of Wanguo Australia International Group Pty Limited (a wholly owned subsidiary of the Company) ("**Wanguo Australia**") since September 2017 and a director and deputy general manager of GRML since August 2020. He is primarily responsible for the development and recommissioning of the project concerning the Group's gold ridge mine located in the Solomon Islands (the "**Gold Ridge Project**"). Prior to joining the Group, Mr. Wang was an analyst at the Treasury of Australian Government from February 2011 to July 2017. Mr. Wang has been awarded a Graduate Diploma in International Affairs from the Australian National University in July 2017. He graduated with a Master of Commerce with Honours in Finance from the University of Melbourne in December 2010 and a Bachelor of Finance from the Australian National University in July 2007.

Ms. Wang Nan (王楠) aged 50, has been appointed as our executive Director on 30 September 2021. She has been acting as the chief financial officer of Wanguo Australia since June 2018 and a director of GRML since August 2020. She is primarily responsible for finance and business development of the Gold Ridge Project. Prior to joining the Group, Ms. Wang was a senior adviser of the Asian Infrastructure Investment Bank, China Economic Policy, Budget Policy, Infrastructure Finance, Finance Taxation issues at the Department of Treasury of Australian Government from December 2004 to May 2018. She worked as a legal consultant on mergers and acquisitions matters at King & Wood Beijing office from August 2003 to September 2004 and a tax advisor at Arthur Andersen Hong Kong from September 1995 to December 1996. She was awarded a Graduate Diploma in Economics Studies from Monash University and Graduate Diploma in Legal Practice from the Australian National University in May 2013 and April 1996 respectively. She was qualified as a lawyer in Australia in October 1995. She graduated from the Australian National University with double degrees of a Bachelor of Commence and a Bachelor of Laws in April 1994 and April 1995 respectively.

Biographical Information of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LU Jian Zhong (呂建中), aged 60, is our independent non-executive Director and a member of each of the audit committee (the "**Audit Committee**") of the Board and the Remuneration Committee. Dr. Lu has approximately 20 years of experience in corporate senior management. He has been the General Affairs President, Greater China of Shanghai Essilor Optical Company Limited since October 2020. Dr. Lu was the Weir Group China President from November 2017 to June 2020 and was a Partner of Beijing Brunswick Consultancy Limited Shanghai Branch from June 2015 to October 2017. He held various positions in Sateri Holdings Limited, a company listed on the Main Board of the Stock Exchange in 2010 (stock code: 1768) and delisted in 2016, as well as RGE Management (China) Co., Ltd, and Asia Symbol (Shandong) Pulp and Paper Co., Limited from November 2013 to April 2015. Dr. Lu previously held various positions in BHP Billiton Limited, an international resources company listed on the London Stock Exchange (stock code: BLT) and Australian Securities Exchange (stock code: BHP), from March 2000 to July 2007. Dr. Lu was an expert in the United Nations from December 1994 to May 1997. Dr. Lu is a member of the Australian Institute of Management and a fellow of the World Academy of Productivity Science (WAPS). He graduated from Zhejiang University with a bachelor's degree in engineering in July 1983. Dr. Lu was awarded a postgraduate degree in engineering of technological innovation from the Ecole Centrale Paris in 1990 and a doctor's degree in philosophy from the Royal Melbourne Institute of Technology in May 2000.

Mr. QI Yang (祁揚, former name: 祁楊), aged 54, is our independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Qi has joined Hunan Nonferrous Metals Holding Group Co., Ltd (湖南有色金屬控股集團有限公司) ("**HNG**"), the parent company of Hunan Nonferrous Metals Corporation Limited (湖南有色金屬股份有限公司) ("**HNL**") shares of which were listed on the Main Board of the Stock Exchange (stock code: 2626) and delisted on 31 March 2015, since November 2006 and acted as the head of its legal affairs department. He currently acts as the head of office of the board of directors and a member of its investment audit committee of HNG. Mr. Qi has also been a supervisor of HNL since March 2009. He was awarded the "Pioneering Individual in Provincial Legal Affairs in Corporate Supervision" (省屬監管企業法律事務工作先進個人) in 2008 by the State-Owned Assets Supervision and Administration Commission of Hunan Provincial People's Government (湖南省人民政府國有資產管理監督管理委員會). Mr. Qi was qualified as a lawyer in the PRC in 1994. He graduated from the Zhongnan Institute of Politics and Law (中南政法學院) with a bachelor's degree in law in July 1991 and graduated as a research student in economic law from the Hunan University (湖南大學) in December 2002.

Mr. SHEN Peng (沈鵬), aged 46, is our independent non-executive Director and the chairman of each of the Audit Committee and Nomination Committee. He has more than 23 years of experience in finance and mining industry of China and Australia. From January 2014 to June 2017, Mr. Shen was the director of Carabella Resources Limited, shares of which were listed on the Australian Stock Exchange (stock code: CLR) and delisted on 19 February 2014. Prior to joining Carabella Resources Limited, he was the chief financial officer of Yancoal Australia Limited, shares of which are listed on the Australian Securities Exchange (stock code: YAL), from 2010 to 2013. Mr. Shen served the Shenhua Group Corporation Limited (神華集團有限責任公司), the parent company of China Shenhua Energy Company Limited (中國神華能源股份有限公司) shares of which were dually listed on the Stock Exchange (stock code: 01088) and the Shanghai Stock Exchange (stock code: 601088), from 2004 to 2010. Mr. Shen worked in Deloitte Touche Tohmatsu CPA Ltd. Beijing Branch from 1998 to 2001. He graduated from the Central University of Finance and Economics (中央財經大學) with a bachelor's degree in economics in July 1998 and the University of Melbourne with a master's degree in applied finance in December 2003.

Biographical Information of Directors and Senior Management

Mr. Wang Xin (王昕), aged 51, has been appointed as our independent non-executive Director and a member of the Audit Committee on 2 January 2020. He was the chairman of Foshan Nanhai Antaike Trading Company Ltd (佛山市南海安泰科經貿有限公司), primarily involved in trading of non-ferrous metals from February 2019 to December 2021. Since 1992, he has worked as a professor-level senior engineer in the China Nonferrous Metals Techno-Economic Research Institute (有色金屬技術經濟研究院), primarily involved in industry research, and serving as an assistant to the dean and vice president. From December 2016 to June 2020, Mr. Wang was an independent director of Fujian Minfa Aluminum Co., Ltd (福建省閩發鋁業股份有限公司), a company listed on Shenzhen Stock Exchange with stock code: 002578. Mr. Wang was the vice president of Indium and Bismuth Branch of China Nonferrous Metals Industry Association between November 2012 and November 2015. He also served as a director of the Second Session of the Aluminum Branch of the China Nonferrous Metals Industry Association from November 2012 to November 2015. Mr. Wang graduated from the Central South University of Technology (中南工業大學) in July 1992 with a bachelor degree of engineering, in mining engineering.

SENIOR MANAGEMENT

Mr. WONG Chi Wah (王志華), FCCA, HKICPA, aged 47, is our chief financial officer and company secretary. He was appointed as chief financial officer and company secretary in July 2011 and May 2012 respectively. Mr. Wong is responsible for the management of our Group's financial matters. He has approximately 24 years of experience in auditing and accounting fields. Prior to joining our Group, Mr. Wong was the chief financial controller and company secretary of China Automotive Interior Decoration Holdings Limited (stock code: 48, previously stock code: 8321), a company listed on the GEM of the Stock Exchange from February 2010 to June 2011. Mr. Wong received a bachelor degree in accountancy from the Hong Kong Polytechnic University in 1996. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to protect the interests of the Shareholders. The Company's corporate governance practices are based on principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules. Throughout 2021, the Company had complied with all applicable code provisions of the CG Code in force during the year, except for the deviation from code provisions A.2.1 and A.2.7 as described in the relevant paragraphs of this corporate governance report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiries with all Directors, the Company confirmed that all Directors have complied with the Model Code and the required standards of dealings as set out in the code of conduct for the year ended 31 December 2021 and up to the date of this annual report.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by relevant employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company for the year ended 31 December 2021.

BOARD OF DIRECTORS

During the year and as at 31 December 2021, the Board comprised four executive Directors and four independent non-executive Directors as follows:

Executive Directors

Mr. Gao Mingqing *(Chairman and Chief Executive Officer)*
Ms. Gao Jinzhu (resigned on 30 September 2021)
Mr. Xie Yaolin (resigned on 30 September 2021)
Mr. Liu Zhichun
Mr. Wang Renxiang (appointed on 30 September 2021)
Ms. Wang Nan (appointed on 30 September 2021)

Non-executive Directors

Mr. Li Kwok Ping (resigned on 30 September 2021)
Mr. Lee Hung Yuen (resigned on 30 September 2021)

Independent non-executive Directors

Dr. Lu Jian Zhong
Mr. Qi Yang
Mr. Shen Peng
Mr. Wang Xin

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The biographical details of the current Directors and the relationship among the members of the Board are set out in the "Biographical Information of Directors and Senior Management" on pages 25 to 27 of this annual report. Save as disclosed in this annual report, and to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationships among the members of the Board.

BOARD OF DIRECTORS *(Continued)*

During the year and as at 31 December 2021, the Board complied with the requirement of the Listing Rules relating to the appointment of at least three independent non-executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

ROLES AND RESPONSIBILITIES OF THE DIRECTORS

Generally, the responsibilities of the Board include:

- Formulation of overall strategic development of the Group;
- Supervision of the financial performance and risk management and internal control of the Group's business operations;
- Material acquisitions, investments, disposal of assets or any significant capital expenditure;
- Appointment, removal or reappointment of Board members and auditors;
- Review of remuneration of Directors; and
- Recommendation and declaration of any interim and final dividends.

The Board has delegated a schedule of responsibilities to the executive Directors and senior management of the Company. These responsibilities include implementing decisions of the Board and directing and co-ordinating day-to-day operation and management of the Company. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee (the "**Committees**", each a "**Committee**") for overseeing particular aspects of the Company's affairs. A copy of the current terms of reference of each Committee is available on the Investor Relations section of the Company's website. To comply with the Listing Rules, the terms of reference of each Committee are also available on the website of Hong Kong Exchanges and Clearing Limited ("**HKEX**"). The Board delegates its powers and authorities from time to time to the Committees in order to ensure operational efficiency and specific issues are being handled with relevant expertise. The Committees do not take action or make decision on behalf of the Board unless specifically mandated by prior Board authority to do so.

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions of corporate governance. For the year ended 31 December 2021, the Board performed the functions of corporate governance as set out in code provision D.3.1 of the CG Code in force during the year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Gao Mingqing, in addition to his duties as the chairman of the Board (the "**Chairman**"), is also responsible for the strategic planning and overseeing all aspects of the Group's operations as the Chief Executive Officer of the Company. This constitutes a deviation from code provision A.2.1 of the CG Code in force during the year. Mr. Gao Mingqing as one of the founders of the Group has extensive experience and knowledge in the core business of the Group and his duties of overseeing the Group's operations are clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

BOARD MEETINGS

The Company held seven Board meetings during the year ended 31 December 2021, four of which were held for reviewing and approving the financial and operating performance and considering the overall strategies and policies of the Group, and the remaining Board meetings were held for considering and approving (where applicable), among others, the appointment of Mr. Wang Renxiang and Ms. Wang Nan as executive Directors, the completion of new issue of share under general mandate and the entering into of the Offtake Contract with Trafigura.

The following table shows the attendance record of each Director at the Board meetings and the annual general meeting held during the year ended 31 December 2021:

	Attendance/Number of meetings	
Members	**Board meeting**	**Annual general meeting**
Executive Directors		
Mr. Gao Mingqing	7/7	✓
Ms. Gao Jinzhu (resigned on 30 September 2021)	5/5	✓
Mr. Liu Zhichun	6/7	✓
Mr. Xie Yaolin (resigned on 30 September 2021)	2/5	✓
Mr. Wang Renxiang (appointed on 30 September 2021)	2/2	N/A
Ms. Wang Nan (appointed on 30 September 2021)	2/2	N/A
Non-executive Directors		
Mr. Li Kwok Ping (resigned on 30 September 2021)	4/5	✓
Mr. Lee Hung Yuen (resigned on 30 September 2021)	4/5	✓
Independent non-executive Directors		
Dr. Lu Jian Zhong	3/7	ABS
Mr. Qi Yang	5/7	ABS
Mr. Shen Peng	4/7	✓
Mr. Wang Xin	6/7	✓

ABS: Absent
N/A: not applicable

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

PRACTICES AND CONDUCT OF MEETINGS

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings to give all Directors an opportunity to attend. For other board meetings, reasonable notices have been given to all Directors.

The Directors will receive details of agenda and minutes of Committee/Board meetings in advance of and after each Committee/Board meeting respectively. The company secretary of the Company (the "**Company Secretary**") will distribute relevant documents to the Directors in a timely manner to enable the Directors to make informed decisions on matters to be raised at the Board meetings. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring the procedures of the Board meetings are complied with, and in consultation with legal adviser of the Company, advising the Board on compliance matters. Moreover, the Company Secretary prepares minutes of the Board meetings and keeps records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also keeps the minutes of the Board meetings, which are open for inspection at any reasonable time on reasonable notice by any Director.

If a substantial Shareholder or Director has a conflict of interest in a matter to be discussed by the Board which the Board considers material, such matter shall be considered at a Board meeting instead of resolved by written resolutions. Independent non-executive Directors who and whose close associate(s) have no material interest in the matter should be present at such a Board meeting.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

In accordance with code provision A.6.5 of the CG Code in force during the year, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

Relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying. Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2021, all Directors have provided a record of their training to the Company Secretary. All Directors confirmed that they have read training materials provided by the Company in respect of corporate governance, updates of the Listing Rules and the Companies Ordinance.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS *(Continued)*

A summary of training received by the Directors for the year ended 31 December 2021 according to the records provided by the Directors is as follows:

	Type of Continuous Professional Development	
Name of the Directors	**Reading on corporate governance, regulatory updates, development and other relevant topics**	**Attending relevant training session held on 19 November 2021**
Executive Directors		
Mr. Gao Mingqing	✓	✓
Ms. Gao Jinzhu (resigned on 30 September 2021)	N/A	N/A
Mr. Xie Yaolin (resigned on 30 September 2021)	N/A	N/A
Mr. Liu Zhichun	✓	ABS
Mr. Wang Renxiang (appointed on 30 September 2021)	✓	✓
Ms. Wang Nan (appointed on 30 September 2021)	✓	ABS
Non-executive Directors		
Mr. Li Kwok Ping (resigned on 30 September 2021)	N/A	N/A
Mr. Lee Hung Yuen (resigned on 30 September 2021)	N/A	N/A
Independent non-executive Directors		
Dr. Lu Jian Zhong	✓	✓
Mr. Qi Yang	✓	ABS
Mr. Shen Peng	✓	✓
Mr. Wang Xin	✓	✓

ABS: Absent
N/A: not applicable

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Every Director (including executive Directors, non-executive Directors and independent non-executive Directors) has been appointed for a term of three years with automatic renewal, subject to termination by either party giving the other at least one month written notice.

The procedures and process of appointment, re-election and removal of the Directors have been set out in the Articles. The Nomination Committee is responsible for reviewing the Board's composition, developing and formulating relevant procedures for nomination and appointment or re-appointment of the Directors, monitoring appointment and succession planning of the Directors, and assessing independence of the independent non-executive Directors, as detailed below under the sub-section headed "Nomination Committee".

APPOINTMENT AND RE-ELECTION OF DIRECTORS *(Continued)*

According to article 87 of the Articles, one-third of the Directors (or if their number is not a multiple of three, the number nearest to but no less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The retiring Directors shall be eligible for re-election.

Mr. Gao Mingqing will retire by rotation at the forthcoming AGM, and being eligible, offer himself for re-election. Each of Dr. Lu Jian Zhong, Mr. Shen Peng and Mr. Qi Yang, who has served the Company for 9 years, has indicated his intention to retire at the AGM and will not offer himself for re-election after the retirement. The Company is in progress of identifying suitable candidates for replacement.

Pursuant to article 86(3) of the Articles, Mr. Wang Renxiang and Ms. Wang Nan, who were appointed by the Board as executive Director on 30 September 2021, will retire from office at the AGM and, being eligible, offer themselves for re-election.

On 15 March 2022, the Board accepted the nomination from the Nomination Committee and recommended the retiring Directors to stand for re-election at the AGM.

DIRECTORS' LIABILITY INSURANCE

The Company has arranged for appropriate insurance cover to protect Directors from possible legal action against them.

NOMINATION COMMITTEE

The Nomination Committee was established on 12 June 2012 with written terms of reference in compliance with the CG Code. The Nomination Committee is mainly responsible for making recommendations to the Board regarding appointment of Directors. As at the date of this annual report, the Nomination Committee comprises three independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang and Mr. Wang Xin. Mr. Shen Peng has been appointed as the chairman of the Nomination Committee.

Board Diversity

The Nomination Committee has adopted a policy concerning diversity of Board members (the "**Board Diversity Policy**"), which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience of the Board members.

All appointments to the Board will be based on merits against the selection criteria, having due regard to the benefits of diversity on the Board as well as the Company's own business model and specific needs arising from time to time. The Nomination Committee will review the Board Diversity Policy and its effectiveness regularly, monitor its implementation by conducting review of the Board composition under diversified perspectives and discuss any need for changes with the Board and recommend changes to the Board Diversity Policy to the Board for its consideration and approval.

Nomination Policy

On 29 March 2019, the Board has adopted a nomination policy (the "**Nomination Policy**") to assist the Board in identifying suitably qualified candidates and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors as well as providing the selection criteria and procedures adopted for making recommendations by the Nomination Committee. A summary of the selection criteria and procedures for recommendation and selection of candidates for directorship is disclosed below.

NOMINATION COMMITTEE *(Continued)*

Nomination Policy *(Continued)*

Selection Criteria

In assessing the suitability of a proposed candidate, the Nomination Committee shall consider, among others, the following factors:

- reputation for integrity;
- accomplishment, experience and reputation of the relevant business of the Group;
- time to be devoted and attention to the affairs of the Company;
- diversity of the Board in all aspects, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience;
- compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and
- any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate(s) to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles and other applicable rules and regulations.

Nomination Procedures

To nominate a candidate for the appointment and/or re-appointment of Directors, the procedures are as follows:

- The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members;
- Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a director of the Company and to the public disclosure of their personal data on any documents or relevant website in connection with their nomination or otherwise pursuant to applicable rules and regulatory requirements. Recommendation will then be made by the Nomination Committee upon review of the relevant documents for Board's consideration and approval. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;
- In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the candidates to stand for re-election at a general meeting;
- Please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director of the Company", which is available on the Company's website, for procedures for shareholders' nomination of any candidate for election as a Director; and
- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Board will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Committee.

NOMINATION COMMITTEE *(Continued)*

Nomination Policy *(Continued)*

Nomination Procedures *(Continued)*

During the year ended 31 December 2021, two meetings were held by the Nomination Committee to review and make recommendations to the Board on the re-appointment of each Director prior to that Director seeking for re-election at the following annual general meeting and review the biography of candidates to be appointed as new Director. The recommendations were made in accordance with the objective criteria with due regard for the benefits of diversity as set out in the Board Diversity Policy and the Articles. The following table shows the number of attendance of each member at the meeting of the Nomination Committee held during the year:

Members	Attendance
Mr. Shen Peng *(Chairman)*	2/2
Mr. Qi Yang	2/2
Ms. Gao Jinzhu (resigned on 30 September 2021)	N/A
Mr. Wang Xin (appointed on 30 September 2021)	1/1

On 23 December 2020, the Nomination Committee had recommended to the Board the re-appointment of Mr. Gao Mingqing, Mr. Wang Renxiang and Ms. Wang Nan for re-election at the forthcoming AGM. The Board had accepted the Nomination Committee’s recommendation.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 12 June 2012 with written terms of reference in compliance with code provision B.1.2 of the CG Code in force during the year. The primary duties of the Remuneration Committee include developing remuneration policies of the Directors, evaluating the performance, making recommendations on the remuneration package of our Directors and senior management and evaluating and making recommendations on employee benefit arrangements. As at the date of this annual report, the Remuneration Committee comprises one executive Director, namely Mr. Liu Zhichun, and two independent non-executive Directors, namely Mr. Qi Yang and Dr. Lu Jian Zhong. Mr. Qi Yang has been appointed as the chairman of the Remuneration Committee.

During the year ended 31 December 2021, two meetings were held by the Remuneration Committee for reviewing, assessing and making recommendations to the Board on the remuneration packages of the newly appointed Directors and Directors and senior management for 2022. The following table shows the attendance of each member at the meeting of the Remuneration Committee held during the year:

Members	Attendance
Mr. Qi Yang *(Chairman)*	2/2
Dr. Lu Jian Zhong	2/2
Mr. Liu Zhichun	1/2

AUDIT COMMITTEE

The Audit Committee was established on 12 June 2012 in compliance with Rule 3.21 of the Listing Rules, with written terms of reference in compliance with code provision C.3.3 of the CG Code in force during the year.

The primary duties of the Audit Committee are, among other things, to provide independent view of our financial reporting process, risk management and internal control systems, oversee the audit process and perform other duties and responsibilities as assigned by the Board. As at the date of this annual report, the Audit Committee comprises four independent non-executive Directors, namely Mr. Shen Peng, Mr. Qi Yang, Dr. Lu Jian Zhong and Mr. Wang Xin. Mr. Shen Peng has been appointed as the chairman of the Audit Committee.

During the year ended 31 December 2021, four meetings were held by the Audit Committee to discharge its responsibilities and to review the Group's annual and interim results, reporting and compliance procedures, the re-appointment of the external auditor and audit planning meeting with external auditor. The following table shows the number of attendance of each member at the meetings of the Audit Committee held during the year:

Members	**Attendance**
Mr. Shen Peng *(Chairman)*	4/4
Mr. Qi Yang	3/4
Dr. Lu Jian Zhong	3/4
Mr. Wang Xin	4/4

The Audit Committee reviews the interim and annual reports respectively as well as the results announcements before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in respect of the Company's interim and annual reports as well as the results announcements.

The Audit Committee is also responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditor, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the total fee paid/payable to the Group's external auditor, Crowe (HK) CPA Limited, in respect of annual audit services and non-audit services are set out below:

	Fees paid/payable HK$'000
Audit services	
Annual audit services	1,350
Non-audit services	
Interim review	130

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for the preparation of the financial statements of the Company for the year ended 31 December 2021, which give a true and fair view of the financial position of the Group. The auditor of the Company is responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control systems has been designed to safeguard the assets of the Group, maintain proper accounting records, execute with appropriate authority and comply with the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems. They have carried out an annual review of the implemented systems and procedures, including areas covering financial, operational and legal compliance controls and risk management functions. The risk management and internal control systems are implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

For the year ended 31 December 2021, the Board considered that the Company's risk management and internal control systems are adequate and effective and the Company has complied with the CG Code in force during the year.

Main features of risk management and internal control systems

The Company has adopted a risk management policy which is applicable to the Group with objectives of:

(i) determination of risk acceptable to the Group;

(ii) identification and prioritisation of the risk arising from Group's operating activities;

(iii) placing of appropriate mitigation or treatment strategies to manage, transfer or avoid risks; and

(iv) annual review of risks and relevant mitigation strategies for their appropriateness.

To help ensure all risks which are relevant to the Group are considered, a systematic approach to risk identification is followed. Identifiable risk areas which are considered include:

- maintaining a safe work environment for the Group's employees;
- safeguarding and efficient use of assets;
- management of human resources;
- ensuring the Group complies with legal and regulatory obligations;
- achieving established objectives and goals;
- reliability and integrity of financial and operational information;
- compliance with internal policies and procedures; and
- changes in the Group's internal and external environments.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Main features of risk management and internal control systems *(Continued)*

Measures of consequence and likelihood have been determined and are used on a consistent basis. Risk assessment process consists of:

(i) the Group's primary risk assessment process comprises a comprehensive annual risk review. This review involves a complete re-development and re-assessment of the risks to the Group. A team approach comprising senior management from all business units of the Group's operations is used in this assessment phase;

(ii) the review is coordinated with the strategic planning cycle of the Group to ensure risk associated with all strategic business objectives and activities are considered;

(iii) risks identified by each business unit who review their risk profiles annually, and results of internal audit work, are also incorporated into the review;

(iv) the Group's senior management team measures the risks which have been identified and prioritises them in terms of their impact on the Group;

(v) results of the annual review are documented, and include mitigation strategies where appropriate; and

(vi) the Board and the Audit Committee perform annual review.

During 2021, the Company has appointed Infinity Concept Ripple Limited, an independent consultant, to take up the role of the Group's internal audit function, reviewing the effectiveness of the risk management and internal control systems as well as providing any recommendations for material defects to the Group.

The Group has also adopted a "Insider Information Dissemination" policy as follows:

(i) all Directors and senior management have been advised to follow the policy;

(ii) any potential insider information identified by any business units should be notified to the Company Secretary immediately. Such information should be kept confidential and to allow the Board or senior management for investigation and consultation with legal adviser;

(iii) the Company Secretary will draft the appropriate announcements for the Board approval and arrange for publication to the public as soon as practicable; and

(iv) in case, the issue is complicated and requested more time to handle or has been known to the public, the Company Secretary will apply for a temporary suspension of trading from the Stock Exchange with the reasons on hand before issuing an appropriate and complete announcement.

Corporate Governance Report

COMPANY SECRETARY

The Company Secretary has attended more than 15 hours of continuing professional development training arranged by several professional bodies during the year ended 31 December 2021.

DIVIDEND POLICY

On 29 March 2019, the Board has adopted a dividend policy (the "**Dividend Policy**") with an aim to provide the Shareholders with stable and sustainable returns.

The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, acquisitions, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors deem relevant. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

SHAREHOLDERS' RIGHTS

Pursuant to article 58 of the Articles, an extraordinary general meeting shall be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such members shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Regarding proposing a person for election as a Director, please refer to the procedures available on the website of the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at Unit 1, 28/F., Singga Commercial Centre, 144-151 Connaught Road West, Hong Kong.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its Shareholders, and investors. These include the publication of interim and annual reports, notices, announcements and circulars, the Company's website at www.wgmine.com and meetings with investors and analysts.

The Company encourages all Shareholders to attend the annual general meetings to stay informed of the Group's strategy and goals. It provides an opportunity for direct communication between the Board and its Shareholders. The chairman of the meeting explains the detailed procedures for conducting a poll and then answers any questions from the Shareholders. The poll results are published on the websites of the Company and HKEX.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, the Company has not made any changes to its memorandum and articles of association.

Environmental, Social and Governance Report

We committed to operating safety and responsibly. As mining industry is relatively high-demand in safe, our objective is to create a workplace without fatalities, injuries or occupational diseases. Our priority in our workplace is to protect the health and safety of our staff. Our policies and procedures support our practice and we meet or exceed applicable laws and regulations in PRC. The Company has engaged with the Board, management and staff for the purpose of obtaining information on the approach to environmental, social and governance (the "**ESG**") needed pursuant to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules. As Yifeng Wanguo is the only operating entity of the Group for the year ended 31 December 2021, our ESG reporting will solely base on the Xinzhuang Mine which is owned by Yifeng Wanguo.

MATERIALITY

This Report approved by the Board and set out in the Company's annual report. As part of the preparation for compiling this report, we undertake a preliminary review of the material topics that have affected and continue to affect our business, and our actions to address them. This process focuses our reporting on the sustainability topics which we consider of interest to our key stakeholders.

A matter is considered to be material if, in the view of the Board and senior management, it is of such importance that it will, or potentially could, in the short, medium or long term, have a significant influence on, or is of particular attention to, our stakeholders; or significantly affect our ability to meet our goals.

Once identified, each material issue is given a priority level based on the level of concern shown by stakeholders, as well as its actual and/or potential impact on the business. The issues which we identified as being material are in the following four aspects, in no order of priority:

- Safety Production;
- Employment Training and development;
- Employment and Welfare;
- Environmental Protection and energy savings;
- Social and Culture Development.

The Board assumes full responsibility for the Group's ESG strategy and reporting and is responsible for assessing and determining the Group's ESG-related risks and ensuring appropriate and effective ESG risk management and proper implementation of the internal monitoring system.

The Group attaches great importance to the communication with stakeholders, by disseminating the Company's ESG concepts and practices through raises channels, understanding the concerns of stakeholders and taking action to meet their reasonable expectations and demands.

Main Responsibilities of the Board

1. Oversee and execute the Group's ESG strategy.

2. Review and ensure proper disclosure and compliance with the ESG Guide of The Stock Exchange of Hong Kong Limited.

3. Review the annual materiality assessment of ESG risks.

4. Review the internal procedures and system for the maintenance and generation of appropriate and accurate KPI data.

The Group has established an ESG Committee. The ESG Committee comprises one independent non-executive director, one vice managers or executive director from each of operating mines and a company secretary, and is responsible for collecting relevant policies and information on its ESG aspects for preparing this report. The ESG Committee will report to the Board at least once a year and is responsible for reviewing, assessing and enhancing the Group's ESG policies, strategies and performance, and ensuring the Group is in full compliance with ESG requirements.

The ESG Committee also examines and evaluates the Group's performances in different areas such as environment, safety production, labor standards, and product responsibilities in the ESG aspects.

Main Responsibilities of the ESG Committee

1. Collect relevant policies and information for preparing this report.

2. Present and regularly report to the Board on ESG performance.

3. Make recommendations to enhance ESG strategies and practices.

SAFETY PRODUCTION

Health and Safety

Occupational health and safety is one of our prime responsibilities, we have implemented and enforced a number of measures to ensure compliance of the regulatory requirements and our production safety and environmental protection. We have set up a department tailor for occupational health and safety, and a safety production management committee for safety activities. We have our owned safety production and operational manual which specify certain procedures such as our safety production procedures in respect of different posts and departments, our accident prevention procedures and accident reporting procedures. Regular safety drills are carried out to ensure the awareness of safety production measures in case of emergency handling. The roles and responsibilities of each of the supervising staff and workers are clearly defined and each supervising staff is accountable for their respective areas of responsibility. Our mine manager supervises the implementation of regular on-site examination and continuously monitors the safety policies. Our safety supervisor inspects the implementation of safety procedures on daily basis.

We have implemented a set of guidelines and rules regarding the handling of such dangerous articles which comply with existing PRC laws, regulations and policies. We have implemented a mandatory safety training programme for all our employees in strict compliance with requirements under Production Safety Law of the PRC (中華人民共和國安全生產法) and Law of the PRC on Safety in Mines (中華人民共和國礦山安全法). All new employees must participate in a three levels safety education programme before they start their work. Employees with specialized technical duties will be required to receive training pursuant to the respective regulations and requirements. We also conduct regular training to our existing staff to enhance their awareness of safety issues, and improve their knowledge in working safety techniques in order to reduce and eliminate the occurrence of accidents.

The following table shows the work-related fatalities, number of incidents and lost days due to work injury in the past three years.

	2021	2020	2019
Work-related fatalities	**–**	–	–
Number of incidents	**18**	15	17
Lost days due to work injury	**1,108**	596	744

EMPLOYMENT TRAINING AND DEVELOPMENT

One of our prime developments is to provide an opportunity for all staff in learning and developing aspects so as to enhance personal development.

Our Group has arranged experienced staff, managerial staff, or other outsourcing expert, scholar or professional trainer to provide training to our staff.

Both on-the-job training and training programme are offered to the relevant staff. In accordance with the need of our Group, we will irregularly arrange job training to staff who will be assigned or transferred to different posts.

The Group encourages staff to take courses relevant to job in professional training institutions. Staff who obtains relevant technical titles, qualified certificates, graduate or master degree, can apply for assistance after completion.

New ground staff should attend not less than 36 hours tertiary safety education (三級安全培訓) while new underground staff should attend not less than 72 hours training. All staff should attend a 20 hours training organized by the county safety bureau each year.

Labour standards

The Group has policies to prevent child or forced labour. It does not allow recruiting staff of age under 18. If we discover any fake or hidden facts or cheats during the recruitment process, the candidate will be removed from our selection. If it is discovered after recruitment process, we will terminate the labour contract. Every candidate should provide personal identification documents, such as identity card, household record copy for verification purpose during recruitment process.

During the year, the Group has not discovered any non-compliance.

EMPLOYMENT AND WELFARE

Employment

Except for underground mining work, we provide equal opportunities and have no sex nor age discrimination in recruitment of staff. For blasting operation, we only recruit staff with qualified license pursuant to relevant laws and regulations. Staff has to report to us whether there are any relatives in our Group and attend safety education training. In addition, staff has to be checked with police for non-criminal record.

Compensation and working hours

Generally, wages of workers comprise basic salary, performance salary and allowance. Working hours are 8 hours per day and are divided into normal working hours and shifting hours under different duties. Staff has 4 days-off in a month and enjoys public holidays, sick leave, wedding leave, funeral leave as well as maternity leave under local labour laws.

Benefits and welfares

Benefits and welfares include subsidy in meal expenses, accommodations, home-fare during Spring Festival, as well as various insurances under laws and regulations. Some staff can also have subsidy in telephone expenses. For home leave, marriage leave, funeral leave as well as participation in social activities, staff can still be paid normally.

As at 31 December 2021, the Group had a total workforce of 606 (2020: 360) which comprised 346 (2020: 347) in Jiangxi Province of the PRC, 2 (2020: 2) in Hong Kong and 258 (2020: 11) in Australia and Soloman Islands. 500 (2020: 277) were male and 106 (2020: 83) were female.

Set out below are distribution of our workforce.

By employment type

	No. of workforce	Turnover rate
Underground technical and supporting mine workers		
– Safety supervision	30	6.7%
– Mining and geological technical staff	57	17.5%
– Mining record and Surveying staff	12	0.0%
– Geological drilling operators	16	6.3%
– Ventilation and hauling facilities and water-pump operators and maintenance staff	71	0.0%
– Backfilling team	22	0.0%
Processing plant workers	139	11.5%
Infrastructure workers	20	0.0%
Laboratory staff	8	0.0%
Mine management and supporting staff	231	0.9%
	606	5.1%

By age group

	No. of workforce	Turnover rate
20 or below	1	100.0%
21-30	77	2.6%
31-40	147	3.4%
41-50	175	6.3%
51 or above	206	5.8%
Total	606	5.1%

ENVIRONMENTAL PROTECTION AND ENERGY SAVINGS

Emissions

Our operations are subject to various PRC laws and regulations with respect to environmental protection and environmental rehabilitation. Other than general laws such as Environmental Protection Laws of PRC（中華人民共和國環境保護法）applicable to all entities in PRC, we are also subject to the Provisions on the Protection of the Geologic Environment of Mines（礦山地質環境保護規定）effective as of 1 May 2009, we complied a plan for the protection and restoration of the mine's geological environment and obtained approval from the Land Resources Bureau for the plan. We paid the guarantee deposit for restoration of the geological environment of mines under the Provisions and provision for restoration cost is recognised annually in accordance with relevant rules and regulations applicable in the PRC at end of reporting period as well.

We formulated our own policy based on Environmental Protection Laws requirements, increasing the investment in environmental protection, strengthening environmental protection management for the purpose of increasing in production volume with low level growth in pollution released.

The Xinzhuang Mine has a valid pollutant discharge permit from the relevant local environmental protection department to undertake mining and processing activities at their respective mining site. Major environmental issues in our underground-type mining industry are management of wastewater and management of tailings. We have adopted various measures within our operations as well as emergency procedures with regard to environmental protection.

Wastewater

The site has developed a water-recycling management system. The Xinzhuang Mine obtains top-up water from the underground mine workings. Wastewater produced will be undergone several steps of precipitation and filtration, which is recycled to the concentrator for reuse. Pollutants will be discharged in tailings storage facilities.

Tailings

Underground waste is either left underground for back filling or used for construction purposes.

Emission statistics during the reporting period is as follows:

CO_2	
Scope I	818.4 tonnes
Scope II	47,887.8 tonnes
CO_2 emission per unit of production	0.05 kg/tonnes
Dust	8.1 tonnes
Wastewater	28.9 tonnes
Discharge of Chemical Oxygen Demand ("**COD**")	6.8 tonnes
Wastewater recycling rate	91.4%
Tailings	45.7 tonnes
Use in back filing	32.0 tonnes
Use in tailing dams	13.7 tonnes

Use of resources

During the year, the Group consumed approximately total of 3,367,000 tonnes (2020: 3,844,000 tonnes) of water while it consumed approximately 528,000 tonnes (2020: 540,000 tonnes) of new water extracted from underground. The rate of water recycle was approximately 91.4% (2020: 85.2%). The Group set the rate of water recycle as over 85% and reduces COD by one-third in 2022.

During the year, electricity usage for production was totally 48,030,668kwh (2020: 45,703,536kwh), which comprised mining of 16,964,908kwh (2020: 14,711,654kwh), processing of 31,065,760kwh (2020: 27,968,783kwh) and back-filling of 874,404kwh (2020: 812,402kwh) while the total ore processed during the year was 968,735 tonnes (2020: 888,558 tonnes).

The total carbon emission for electricity use during production in 2021 was approximately 13.1 million kg (2020: 12.4 million kg). The unit of production per electricity usage was 49.6kwh per tonne (2020: 51.4kwh per tonne), which was attribute to upgraded machines and machines in ore processing.

Diesel usage was 355,833 lite (2020: 222,804 lite) for 15 vehicles (2020: 15 vehicles). The total carbon emission for diesel usage in 2021 was approximately 0.2 million kg (2020: 0.1 million kg).

The Group set the target of CO_2 emission per production unit at 0.05 kg per tonnes.

The Environment and Nature Resources

We have adopted various policies on efficient use of resources as well as recycling and re-use of resources. Details are as follows:

Water management: the site has been developed with an emphasis on recycling used process and tailings storage facility drainage water, which is recycled to the concentrator for reuse. A recycling rate of over 75% is obtained. The Xinzhuang Mine obtains top-up water from the underground mine workings, while any surplus waste water from the site (including treated sewage) will be discharged to the nearby Shishui River following treatment in accordance with the regulatory standards in the PRC.

Solid waste: underground waste is either left underground for back filling or used for construction purposes (as a good quality construction material it is also sold locally).

During the year, approximately 70.1% (2020: 67%) of the tailings (coarse fraction) were mixed with cement and sent underground for back filling. The remaining 29.9% (2020: 33%) were stored in tailing dam and sales.

Our operations may have the following impacts of activities on the environment and we have taken the corresponding actions to manage them.

Dust and air quality mitigation: water sprays will be used for the crushing and screening plant (with wet scrubbers to also be installed in conjunction with the project expansion). However, the ore and concentrates are either wet or damp, thereby requiring minimal dust mitigation measures. Other mitigation measures include enclosure of any potentially dusty activities, paving of surface roads, revegetation and availability of personal protection devices to workers to provide additional personal protection from dust, as required.

Noise control: methods of noise control include sound insulation by isolating the noisy machines in the specific locations of the plant from the staff operation room, and provision of noise protective articles to staff involved.

Rehabilitation: The Group prepared a conceptual mine closure plan which comprised part of the site's soil and water conservation plan and it pays periodically guarantee deposits in specific amounts for restoration of the land upon closure of mine in accordance with the requirements of Land Resources Bureau.

Environmental monitoring: a mine site environmental monitoring plan is in place in which analytical results are complied with the regulatory standards in the PRC. The regular company monitoring programme is supplemented by periodic monitoring tests conducted by both the Bureau of Environmental Protection of Jiangxi Province and Bureau of Environmental Protection of Yifeng County respectively.

Waste water on-line detection system has been installed and monitored the pollution level of waste water automatically.

Emergency Procedures: Overtopping of tailings storage facility and dam breaking are two exceptional environmental incidents that may incur in our operation.

The Group has implemented efficient emergency procedures in case of occurrence of the aforesaid events, including rescue responses, reporting procedures, relevant staff arrangement, provision of specific rescue materials, communications and transportation as well as contractual rescue plan with the nearby hospitals.

Climate Change

Climate change constitutes an important part of our sustainability. Climate change risks have formed part of our strategic thinking and investment decisions such as implementation a series of controls to manage the threat of extreme weather, emergency response plans and flood management plans. These controls keep our people safe and help our operations return to normal capacity as quickly as possible.

A changing climate may affect the Group in a variety of ways, both directly and indirectly. Extreme weather events and longer-term shifts in climate patterns have the potential to:

- Damage fixed assets and mobile equipment.
- Affect the ongoing performance of facilities that have long life spans, such as tailing dams, water and waste rock storage facilities.
- Lead to changes in output.
- Disrupt supply chains.
- Cause shifting patterns in demand for products.

To effectively respond to the impact of climate change, the Group plans to take the following actions to manage them:

- Perform a diagnostic of climate change's effects on the business to understand which assets to protect from physical climate change and which stand to gain or lose from decarbonization.
- Identify and shift to renewables, which can lower the mine's electricity costs and reduce volatility.
- Introduce "climate intelligence" to decision-making processes, such as capital allocation.

SOCIAL AND CULTURE DEVELOPMENT

Supply chain management

The ore extracted from the Xinzhuang Mine is our principal raw material for producing our concentrate products. We do not purchase ores from third parties.

Ore processing at Xinzhuang Mine consumes many types of auxiliary materials including forged steel grinding balls, chemical products, explosives, diesel oil and other production related materials. All our explosives, machinery and equipment, spare parts and auxiliary materials are sourced from local third-party suppliers in the PRC.

We implemented "Management of suppliers and assessment policy (供應商管理和考核制度)", to manage and assess the qualification, credit rating and quality of suppliers as well as daily maintenance measures. During 2021, there was a total of 50 (2020: 53) qualified major suppliers available for selection in the Group.

Product responsibility

We have a quality control policy in place to ensure that the quality of our concentrates meets the standard for acceptance by our customers. Our quality control department is responsible for ensuring our product quality. We closely monitor our various production processes by conducting on-site inspection and taking samples during each shift and examining them at our laboratory. Regular trainings are also provided to our employees to enhance the quality standard.

In 2021, we have not received any material complaints due to quality problems of our products.

Anti-corruption

Our Group has established "Anti-Fraud policy and procedures (反舞弊政策及程序)". Corruption is one of the fraud that will disrupt operation of the Group and violates the laws. In 2021, we have not received any complaints in relation to corruption.

Senior management is lead by example, who complies with the policies and regulations issued by the Group.

Every employee obtains a staff handbook which includes corporate policies and regulations. In addition, the Group arranges training in respect of ethics and anti-fraud to staff, for the purpose of handling conflict or temptation of interest.

For any corruption, fraud or other unethical activities discovered, staff can report to the management by real or anonymous name by email. During the year, directors and staff have received the materials and watched videos provided by independent Commission Against Corruption of Hong Kong as anti-corruption training.

COMMUNITY INVESTMENT

The Group encourages recreational and sport activities held by staff and takes care of the need of staff, exploring the staff talent, participating voluntary activities in the community and donations. Due to outbreak of COVID-19 in 2020, all the activities have been terminated or suspended for the social distance purpose.

In addition, the Group makes donations to community irregularly, and contributes and participates in community. During the year, the Group donated approximately RMB1.3 million for local charitable activities.

Directors' Report

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the business of mining, ore processing and sale of the concentrates products in the PRC. A review of the business of the Company and a discussion and analysis of the Group's performance during the year ended 31 December 2021 and the material factors underlying its results and financial position are provided in the sections of "Chairman's Statement" and "Management Discussion and Analysis" respectively from pages 2 to 3 and pages 4 to 24 of this annual report. The outlook of the Company's business is discussed throughout this annual report.

An indication of likely future development in the Group's business is set out and included in the section headed "Business Review" from pages 7 to 9 and "Prospect" of "Management Discussion and Analysis", on page 23.

The Group's environmental policies and performance are set out and included in the "Environmental, Social and Governance Report" from pages 28 to 39 of this annual report and the "Environmental and Social Matters" set out in the paragraph 38 below. Compliance with relevant laws and regulations which have a significant impact on the Company is set out and included in the section headed "Compliance with the Relevant Laws and Regulations" of "Management Discussion and Analysis" on page 24 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the financial year 2021, if any, can also be found in paragraph 39 below.

An account of the Company's relationships with its key stakeholders (including substantial shareholders, employees, suppliers and customers) is included in the "Investor relations and communication with Shareholders" set out in the "Corporate Governance Report", "Substantial Shareholders' and other parties' Interest in Securities" and "Emolument Policy" set out in paragraphs 24 and 19 respectively below as well as the sections headed "Employment Training and Development", "Employment and Welfare" and "Social and Culture Development" in the "Environmental, Social and Governance Report", on page 42, pages 43 to 44 and page 47 respectively of this annual report.

2. PRINCIPAL RISKS AND UNCERTAINTIES

(i) Our mining operations are concentrated at one mining site

Our operations are exposed to uncertainties in relation to the Xinzhuang Mine, which is currently our only operating mine. All of our current operating cash flows and revenue are derived from the sales of concentrates produced from this single mine. Any significant operational or other difficulties in the mining, processing, storing and transporting of our products at or from the Xinzhuang Mine could reduce, disrupt or halt our production, which would materially and adversely affect our business, results of operation and financial condition.

In order to diversify the above risk, the Group has actively conducted any possibilities in acquisition. The Group has completed the acquisition of Walege Mine in Tibet and Gold Ridge Mine in Solomon Islands in 2017 and 2020 respectively.

(ii) Accuracy of the mineral resources and reserves estimates of the Xinzhuang Mine is based on a number of assumptions and we may produce less mineral concentrates than our estimates

The mineral resources and reserves estimates of the Xinzhuang Mine are based on a number of assumptions that have been made by an independent technical expert in accordance with the JORC code. Resources and reserves estimates involve expressions of judgement based on various factors such as knowledge, experience and industry practice, number of drilling and sampling of the ore body and analysis of the ore samples etc.

2. PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

(ii) Accuracy of the mineral resources and reserves estimates of the Xinzhuang Mine is based on a number of assumptions and we may produce less mineral concentrates than our estimates *(Continued)*

The Group has already completed additional exploration in outside the planned mining area in the Xinzhuang Mine within the boundary covered by the current mining license and a mineral resources verification report has been finished in April 2014 and obtained registration in December 2014 for the purpose of the application of increasing the mining capacity set forth in its mining license. Additional reserves discovered during the aforesaid exploration allows us to upgrade the mining capacity.

(iii) Risks of safety production

Although the Group maintains a high standard in safety production, the non-ferrous metal mining is still a hazardous industry and faces uncertainties caused by production environment, natural disaster and so on. Safety production is the top priority of the Group to achieve sustainable and stable development.

We have implemented and enforced a number of measures to ensure compliance of the regulatory requirements and our production safety and environmental protection. Please refer to the section headed "Health and Safety" of the "Environmental, Social and Governance Report" for details.

(iv) Fluctuations in the commodity markets

Our profit is mainly generated from sales of concentrates we produce. The price we obtain for our concentrates is determined by the amount of copper, iron, zinc and other metals contained in the concentrates and the market prices for these metals. The market price of these metals has fluctuated widely and has experienced periods of significant decline. We have limited ability to anticipate and manage commodity price fluctuations.

The Group has considered the use of hedging products available in the market to reduce the effect of such fluctuations. In addition, expansion of lead-silver mine in the Walege Mine and gold mine in Solomon Islands will further increase our product mix and thus strengthen the Group's capacity to fight against market fluctuations.

3. RESULTS AND FINANCIAL POSITION

The Group's results for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 65.

The state of affairs of the Group and of the Company at 31 December 2021 are set out in the consolidated statement of financial position on pages 66 to 67 and statement of financial position of the Company on page 139 respectively.

4. SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 33 to the consolidated financial statements.

5. SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 42 to the consolidated financial statements.

6. SUMMARY OF FINANCIAL INFORMATION

A summary of financial results and of the assets and liabilities of the Group for the last five financial years are set out in the section headed "Summary of Financial Information" on page 141 in this report.

7. RESERVES

The movements in the reserves of the Group during the year are set out in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity. The movements in the reserves of the Company during the year are set out in Note 44 to the consolidated financial statements.

8. DISTRIBUTABLE RESERVES

At 31 December 2021, the Company's reserves available for distribution to owners of the Company comprising share premium account less accumulated losses, and amounted to approximately RMB323.5 million (2020: RMB177.2 million).

9. FINAL DIVIDENDS

The Board recommended the payment of a final dividend of RMB10.10 cents (equivalent to approximately HK$12.35 cents) per Share for the year ended 31 December 2021 (2020: RMB2.98 cents), representing approximately 53.6% (2020: 26.7%) of the profit and total comprehensive income attributable to owners of the Company, payable to the Shareholders whose names appear on the register of members of the Company on Monday, 13 June 2022. Based on the number of issued Shares as at the date of this annual report, this represents a total distribution of approximately RMB83.6 million (2020: 24.7 million). Subject to the approval of the payment of the final dividend by the Shareholders at the annual general meeting to be held on Thursday, 2 June 2022, it is expected that the proposed final dividend will be paid on or before Wednesday, 31 August 2022.

10. PROPERTY, PLANT, AND EQUIPMENT

Additions to the property, plant and equipment of the Group was approximately RMB222.5 million for the year ended 31 December 2021. Details of the movements during the year in the Group's property, plant and equipment are set out in Note 15 to the consolidated financial statements in this annual report.

11. DONATIONS

Donations made by the Group during the year amounted to approximately RMB1,340,000 (2020: RMB235,000).

12. MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers in aggregate accounted for approximately 73.1% (2020: 76.3%) of the total sales for the year and sales to the largest customer accounted for approximately 40.4% (2020: 37.9%) of total sales.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 94.2% (2020: 88.2%) of the total purchases for the year and purchases from the largest supplier accounted for approximately 70.2% (2020: 70.1%) of total purchases.

None of the Directors, their close associates (as defined in the Listing Rules) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had directly, or indirectly had any interest in the Group's five largest customers and suppliers during the year.

13. MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, 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.

14. DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors:

Mr. Gao Mingqing *(Chairman and Chief Executive Officer)*
Ms. Gao Jinzhu (Resigned on 30 September 2021)
Mr. Xie Yaolin (Resigned on 30 September 2021)
Mr. Liu Zhichun
Mr. Wang Renxiang (appointed on 30 September 2021)
Ms. Wang Nan (appointed on 30 September 2021)

Non-executive Directors:

Mr. Li Kwok Ping (Resigned on 30 September 2021)
Mr. Lee Hung Yuen (Resigned on 30 September 2021)

Independent non-executive Directors:

Dr. Lu Jian Zhong
Mr. Qi Yang
Mr. Shen Peng
Mr. Wang Xin

In accordance with article 87 of the Articles, all Directors are subject to retirement by rotation at least once every three years. Mr. Gao Mingqing will retire by rotation at the forthcoming AGM, and being eligible, offer himself for re-election. Each of Dr. Lu Jian Zhong, Mr. Shen Peng and Mr. Qi Yang has indicated his intention to retire at the AGM and will not offer himself for re-election after the retirement. The Company is in progress of identifying suitable candidates for replacement.

Pursuant to article 86(3) of the Articles, Mr. Wang Renxiang and Ms. Wang Nan, who were appointed by the Board as executive Director on 30 September 2021, will retire from office at the AGM and, being eligible, offer themselves for re-election.

15. BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out on pages 25 to 27 of this annual report.

16. DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes of Director's information have been properly disclosed in "Biographical information of the Directors and senior management" which set out on pages 25 to 27 of this annual report pursuant to the Rule 13.51B(1) of the Listing Rules.

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

17. DIRECTORS' SERVICE AGREEMENTS AND LETTER OF APPOINTMENT

Each of the Directors has entered into a service agreement or letter of appointment with the Company for a term of three years which is renewable for subsequent periods of three years, unless terminated by at least one month's written notice served by either party at any time during the then existing term.

None of the Directors, including those proposed for re-election at the forthcoming AGM, has a service agreement which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

18. PERMITTED INDEMNITY PROVISION

The Company has arranged for an appropriate insurance cover for Directors' and officers' 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 when this Directors' Report is approved in accordance with section 391(1)(a) of the Companies Ordinance.

19. EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of their experience, qualifications and competence.

The emoluments of the Directors are reviewed by the Remuneration Committee and approved by the Board, having regard to the relevant Director's experience, responsibility, workload and the time devoted to the Group; the Company's operating results and comparable market statistics.

The Company has adopted a share option scheme (the "**Scheme**") on 12 June 2012 to which the Directors and eligible employees, among others are entitled to participate in. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of the Scheme are set out in paragraph 36 below.

20. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals in the Group are set out in Note 11 and 12 to the consolidated financial statements.

21. INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has presented an annual confirmation letter to confirm his independence pursuant to Rule 3.13 of the Listing Rules. The Company has reviewed the independence of each of the independent non-executive Directors and considers all the independent non-executive Directors to be independent in accordance.

22. CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out on the Model Code. The Company, having made specific enquiries to all Directors, has confirmed that all the Directors have complied with the Model Code and the required standards of dealings as set out in the code of conduct for the year ended 31 December 2021 and up to the date of this annual report.

The Company has also established the Employees Written Guidelines for securities transactions by relevant employees who are likely to possess inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company for the year ended 31 December 2021.

23. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2021, the interests or short positions of our Directors and chief executives in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO as notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded, pursuant to section 352 of the SFO, in the register referred to therein or which were required to be notified to our Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

(a) Long positions in Shares

Name of Directors	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in the Company
Mr. Gao Mingqing	Interest in controlled corporation	281,400,000[(1)]	33.99%

Notes:

1. The 281,400,000 Shares were owned by Victor Soar Investments Limited which is wholly owned and controlled by Mr. Gao Mingqing.

Save as disclosed above, as at 31 December 2021, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

24. SUBSTANTIAL SHAREHOLDERS' AND OTHER PARTIES' INTERESTS IN SECURITIES

As at 31 December 2021, the following persons, other than the Directors and chief executives of the Company, had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

Long positions in Shares

Name of shareholders	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in the Company
Victor Soar Investments Limited(1)	Beneficial owner	281,400,000(1)	33.99%
Ms. Lin Yinyin(2)	Interest of spouse	281,400,000(2)	33.99%
Achieve Ample Investments Limited(3)	Beneficial owner	138,600,000(3)	16.74%
Ms. Gao Jinzhu(3)	Interest in controlled corporation	138,600,000(3)	16.74%
Mr. Wang Weimian(4)	Interest of spouse	138,600,000(4)	16.74%
Shandong Humon Mining Development Limited(5)	Beneficial owner	172,814,000	20.87%
Shandong Humon Smelting Co., Ltd(5)	Interest in controlled corporation	172,814,000	20.87%
Jiangxi Copper Company Limited(5)	Interest in controlled corporation	172,814,000	20.87%
Jiangxi Copper Corporation Limited(5)	Interest in controlled corporation	172,814,000	20.87%
Haitong International Financial Solutions Limited(6)	Security interest	447,920,000(6)	54.10%
Haitong International Securities Group Limited(6)	Interest in controlled corporation	447,920,000(6)	54.10%
Haitong International Holdings Limited(6)	Interest in controlled corporation	447,920,000(6)	54.10%
Haitong Securities Co., Ltd.(6)	Interest in controlled corporation	447,920,000(6)	54.10%

Notes:

1. Victor Soar Investments Limited is wholly owned and controlled by Mr. Gao Mingqing.

2. Ms. Lin Yinyin is the wife of Mr. Gao Mingqing and is deemed to be interested in the 281,400,000 Shares held by Victor Soar Investments Limited, a company controlled by Mr. Gao Mingqing.

3. Achieve Ample Investments Limited is wholly owned and controlled by Ms. Gao Jinzhu.

4. Mr. Wang Weimian is the husband of Ms. Gao Jinzhu and is deemed to be interested in the 138,600,000 Shares held by Achieve Ample Investments Limited, a company controlled by Ms. Gao Jinzhu.

24. SUBSTANTIAL SHAREHOLDERS' AND OTHER PARTIES' INTERESTS IN SECURITIES *(Continued)*

Long positions in Shares *(Continued)*

Notes: *(Continued)*

5. Shandong Humon Mining Development Limited is a wholly-owned subsidiary of Hong Kong Humon International Logistics Limited (香港恒邦國際物流有限公司), which in turn is wholly-owned by Shandong Humon Smelting Co., Ltd., a company listed on Shenzhen Stock Exchange with stock code: 002237.

   Shandong Humon Smelting Co., Ltd is owned as to 44.48% by Jiangxi Copper Company Limited, a company listed on both Shanghai Stock Exchange and Hong Kong Stock Exchange with stock code: 600362 and 358 respectively, which in turn is owned as to 43.72% by Jiangxi Copper Corporation Limited.

6. Haitong International Financial Solutions Limited is indirectly owned by Haitong International Securities Group Limited which in turn is owned as to 64.40% by Haitong International Holdings Limited and is ultimately owned Haitong Securities Co., Ltd.

Other than as disclosed above, as at 31 December 2021, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

25. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in paragraph 27 below, no Director nor any connected entity of the Director had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which a controlling shareholder of the Company, the Company or any of its subsidiaries of fellow subsidiaries was a party at the end of the year or at any time during the year ended 31 December 2021.

26. CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year 2021 or at any time during the financial year 2021.

27. CONNECTED TRANSACTION

Except for those disclosed in note 28 to the consolidated financial statements, no contract of significance to which the Company, or any of its subsidiaries, and a controlling shareholder or any subsidiaries was a party at the end of the year or at any time during the year ended 31 December 2021.

28. DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES OF THE COMPANY

Save as disclosed in paragraph 23 above, at no time during the year ended 31 December 2021 was the Company, or its subsidiaries, or its fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate.

29. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge information and belief of the Directors, the Directors confirm that the Company has maintained a sufficient public float under the Listing Rules throughout the year ended 31 December 2021.

30. COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholders and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group for the year ended 31 December 2021.

As disclosed in the Prospectus, each of our controlling shareholders has entered into the deed of non-competition in favour of our Company to the effect that each of them will not, and will procure each of their respective associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

The independent non-executive Directors have reviewed the status of compliance and are of the view that each of the controlling shareholders of the Company has complied with its undertaking under the deed of non-competition for the year ended 31 December 2021.

31. RELATED PARTY TRANSACTIONS

During the year, except for those disclosed in note 38 to the consolidated financial statements, the Group had no transactions with its related parties.

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

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

33. BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2021 are set out in note 30 to the consolidated financial statements.

34. RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in note 37 to the consolidated financial statements.

35. PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

36. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 12 June 2012.

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive for Eligible Participants (defined below) to work with commitment towards enhancing the value of our Company and the Shares for the benefit of our Shareholders and to retain and attract calibres and working partners whose contributions are or may be beneficial to the growth and development of our Group.

36. SHARE OPTION SCHEME *(Continued)*

(ii) Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may at its discretion grant options to any full-time or part-time employees, potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company or any of its subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board has contributed or will contribute to our Group (collectively "**Eligible Participants**").

(iii) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as of the Listing Date (i.e. 10 July 2012), which is 60,000,000 Shares, being approximately 7.25% of the issued share capital of the Company as at the date of this annual report. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the Shareholders' approval in general meeting.

However, the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time.

(iv) Maximum entitlement of each participant

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any participant if the acceptance of those options would result in the total number of Shares issued and to be issued to that participant on exercise of his options during any 12-month period exceeding 1% of the total Shares then in issue.

(v) Offer period and amount payable for options

The offer shall remain open for acceptance for a period of 14 business days from the date on which it is made provided that no such offer shall be open for acceptance after the expiry of the Scheme Period (as defined below) or after the termination of the Share Option Scheme. Unless otherwise determined by the Board and stated in the Offer Letter, there shall be no general performance target for the vesting or exercise of options.

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the "**Grantee**") and to have taken effect upon the issue of an option certificate after the duplicate offer letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance set out above.

(vi) Minimum period for which an option must be held before it can be exercised

Options may be exercised at any time from the date of grant of the option in the following manner:

i. up to 25% of the option granted from the first anniversary of date of grant of the option

ii. up to 50% of the option granted from the second anniversary date of grant of the option

iii. up to 75% of the option granted from the third anniversary date of grant of the option

iv. up to 100% of the option granted from the fourth anniversary date of grant of the option

36. SHARE OPTION SCHEME *(Continued)*

(vii) Basis of determining the exercise price

The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

(viii) Remaining Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for 10 years from the Listing Date i.e. 10 July 2012 (the "**Scheme Period**"), after which time no further option will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

During the year ended 31 December 2021, no share options was granted, exercised, expired or lapsed and there is no outstanding share options under the Share Option Scheme.

37. CORPORATE GOVERNANCE

A report on the corporate governance practice adopted by the Group is set out in pages 28 and 39 of this annual report.

38. ENVIRONMENTAL AND SOCIAL MATTERS

As a mining industry is relatively high-demand in safe, our objective is to create a workplace without fatalities, injuries or occupational diseases. Our policies and procedures support our practice and we meet or exceed applicable laws and regulations in PRC such as Environmental Protection Laws of PRC (中華人民共和國環境保護法) and Provisions on the Protection of the Geologic Environment of Mines (礦山地質環境保護規定), Production Safety Law of the PRC (中華人民共和國安全生產法) and Law of the PRC on Safety in Mines (中華人民共和國礦山安全法) etc. We have implemented and enforced a number of measures to ensure compliance of the regulatory requirements and our production safety and environmental protection. During the year ended 31 December 2021, there were no work-related fatalities. Lost days due to work injury were 1,108 days.

We also implemented policies or procedures for our key stakeholders, such as employees, customers and suppliers. Details are as following: Regular and irregular trainings are provided to every staff in different levels for their personal development as well as health and safety awareness. We implemented policy to manage, assess and maintain the relationship with key our auxiliary materials suppliers to avoid any interruption during our production process. We have a quality control policy in place to ensure that the quality of our concentrates meets the standard for acceptance by our customers. We did not receive any material complaints due to quality problems of our products during the year.

For detailed information, please refer to the Environmental, Social and Governance Report set out from pages 40 to 47 of this annual report.

39. AUDITOR

A resolution to re-appoint the retiring auditor Crowe (HK) CPA Limited, will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Gao Mingqing
Chairman
Hong Kong, 15 March 2022

Independent Auditor's Report

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF WANGUO INTERNATIONAL MINING GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wanguo International Mining Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 65 to 140, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 to the consolidated financial statements, which indicates that as at 31 December 2021 the Group's current liabilities exceeded its current assets by approximately RMB36,247,000 and the Group had capital commitments contracted for but not provided in the consolidated financial statements of approximately RMB51,146,000, which is due for payments in the next twelve months from the end of the reporting period. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. The 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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters below to be the key audit matters to be communicated in our report:

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of mining assets of the Yifeng Projects *Refer to note 17 to the consolidated financial statements* We identified the impairment assessment of the mining assets comprising principally property, plant and equipment, mining right, right-of-use assets and intangible assets in relation to the mining projects in Yifeng, Jiangxi Province, the People's Republic of China (the "**PRC**") ("**Yifeng Projects**"), as a key audit matter due to the significant degree of judgement and high estimation uncertainty involved in determining the key inputs and assumptions, described below, required for the value-in-use valuation model. As set out in note 4 to the consolidated financial statements, the aggregate carrying value of the mining assets of the Yifeng Projects was approximately RMB509,960,000 as at 31 December 2021. Management's assessment of the recoverable amount of these assets as a single cash generating unit based on its value-in-use requires determination of inputs of key parameters including the forecasted selling prices of metallic concentrates, future revenue which are dependent on future metal prices, growth rate and discount rate of Yifeng Projects in its value in use calculation using the discounted cash flow model. Based on management's assessment, there is no impairment of the relevant mining assets for the year ended 31 December 2021.	Our procedures in relation to impairment assessment of the mining assets of the Yifeng Projects included: • Evaluating the reasonableness of the management's estimates of future revenue expected to arise from the Yifeng Projects with reference to the historical performance, estimated future metal prices, latest budgets of the Group approved by the management and our understanding of the economic outlook of the mining industry. • Evaluating if management's estimates of future production volume are consistent with the reserve reports of external specialists. • Evaluating the reasonableness of the discount rate applied in the impairment assessment model with reference to the market data derived externally, including the current market risk-free rate of interest and the entity-specific risk factor. • Evaluating the accuracy of management's projection of future cash flow underlying the impairment assessment by comparing the historical estimate to the actual performance during the year.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of exploration and evaluation assets and other intangible asset of Xizang Changdu *Refer to notes 18 and 19 to the consolidated financial statements*	
We identified the impairment assessment of the exploration and evaluation assets and other intangible asset in relation to the lead mine in Walege of the Changdu County, Tibet Autonomous Region, the PRC, owned by the subsidiary, Xizang Changdu County Dadi Mining Company Limited ("**Xizang Changdu**"), as a key audit matter due to the significant degrees of judgement involved in determining future revenue which is dependent on future metal prices and production plan and a discount rate applied in the impairment assessment model. As set out in note 4 to the consolidated financial statements, the aggregate carrying value of the exploration and evaluation assets and other intangible asset of the Xizang Changdu were approximately RMB193,544,000 and RMB319,288,000 respectively as at 31 December 2021 before impairment loss. Management's assessment of the recoverable amount of these assets as a single cash generating unit ("**CGU**") also involved the appointment of an independent valuer to estimate the recoverable amounts of the CGU, which requires input of key parameters including the forecasted selling prices of metallic concentrates, growth rate and discount rate of Xizang Changdu in its fair value less cost of disposal using the discounted cash flow model. Based on management's assessment, impairment loss of approximately RMB4,317,000 in respect of exploration and evaluation assets and approximately RMB7,123,000 in respect of other intangible asset has been recognised in profit or loss during the year ended 31 December 2021.	Our procedures in relation to impairment assessment of the exploration and evaluation assets and other intangible asset included: • Evaluating the independent valuer's competence, capabilities and objectivity. • Evaluating the reasonableness of the management's estimate of future revenue expected to arise from the Xizang Changdu with reference to feasibility studies performed by external specialists, estimated future metal prices, latest budgets of the Group approved by the management and our understanding of the economic outlook of the mining industry. • Evaluating if management's estimate of future production volume is consistent with the reserve reports of external specialists. • Evaluating the reasonableness of the discount rate applied in the impairment assessment model with reference to the market data derived externally, including the current market risk-free rate of interest and the entity-specific risk factor. • Engaging an independent external expert to assist us in assessing the valuer's work.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of mining rights and property, plant and equipment of Gold Ridge Project *Refer to note 17 to the consolidated financial statements* We identified the impairment assessment of the mining rights in relation to the mining projects in relation to a gold resource project located at Guadalcanal Province of the Solomon Islands ("**Gold Ridge Project**"), owned by the subsidiary, Gold Ridge Mining Limited, as a key audit matter due to the significant degree of judgement and high estimation uncertainty involved in determining the key inputs and assumptions, described below, required for the impairment assessment model. As set out in note 4 to the consolidated financial statements, the carrying value of the mining rights and property, plant and equipment of the Gold Ridge Project was approximately RMB260,417,000 and RMB183,243,000 respectively as at 31 December 2021. Management's assessment of the recoverable amount of these assets as a single CGU also involved the appointment of an independent valuer to estimate the recoverable amounts of the CGU, which requires input of key parameters including the forecasted gold prices, forecasted mining costs, growth rate and discount rate of the Gold Ridge Project in the estimation of the fair value less cost of disposal using the discounted cash flow model. Based on management's assessment, there is no impairment of the mining rights and property, plant and equipment for the year ended 31 December 2021.	Our procedures in relation to impairment assessment of the mining rights included: • Evaluating the independent valuer's competence, capabilities and objectivity. • Evaluating the reasonableness of the management's estimate of future revenue expected to arise from the Gold Ridge Project with reference to feasibility studies performed by external specialists, estimated future gold prices, latest budgets of the Group approved by the management and our understanding of the economic outlook of the mining industry. • Evaluating if management's estimate of future production volume is consistent with the reserve reports of external specialists. • Evaluating the reasonableness of the discount rate applied in the impairment assessment model with reference to the market data derived externally, including the current market risk-free rate of interest and the entity-specific risk factor. • Engaging an independent external expert to assist us in assessing the valuer's work.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 Board of Directors of the Company is charged with governance and is responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 judgment and maintain professional skepticism 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.

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

- 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.

- 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, 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.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 15 March 2022

Chow Yiu Wah, Joseph
Practising Certificate Number: P04686

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	**2,014,395**	1,394,144
Cost of sales		**(1,698,188)**	(1,236,735)
Gross profit		**316,207**	157,409
Other income	6	**2,803**	3,693
Other gains and losses	7	**1,162**	5,693
Distribution and selling expenses		**(4,696)**	(3,133)
Administrative expenses		**(75,485)**	(53,084)
Finance costs	8	**(7,606)**	(9,670)
Impairment loss on exploration and evaluation assets	18	**(4,317)**	–
Impairment loss on other intangible asset	19	**(7,123)**	–
Profit before tax		**220,945**	100,908
Income tax expense	9	**(39,305)**	(16,021)
Profit for the year	10	**181,640**	84,887
Other comprehensive income for the year			
– Exchange differences arising on translation of foreign operations, which may be reclassified subsequently to profit or loss		**(37,459)**	5,814
Total comprehensive income for the year		**144,181**	90,701
Profit for the year attributable to:			
Owners of the Company		**193,432**	86,711
Non-controlling interests		**(11,792)**	(1,824)
		181,640	84,887
Total comprehensive income attributable to:			
Owners of the Company		**155,973**	92,525
Non-controlling interests		**(11,792)**	(1,824)
		144,181	90,701
Earnings per share			
Basic (RMB cents)	13	**23.9**	12.0

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**632,384**	468,302
Right-of-use assets	16	**56,164**	57,253
Mining right	17	**271,974**	295,256
Exploration and evaluation assets	18	**189,227**	190,824
Other intangible asset	19	**312,165**	319,288
Intangible assets	20	**3,935**	4,148
Deposit for purchase of property, plant and equipment		**31,638**	8,786
Deferred tax assets	21	**3,890**	3,860
Restricted bank balances	22	**2,670**	2,662
		1,504,047	1,350,379
CURRENT ASSETS			
Inventories	23	**18,649**	9,421
Trade and other receivables	24	**159,770**	53,776
Bank balances and cash	22		
– cash and cash equivalents		**116,294**	36,662
– restricted bank balances		**–**	4,000
		294,713	103,859
CURRENT LIABILITIES			
Trade and other payables	25	**119,564**	99,746
Contract liabilities	26	**25,572**	49,821
Lease liabilities	27	**278**	205
Amounts due to related parties	28	**5,861**	29,148
Consideration payable to a former non-controlling shareholder of a subsidiary	29	**57,936**	57,936
Tax payable		**32,270**	11,055
Bank borrowings	30	**89,479**	62,207
		330,960	310,118
NET CURRENT LIABILITIES		**(36,247)**	(206,259)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,467,800**	1,144,120

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings	30	**38,500**	45,500
Lease liabilities	27	**196**	–
Deferred income	31	**7,492**	8,652
Deferred tax liabilities	21	**86,911**	84,092
Provisions for restoration costs	32	**7,290**	6,492
		140,389	144,736
CAPITAL AND RESERVES			
Share capital	33	**67,881**	58,882
Reserves		**972,066**	653,707
Equity attributable to owners of the Company		**1,039,947**	712,589
Non-controlling interests		**287,464**	286,795
TOTAL EQUITY		**1,327,411**	999,384
		1,467,800	1,144,120

The consolidated financial statements on pages 65 to 140 were approved and authorised for issue by the board of directors on 15 March 2022 and are signed on its behalf by:

Gao Mingqing
Director

Wang Nan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Capital reserve** RMB'000 (note a)	**Statutory and surplus reserves** RMB'000 (note b)	**Translation reserve** RMB'000	**Retained profits** RMB'000	**Sub-total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2020	58,882	193,956	71,005	152,844	1,087	142,290	620,064	210,443	830,507
Profit (loss) for the year	–	–	–	–	–	86,711	86,711	(1,824)	84,887
Other comprehensive income for the year	–	–	–	–	5,814	–	5,814	–	5,814
Total comprehensive income for the year	–	–	–	–	5,814	86,711	92,525	(1,824)	90,701
Acquisition of subsidiaries (note 34)	–	–	–	–	–	–	–	78,176	78,176
At 31 December 2020	58,882	193,956	71,005	152,844	6,901	229,001	712,589	286,795	999,384
Profit (loss) for the year	–	–	–	–	–	193,432	193,432	(11,792)	181,640
Other comprehensive expense for the year	–	–	–	–	(37,459)	–	(37,459)	–	(37,459)
Total comprehensive income for the year	–	–	–	–	(37,459)	193,432	155,973	(11,792)	144,181
Issue of new shares (note 33)	8,999	187,086	–	–	–	–	196,085	–	196,085
Deemed contribution from a non-controlling shareholder	–	–	–	–	–	–	–	12,461	12,461
Dividend recognised as distribution (note 14)	–	(24,700)	–	–	–	–	(24,700)	–	(24,700)
At 31 December 2021	67,881	356,342	71,005	152,844	(30,558)	422,433	1,039,947	287,464	1,327,411

Notes:

(a) The capital reserve mainly represents contributions from an equity participant in 2011, which is an amount originally due to an equity participation being released and accounted for as a shareholder's contribution, in accordance with a deed of assignment signed in December 2011.

(b) The statutory reserve represents the appropriation of 10% of profit after taxation determined based on the relevant accounting rules and regulations of the People's Republic of China (the "**PRC**") in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the relevant subsidiaries. The statutory reserve can be applied either to set off accumulated losses or to increase capital.

The surplus reserve represents further appropriation out of the retained profits of the subsidiaries established in the PRC for any amount approved by its board of directors after the appropriation to the statutory reserve.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**220,945**	100,908
Adjustments for:		
Depreciation of property, plant and equipment	**38,440**	34,515
Depreciation of right-of-use assets	**1,655**	1,699
Amortisation of mining right	**1,066**	1,067
Provision for restoration cost	**798**	746
Finance costs	**7,606**	9,670
Interest income	**(853)**	(116)
Amortisation of intangible assets	**213**	101
Gain on disposal of property, plant and equipment	**(115)**	(46)
Release of deferred income	**(1,160)**	(1,190)
COVID-19 related rent concession	**–**	(26)
Impairment loss on evaluation and exploration assets	**4,317**	–
Impairment loss on other intangible assets	**7,123**	–
Exchange gain	**(1,075)**	(5,347)
Operating cash flows before movements in working capital	**278,960**	141,981
Increase in inventories	**(9,228)**	(146)
Increase in trade and other receivables	**(109,245)**	(40,031)
Increase in trade and other payables	**24,986**	4,642
Decrease in contract liabilities	**(24,249)**	(7,441)
Cash generated from operations	**161,224**	99,005
Income taxes paid	**(15,300)**	(13,802)
NET CASH FROM OPERATING ACTIVITIES	**145,924**	85,203
INVESTING ACTIVITIES		
Deposit paid for acquisitions	**–**	(23,161)
Payments of capital expenditure for property, plant and equipment	**(229,215)**	(47,869)
Payment for evaluation and exploration assets	**(2,720)**	(3,388)
Proceeds from disposal of property, plant and equipment	**171**	70
Interest received	**853**	116
Release/(placement) of restricted bank balances	**3,992**	(4,008)
NET CASH USED IN INVESTING ACTIVITIES	**(226,919)**	(78,240)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES		
Repayment of borrowings	**(75,637)**	(54,935)
Repayment of consideration payable for redemption of non-controlling interests	**–**	(6,000)
Dividend paid	**(24,700)**	(19,150)
Interest paid	**(7,589)**	(5,762)
Repayment of lease liabilities	**(313)**	(342)
Repayment to related parties	**(34,626)**	(6,020)
Advance from related parties	**11,486**	4,246
Proceeds from borrowings	**96,000**	113,000
Proceed from issuance of new shares	**196,164**	–
Share issuance costs related to issue of Shares	**(79)**	–
NET CASH FROM FINANCING ACTIVITIES	**160,706**	25,037
NET INCREASE IN CASH AND CASH EQUIVALENTS	**79,711**	32,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**36,662**	4,662
Effect of foreign exchange rate changes	**(79)**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**116,294**	36,662

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

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

The principal activity of the Company is investment holding. A principal subsidiary of the Company, Jiangxi Province Yifeng Wanguo Mining Company Ltd ("**Yifeng Wanguo**"), located in Jiangxi Province, the PRC, is engaged in mining and processing of ores and sales of processed concentrates in the PRC. Details of the Company's subsidiaries are set out in note 42.

As at 31 December 2021, Victor Soar Investments Limited, a company incorporated in British Virgin Islands, wholly owned and controlled by Mr. Gao Mingqing who is the chairman and executive director of the Company, held approximately 33.99% of the issued shares of the Company, being the single largest shareholder and controlling shareholder of the Company.

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the "**Group**") in light of the fact that as at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately RMB36,247,000; and had capital commitments contracted for but not provided in the consolidated financial statements of approximately RMB51,146,000, which is due for payment in the next twelve months from the end of the reporting period.

The events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

(ii) Bank borrowings of approximately RMB89,479,000 will be due in 2022 or contain a repayment on demand clause and the directors are confident that the Group is able to extend approximately RMB79,800,000 of the bank borrowings in full upon their maturity, and the banks will not demand for early repayment with regard to approximately RMB2,679,000 of bank borrowings containing a repayment on demand clause, based on the past history of renewals and good relationship of the Group with the banks.

(iii) Amounts due to related parties of approximately RMB5,861,000 as at 31 December 2021 are repayable on demand. Since the related parties are substantial shareholders of the Company or controlled by the substantial shareholders of the Company, the directors of the Company are confident that the related parties will not demand for repayment until the Group has improved its liquidity position.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021, and applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

2.1 Impacts on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases ("**HKFRS 16**") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application has had no impact to the opening retained profits at 1 January 2021.

2.2 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("**HKFRS 7**").

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for debt instruments and bank borrowings measured at amortised cost.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.3 Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying *HKAS 32 Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities as at 31 December 2021.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB467,000 and RMB474,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

Amendments to HKAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs *Annual Improvements to HKFRSs 2018-2020*

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

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

Business combinations or assets acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations or assets acquisitions *(Continued)*

Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

<u>Short-term leases and leases of low-value assets</u>

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities *(Continued)*

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Mandatory Provident Fund schemes in Hong Kong and PRC state-managed retirement benefits schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any account already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

When the Group makes payments for a property interest which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings and mining structures in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects, if the amount of capital expenditures and the time involved to complete the construction are significant. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Deprecation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining right

Mining right with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mine within the terms of licence.

Exploration and evaluation assets

All costs directly associated with exploration and evaluation are initially capitalised. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment loss. Exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not been determined. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine.

Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified to intangible assets or property, plant and equipment. These assets are assessed for impairment annually and before reclassification.

Exploration and evaluation assets acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as their costs). Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment loss, reclassified to intangible assets or property, plant and equipment and assessed for impairment on the same basis as the costs directly associated with exploration and evaluation incurred by the Group.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other intangible assets

Other intangible assets acquired in a business combination are recognised initially at its fair value at the acquisition date (which is regarded as the cost). After initial recognition, other intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for other intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the other intangible assets are available for use. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the other intangible assets to which it relates. All other expenditure is expensed as incurred.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and cost necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets and other intangible asset with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to with the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets at amortised cost which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables. The ECL on these assets are assessed individually for debtors with significant balance or collectively with similar credit risk characteristics based primarily on the debtors' aging profiles.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that result in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Measurement and recognition of ECL (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income 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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

The Group's financial liabilities, including trade and other payables, amounts due to a shareholder, consideration payable for acquisition of a subsidiary, consideration payable to a former non-controlling shareholder of a subsidiary and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

Provision for restoration cost

The Group is required to make payments for restoration of the land after the underground sites have been mined. Provision for restoration cost is recognised when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured in accordance with the relevant rules and regulations applicable in the PRC at the end of the reporting period, and using the cash flows forecast to estimate the present obligation, and is discounted to their present value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Principal versus agent consideration (principal)

The Group engages in trading of electrolytic copper and other metal concentrates. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the specified goods, and has discretion in establishing the price for the specified goods. The Group has inventory risk. When the Group satisfies the performance obligation, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts. During the year ended 31 December 2021, the Group recognized revenue relating to trading of electrolytic copper and other metal concentrates amounted to approximately RMB1,445,390,000 (2020: RMB1,029,466,000).

Acquisition of a subsidiary not constituting a business

Note 34 describes that the Group acquired 77.78% equity interest in AXF Gold Ridge Pty Ltd ("**AXF Gold Ridge**") with a total consideration of AUD39.215 million (equivalent to approximately RMB182,403,000) on 30 April 2020. As of the acquisition date, AXF Gold Ridge indirectly owns 90% attributable interest of Gold Ridge Mining Limited ("**GRML**"), which owns the mining license and the exploration license in respect of the Gold Ridge Project on Guadalcanal in the Solomon Islands. The acquisition of the equity interest in AXG Gold Ridge is not considered as an acquisition of business.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting periods, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment assessment of mining assets of the Yifeng Projects

The Group, through Yifeng Wanguo, owns the entire interests of certain mining projects in Yifeng, Jiangxi Province, the PRC, where underground mining was conducted. The existing mining projects in Yifeng and its surrounding areas has a substantial volume of non-ferrous polymetallic mineral resources (the "**Yifeng Projects**"). The mining assets for the mining projects in Yifeng mainly include certain property, plant and equipment, mining right, intangible assets and right-of-use assets on the Group's consolidated statement of financial position and are considered as a single cash generating unit for impairment assessment.

The management assessed the recoverable amounts of the mining assets of the Yifeng Projects based on a value in use calculation using discounted cash flow model in respect of the impairment assessment as at 31 December 2021 and estimates of future production volume and metallic resources of the Yifeng Projects with reference to reserve reports prepared in the past by external specialists, as described in Note 17. Key assumptions applied in the impairment assessment model include forecasted selling prices of the metallic concentrates, the growth rate and the discount rate. As at 31 December 2021, the aggregate carrying value of the mining assets of the Yifeng Projects amounted to approximately RMB509,960,000 (2020: RMB489,562,000). No impairment losses in respect of these assets has been recognised in profit or loss during the years ended 31 December 2021 and 2020.

Impairment assessment of exploration and evaluation assets and other intangible asset of Xizang Changdu

The carrying values of the exploration and evaluation assets and other intangible asset of Xizang Changdu County Dadi Mining Company ("**Xizang Changdu**"), a subsidiary incorporated in Tibet Autonomous Region, the PRC, which was acquired by the Group on 13 July 2017, were approximately RMB193,544,000 (2020: RMB190,824,000) and RMB319,288,000 (2020: RMB319,288,000) respectively as at 31 December 2021 and 2020 before impairment loss. Management's assessment of the recoverable amount of these assets as a single CGU is described in Note 19.

The management assessed the recoverable amounts of the exploration and evaluation assets and other intangible asset of the Xizang Changdu based on a fair value less cost of disposal calculation using discounted cash flow model in respect of the impairment assessment as at 31 December 2021 and 2020 and estimates of future production volume and metallic resources of Xizang Changdu with reference to feasibility studies performed by external specialists. Key assumptions applied in the impairment assessment model include forecasted selling prices of the metallic concentrates, the growth rate and a discount rate. Impairment loss of approximately RMB4,317,000 in respect of exploration and evaluation assets and approximately RMB7,123,000 in respect of other intangible asset has been recognised in profit or loss during the year ended 31 December 2021 (2020: Nil).

Estimated useful lives of property, plant and equipment

Other than construction in progress, the Group depreciates its property, plant and equipment using straight-line method over their estimated useful lives of 3 to 30 years (Note 15). The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of these property, plant and equipment.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment assessment of mining rights and property, plant and equipment of Gold Ridge Project

The carrying values of the mining rights and property, plant and equipment in relation to the mining projects in relation to a gold resource project located at Guadalcanal Province of the Solomon Islands ("**Gold Ridge Project**"), owned by the subsidiary, Gold Ridge Mining Limited, was approximately RMB260,417,000 (2020: RMB282,633,000) and RMB183,243,000 (2020: RMB42,605,000) respectively as at 31 December 2021. Management's assessment of the recoverable amount of these assets as a single CGU is described in Note 17.

The management assessed the recoverable amounts of the mining rights and property, plant and equipment of Gold Ridge Project based on a fair value less cost of disposal calculation using discounted cash flow model in respect of the impairment assessment as at 31 December 2021 and estimates of future production volume and metallic resources of the Gold Ridge Project with reference to feasibility studies performed by external specialists. Key assumptions applied in the impairment assessment model include forecasted gold price, the growth rate and a discount rate. No impairment losses in respect of the mining rights and property, plant and equipment has been recognised in profit or loss during the year ended 31 December 2021.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging of trade receivables as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The assessment of the provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 25(a) and 40(b).

Provision for restoration costs

The provision for restoration costs has been determined by the management of the Group based on their best estimates. The directors estimated this liability for restoration upon the closure of the mines based on detailed calculations of the amount and timing of future cash flows spending for a third party to perform the required work of restoration, including material cost and labour cost, escalated for inflation, then discounted at a discount rate of 7.05% that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation. However, the estimate of the associated expenditures may be subject to change due to new government environmental policy in the future. The provision is reviewed regularly to ensure that it properly reflects the present value of the obligation arising from the mining activities. As at 31 December 2021, the carrying amount of provision for restoration costs was approximately RMB7,290,000 (2020: RMB6,492,000).

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set-up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. REVENUE AND SEGMENT INFORMATION

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

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies as set out in note 3. Accordingly, the Group has only one operating segment.

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

Revenue represents revenue arising from sales of processed concentrates of various metals and trading of electrolytic copper and other metal concentrates. All of the revenue of the Group is recognised on a point in time basis, when the customers obtain control of the goods. An analysis of the Group's revenue from its major products for the reporting period is as follows:

	2021	2020
	RMB'000	RMB'000
Disaggregation of revenue from contracts with customers:		
By types of major products		
– Copper concentrates	**208,404**	147,545
– Zinc concentrates	**223,714**	89,296
– Iron concentrates	**90,279**	62,497
– Sulfur concentrates	**35,600**	13,118
– Gold in copper concentrates	**21,511**	24,724
– Gold in lead concentrates	**32,153**	24,010
– Lead concentrates	**9,337**	7,333
– Silver in lead concentrates	**20,100**	13,361
– Silver in copper and zinc concentrates	**24,027**	14,282
– Copper in lead concentrates	**8,460**	4,613
– Gold in zinc concentrates	**4,060**	613
– Sulfur and iron concentrates	**7,458**	1,486
– Electrolytic Copper	**1,327,316**	991,266
– Electrolytic lead	**1,976**	–
	2,014,395	1,394,144
By revenue source		
– Own mined products	**569,005**	364,678
– Sourced outside		
– Copper concentrates	**–**	5,252
– Zinc concentrates	**113,202**	29,139
– Gold in copper concentrates	**–**	1,416
– Silver in copper and zinc concentrates	**2,896**	2,393
– Electrolytic copper	**1,327,316**	991,266
– Electrolytic lead	**1,976**	–
	1,445,390	1,029,466
	2,014,395	1,394,144

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Performance obligations for contracts with customers

Revenue from sales of processed concentrates of various metals

The Group's sales of the processed concentrates of various metals to mineral trading enterprises is recognised when control of the goods has been transferred, being when the goods have been shipped to the customers' specific locations (delivery) or when they are collected by customers at the Group's ore processing plant at their choices. The payment terms and credit terms (if any) are set out in note 24. A contract liability is recognised for sales receipts in which revenue has yet been recognised. In each transaction, a sample of the ore concentrates is inspected to determine the mineral content to be adopted as the basis of calculation of transaction price. The directors of the Company consider that in general the grades of the Group's concentrates products can meet the customers' requirements and no further processing is required to improve the grades of the goods before delivery to or collection by its customers.

Revenue from trading of electrolytic copper and other metal concentrates sourced outside

Revenue from trading of electrolytic copper and other metal concentrates sourced outside is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (i.e. upon delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

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

Information about major customers

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

	2021 **RMB'000**	2020 RMB'000
Customer A[3]	**813,614**	528,070
Customer B[3]	**–**	188,249
Customer C[3]	**307,050**	169,735
Customer D[1]	**209,363**	N/A[2]

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

2 The corresponding revenue did not contribute 10% or more of the total revenue of the Group in the respective year

3 Revenue for sales of electrolytic copper

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group mainly operates in the PRC and Solomon Islands, and all revenue is generated from the PRC. The Group's principal non-current assets are located in the PRC and Solomon Islands. Information about its non-current assets by geographical location are detailed below:

Non-current assets*

	2021 **RMB'000**	2020 RMB'000
The PRC	**1,023,213**	1,003,649
Solomon Islands	**467,647**	333,381
Australia	**56**	75
Hong Kong	**6,571**	6,752
	1,497,487	1,343,857

* Non-current assets excluded deferred tax assets and restricted bank balance.

6. OTHER INCOME

	2021 **RMB'000**	2020 RMB'000
Government grants:		
– Related to assets (note i)	**1,160**	1,190
– Others (note ii)	**692**	1,671
Bank interest income	**853**	116
Others	**98**	716
	2,803	3,693

Notes:

(i) Amount represents the amount granted by a municipal government in the PRC to Yifeng Wanguo for mining technology improvement and is released to profit or loss over the expected useful lives of the relevant assets resulting from the mining technology improvement (Note 31).

(ii) During the year ended 31 December 2021, the government grants mainly included approximately RMB32,000 (2020: RMB96,000) incentives received from a local governmental authority by Yifeng Wanguo as immediate financial support for fulfilment of, among other conditions, certain retention criteria of local employees as required by the relevant governmental authority, and also included approximately RMB427,000 (2020: RMB180,000) financial incentives received by Yifeng Wanguo for foreign investment. The amount also included COVID-19 related financial incentive received from the Australian government by Wanguo Australia International Group Pty Limited ("**Wanguo Australia**") of AUD Nil (2020: AUD279,000) (equivalent to approximately RMB1,326,000). No future related cost is expected to be incurred nor related to any assets for the above government grants.

7. OTHER GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
Net foreign exchange gain	**1,075**	5,347
Gain on disposal of property, plant and equipment	**115**	46
Reversal of provision for bad debts	**–**	300
Written off of trade receivable	**(28)**	–
	1,162	5,693

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank borrowings	**6,611**	5,762
Imputed interest expenses on consideration payable to a former non-controlling shareholder of a subsidiary	**–**	3,868
Interest on lease liabilities	**17**	40
Interest on bill discounting	**978**	–
	7,606	9,670

9. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")		
– Current year	**36,516**	15,984
Withholding tax	**–**	1,050
	36,516	17,034
Deferred tax (Note 21)	**2,789**	(1,013)
	39,305	16,021

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

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

During the year ended 31 December 2018, Yifeng Wanguo was approved as an enterprise that satisfied the conditions as high and new technology enterprises and obtained the Certificate of High and New Technology Enterprises ("**the Certificate**") in August 2018, and is entitled to a preferential enterprise income tax rate ("**preferential rate**") of 15% for 2018, 2019 and 2020. During the year ended 31 December 2021, the Certificate has been extended for further 3 years and Yifeng Wanguo is entitled to the preferential rate for 2021,2022 and 2023.

9. INCOME TAX EXPENSE *(Continued)*

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

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

	2021 **RMB'000**	2020 RMB'000
Profit before tax	**220,945**	100,908
Tax at the EIT rate of 25% (2020: 25%)	**55,236**	25,227
Tax effect of expenses not deductible for tax purpose	**7,506**	4,041
Tax effect of income not taxable for tax purpose	**–**	(331)
Overprovision in respect of prior years	**(105)**	–
Utilisation of tax losses previously not recognised	**–**	(13)
Income tax at concessionary rate	**(25,884)**	(11,323)
Tax effect of additional tax benefit on research and development expenses	**(2,179)**	(1,580)
Effect of tax losses not recognised	**131**	–
Withholding tax on distributable earnings of a subsidiary established in the PRC	**4,600**	–
Income tax expense for the year	**39,305**	16,021

10. PROFIT FOR THE YEAR

	Note	2021 RMB'000	2020 RMB'000
Profit for the year has been arrived at after charging:			
Directors' emoluments (Note 11)		**4,003**	3,992
Other staff costs		**54,338**	39,554
		58,341	43,546
Retirement benefit scheme contributions, excluding those of directors		**2,403**	768
Total staff costs	(i)	**60,744**	44,314
Depreciation of property, plant and equipment	(ii)	**38,440**	34,515
Depreciation of right-of-use assets		**1,655**	1,699
Amortisation of mining right	(iii)	**1,066**	1,067
Amortisation of intangible asset		**213**	101
Total depreciation and amortisation		**41,374**	37,382
Auditor's remuneration (including audit and non-audit services)		**1,312**	1,320
Research and development costs	(i), (ii)	**19,372**	13,812
Cost of inventories recognised as an expense	(i), (ii), (iii)	**1,698,188**	1,236,735

(i) Total staff costs amounting to approximately RMB19,728,000 (2020: RMB16,042,000) are included in cost of inventories; amounting to approximately RMB31,886,000 (2020: RMB20,400,000) are included in administrative expenses; amounting to approximately RMB605,000 (2020: RMB452,000) are included in distribution and selling expenses, and approximately RMB8,525,000 (2020: RMB7,420,000) are included in research and development costs in administrative expenses.

(ii) Depreciation of property, plant and equipment amounting to approximately RMB29,578,000 (2020: RMB27,208,000) are included in cost of inventories; amounting to approximately RMB6,830,000 (2020: RMB5,262,000) are included in administrative expenses and amounting to approximately RMB2,032,000 (2020: RMB2,045,000) are included in research and development costs in administrative expenses.

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

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and HKCO, is as follows:

Name of directors	Fees RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments, mainly salaries and allowance RMB'000	Total RMB'000
For the year ended 31 December 2021				
Executive directors:				
Mr. Gao Mingqing	**–**	**–**	**1,056**	**1,056**
Ms. Gao Jinzhu (resigned on 30 September 2021)	**–**	**–**	**462**	**462**
Mr. Xie Yaolin (resigned on 30 September 2021)	**–**	**6**	**520**	**526**
Mr. Liu Zhichun	**–**	**–**	**479**	**479**
Mr. Wang Renxiang (appointed on 30 September 2021)	**–**	**18**	**182**	**200**
Ms. Wang Nan (appointed on 30 September 2021)	**–**	**32**	**328**	**360**
Non-executive directors:				
Mr. Li Kwok Ping (resigned on 30 September 2021)	**–**	**–**	**150**	**150**
Mr. Lee Hung Yuen (resigned on 30 September 2021)	**–**	**–**	**150**	**150**
Independent and non-executive directors:				
Dr. Lu Jian Zhong	**150**	**–**	**–**	**150**
Mr. Qi Yang	**150**	**–**	**–**	**150**
Mr. Shen Peng	**200**	**–**	**–**	**200**
Mr. Wang Xin	**120**	**–**	**–**	**120**
	620	**56**	**3,327**	**4,003**
For the year ended 31 December 2020				
Executive directors:				
Mr. Gao Mingqing	–	–	1,070	1,070
Ms. Gao Jinzhu	–	–	631	631
Mr. Xie Yaolin	–	1	805	806
Mr. Liu Zhichun	–	–	465	465
Non-executive directors:				
Mr. Li Kwok Ping	–	–	200	200
Mr. Lee Hung Yuen	–	–	200	200
Ms. Iu Ching (resigned on 21 January 2020)	–	–	–	–
Independent and non-executive directors:				
Dr. Lu Jian Zhong	150	–	–	150
Mr. Qi Yang	150	–	–	150
Mr. Shen Peng	200	–	–	200
Mr. Wang Xin (appointed on 2 January 2020)	120	–	–	120
	620	1	3,371	3,992

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The number of each of the director whose remuneration fell within the following bands is as follows:

	2021 **No. of directors**	2020 No. of directors
Nil to HK$1,000,000	**11**	10
HK$1,000,001 to HK$1,500,000	**1**	1
	12	11

Mr. Gao Mingqing is the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

12. EMPLOYEES' EMOLUMENTS

(a) Emoluments of senior management

Of the seven (2020: eight) senior management of the Group for the year ended 31 December 2021, four (2020: four) of them are the executive directors of the Company and their remuneration has been disclosed in Note 11. The total emoluments of the remaining three (2020: four) senior management are as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries, other allowances and benefit-in-kinds	**2,766**	2,363
Discretionary bonuses	**75**	178
Retirement benefits scheme contributions	**194**	125
	3,035	2,666

The number of each of the above employee whose remuneration fell within the following bands is as follows:

	2021 **No. of employees**	2020 No. of employees
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–
	3	4

12. EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid employees

The five highest paid employees of the Group during the year included three (2020: three) directors and two (2020: two) senior management, details of whose remuneration are set out in the disclosures in notes 11 and 12(a) above.

During both years, no emoluments were paid by the Group to any of the directors of the Company as set out in note 11 or the five highest paid individuals (including directors, senior management and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

13. EARNINGS PER SHARE

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

	2021	2020
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share (in RMB'000)	**193,432**	86,711
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousand)	**810,247**	720,000

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

14. DIVIDEND

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

	2021 RMB'000	2020 RMB'000
Final dividend for the year ended 31 December 2020 of RMB2.98 cents	**24,700**	–

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of RMB10.10 cents (2020: RMB2.98 cents) per ordinary share, in an aggregate amount of approximately RMB83,628,000 (2020: RMB24,700,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

Final dividend for the year ended 31 December 2020 was paid on 14 July 2021.

15. PROPERTY, PLANT AND EQUIPMENT

	Mining structures RMB'000	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2020	324,026	136,380	105,312	5,831	8,982	56,818	637,349
Effect of foreign currency exchange differences	15	(439)	306	962	16	1,468	2,328
Additions	463	1,591	9,683	14,156	2,486	34,123	62,502
Transfer	27,755	990	7,176	–	–	(35,921)	–
Disposals	–	–	(146)	(1,255)	–	–	(1,401)
At 31 December 2020	352,259	138,522	122,331	19,694	11,484	56,488	700,778
Effect of foreign currency exchange differences	**(16)**	**(390)**	**(595)**	**(633)**	**(193)**	**(9,213)**	**(11,040)**
Additions	**41,373**	**–**	**7,416**	**2,629**	**784**	**170,292**	**222,494**
Transfer	**2,603**	**1,583**	**1,594**	**820**	**31**	**(6,631)**	**–**
Disposal	**–**	**–**	**(3,948)**	**(10,037)**	**(413)**	**–**	**(14,398)**
At 31 December 2021	**396,219**	**139,715**	**126,798**	**12,473**	**11,693**	**210,936**	**897,834**
DEPRECIATION							
At 1 January 2020	90,156	40,959	55,143	5,317	7,555	–	199,130
Effect of foreign currency exchange differences	–	(147)	11	74	(35)	–	(97)
Provided for the year	16,566	6,319	8,945	1,794	891	–	34,515
Eliminated on disposals	–	–	(146)	(926)	–	–	(1,072)
At 31 December 2020	106,722	47,131	63,953	6,259	8,411	–	232,476
Effect of foreign currency exchange differences	**(1)**	**(77)**	**(49)**	**(93)**	**(70)**	**–**	**(290)**
Provided for the year	**18,102**	**6,390**	**10,204**	**2,757**	**987**	**–**	**38,440**
Eliminated on disposal	**–**	**–**	**(1,849)**	**(2,917)**	**(410)**	**–**	**(5,176)**
At 31 December 2021	**124,823**	**53,444**	**72,259**	**6,006**	**8,918**	**–**	**265,450**
CARRYING VALUES							
At 31 December 2021	**271,396**	**86,271**	**54,539**	**6,467**	**2,775**	**210,936**	**632,384**
At 31 December 2020	245,537	91,391	58,378	13,435	3,073	56,488	468,302

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Note:

As at 31 December 2021, mining structure and machinery with cost of approximately RMB1,424,000 (2020: approximately RMB715,000) and approximately RMB21,992,000 (2020: approximately RMB21,623,000), respectively have been fully depreciated but still in use.

An analysis of the carrying values of the buildings is as below:

	2021	2020
	RMB'000	RMB'000
In Hong Kong	**6,088**	6,563
Outside Hong Kong	**80,183**	84,828
	86,271	91,391

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following estimated useful lives:

Mining structures	8-20 years
Buildings	20-30 years
Machinery	5-10 years
Motor vehicles	4-5 years
Electronic equipment	3-5 years

Details of the property, plant and equipment pledged to banks to secure loan facilities granted to the Group is set out in note 35.

16. RIGHT-OF-USE ASSETS

	Leasehold lands RMB$'000 (Note a)	Leased properties RMB'000 (Note b)	Total RMB'000
COST			
At 1 January 2020	59,834	832	60,666
Effect of foreign currency exchange difference	–	(50)	(50)
At 31 December 2020	59,834	782	60,616
Effect of foreign currency exchange difference	–	(19)	(19)
Addition	–	575	575
Termination of lease	–	(771)	(771)
At 31 December 2021	59,834	567	60,401
ACCUMULATED DEPRECIATION			
At 1 January 2020	1,379	322	1,701
Depreciation charge	1,379	320	1,699
Effect of foreign currency exchange difference	–	(37)	(37)
At 31 December 2020	2,758	605	3,363
Depreciation charge	1,379	276	1,655
Effect of foreign currency exchange difference	–	(10)	(10)
Termination of lease	–	(771)	(771)
At 31 December 2021	4,137	100	4,237
CARRYING VALUES			
At 31 December 2021	55,697	467	56,164
At 31 December 2020	57,076	177	57,253

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	**517**	467
Covid-19 related rent concession	**–**	26
Total cash outflow for leases	**313**	342

Notes:

(a) It represents the Group's ownership interests on leasehold land held for own use in the PRC, with remaining lease term of between 10 and 50 years.

(b) The Group has obtained the right to use a property as its director's quarter through tenancy agreements. The lease runs for an initial period of 2 years without extension options. The lease only included fixed lease payment.

16. RIGHT-OF-USE ASSETS *(Continued)*

Details of the right-of-use assets pledged to a bank to secure loan facilities granted to the Group is set out in Note 35.

The above items of right-of-use assets are depreciated on a straight-line basis at the following estimated useful lives:

Leasehold lands	50 years
Leased properties	2 years

17. MINING RIGHTS

	2021 **RMB'000**	2020 RMB'000
COST		
At beginning of the year	**304,866**	22,233
Addition on acquisition of subsidiaries (Note 34)	–	260,579
Effect of foreign currency exchange differences	**(22,216)**	22,054
At end of the year	**282,650**	304,866
AMORTISATION		
At beginning of the year	**9,610**	8,543
Provided for the year	**1,066**	1,067
At end of the year	**10,676**	9,610
CARRYING VALUES	**271,974**	295,256

The mining rights represent: (1) the right to conduct mining activities in the Xinzhuang Mine in Jiangxi Province, the PRC, and has legal life of 26 years to 2032 and (2) the right to conduct mining activities in respect of Gold Ridge Project on Guadalcanal in the Solomon Islands and has legal life of 15 years to 2034. As at 31 December 2021 and 2020, the mines of the Gold Ridge Project have not yet commenced commercial operations.

The mining rights are amortised using the unit of production method based on the actual production volume over the estimated total proven reserves of the ore mines within the terms of licence. The extension of the mining period and the enlargement of the annual production limit may change the total proven and probable reserves of the ore mine over the terms of the licenced period.

As at 31 December 2021, the mining right in the Xinzhuang Mine with carrying amount of approximately RMB11,557,000 (2020: RMB12,623,000) was pledged to a bank to secure loan facilities granted to the Group as set out in Note 35.

17. MINING RIGHTS *(Continued)*

Impairment test on mining projects in Yifeng, Jiangxi Province, the PRC ("Yifeng Projects")

In view of the impact of COVID-19 pandemic in the economic environment in which the Group operates, the directors of the Company have performed impairment assessment on the property, plant and equipment with carrying amount of approximately RMB438,771,000 (2020: RMB415,715,000), mining right with carrying amount of approximately RMB11,557,000 (2020: RMB12,623,000), right-of-use assets with carrying amount of approximately RMB55,697,000 (2020: RMB57,076,000) and intangible assets with carrying amount of approximately RMB3,935,000 (2020: RMB4,148,000), with aggregate carrying amount of approximately RMB509,960,000 (2020: RMB489,562,000) which belong to the Yifeng Projects being carried out in the Xinzhuang Mine, which are principally engaged in mining and processing of ores and sales of processed concentrates in the PRC. Management's assessment of the recoverable amount of these assets was performed on the Yifeng Projects as a single CGU. The Group's own mined metallic concentrates are produced by the Yifeng Projects. The recoverable amount of this CGU has been determined by the directors of the Company based on value-in-use calculations. The pre-tax discount rate in measuring the amount of value in use is 18% per annum in relation to this CGU (2020: 18% per annum). The discounted cash flow analysis used cash flow projections with a growth rate of 2% (2020: 2%) per annum being applied for estimated selling prices, direct costs and expenses. The growth rate reflects the long-term growth rate for the country in which the entity of the CGU operates. The key assumptions also include budgeted sales and budgeted gross margins based on past performance and management expectations of market development, and taking into account the estimated mineral resources reserves of the Xinzhuang Mine based on a technical report. There has been no change from the valuation technique used in prior year. As a result of the impairment assessment, no impairment loss had been recognised in respect of the property, plant and equipment, mining right, right-of-use assets and intangible assets in relation to the Yifeng Projects during the year ended 31 December 2021 (2020: Nil). Management believes that any reasonably possible change in any of above assumptions would not cause the carrying amount of this CGU to exceed the recoverable amount of this CGU.

Impairment test on Gold Ridge Project

The directors of the Company have performed impairment assessment on the mining right with carrying amount of approximately RMB260,417,000 (2020: RMB282,633,000) and property, plant and equipment with carrying amount of approximately RMB183,243,000 (2020: RMB42,605,000) of Gold Ridge Project for gold production. Management's assessment of the recoverable amount of this asset was performed on Gold Ridge Project as a single CGU. The recoverable amount of this CGU has been determined by an independent professional valuer, Visia Appraisal and Consulting Ltd, based on fair value less cost of disposals calculations which is determined by discounted cash flow approach. The post-tax discount rates in measuring the amount of fair value less cost of disposal is 25% (2020: 23%) per annum in relation to this CGU. As a result of the impairment assessment, no impairment loss had been recognised in respect of the mining right and property, plant and equipment of the Gold Ridge Project during the year ended 31 December 2021 (2020: Nil).

The key assumptions for the fair value less cost of disposal calculation are those regarding the discount rate of 25% (2020: 23%), zero growth rate (2020: zero growth rate) being applied for estimated selling prices, direct costs and expenses, and budgeted production plan of 14 years from 2022 to 2035 (2020: 14 years from 2021 to 2034), which is according to the legal life of the mining right estimated by the directors of the Company. The discount rate had been determined based on the market comparables. The growth rate reflects the long-term growth rate for the country in which the entity of the CGU operates. The budgeted production plan had been determined based on the management's expectation for the market development, technical report, feasibility study of the above mine and the expected production capacity of the relevant cash generating unit.

Apart from the considerations described above in determining the fair value less cost of disposal of the cash-generating unit, the Group's management is not currently aware of any other probable changes that would necessitate changes in these key assumptions. However, the estimate of recoverable amount of the Group's cash generating units is particularly sensitive to the discount rate applied.

The fair values less cost of disposal of this cash generating unit is classified as level 3 measurement.

18. EXPLORATION AND EVALUATION ASSETS

	RMB'000
COST	
At 1 January 2020	187,436
Additions	3,388
At 31 December 2020	190,824
Additions	2,720
At 31 December 2021	193,544
ACCUMULATED IMPAIRMENT LOSS	
At 31 December 2020	–
Impairment loss recognised	(4,317)
At 31 December 2021	(4,317)
CARRYING VALUES	
At 31 December 2021	189,227
At 31 December 2020	190,824

The exploration and evaluation assets represent all costs directly associated with exploration and evaluation and are initially capitalised. As at 31 December 2021 and 2020, the exploration and evaluation assets related to costs of the activities which occurred in the area of Changdu, Tibet Autonomous Region, the PRC, which is the principal place of business of Xizang Changdu.

During the current year, the Group incurred costs directly associated with the exploration and evaluation assets of approximately RMB2,720,000 (2020: RMB3,388,000).

Please refer to Note 19 for impairment assessment.

19. OTHER INTANGIBLE ASSET

	RMB'000
COST	
At 1 January 2020, 31 December 2020 and 2021	319,288
ACCUMULATED IMPAIRMENT LOSS	
At 31 December 2020	–
Impairment loss recognised	(7,123)
At 31 December 2021	(7,123)
CARRYING VALUES	
At 31 December 2021	312,165
At 31 December 2020	319,288

In addition to the exploration and evaluation assets as set out in note 18 above, the Group has recognised other intangible asset pursuant to the acquisition of Xizang Changdu which represents, in the opinion of the directors, premium paid for the mining right license to be obtained by Xizang Changdu to conduct mining activities in the lead mine in Walege of the Changdu County, Tibet Autonomous Region, the PRC, owned by Xizang Changdu. The Group is in the process of applying the mining permit for the above mine with the relevant regulatory authorities and the directors of the Company expect the mining permit will be granted to the Group without significant cost in the foreseeable future. The relevant mining permit, when granted to the Group, will allow the Group to mine up to a predetermined level of ore every year from the date of grant through the expiry of the mining license.

Impairment test on Xizang Changdu

The directors of the Company have performed impairment assessment on the exploration and evaluation assets and other intangible asset of Xizang Changdu. Management's assessment of the recoverable amount of these assets was performed on Xizang Changdu as a single CGU. The recoverable amounts of this CGU has been determined by an independent professional valuer, Vision Appraisal and Consulting Limited, based on fair value less cost of disposals calculations which is determined by discounted cash flow approach. The post-tax discount rates in measuring the amount of fair value less cost of disposal is 21% (2020: 18%) per annum in relation to this CGU. As a result of the impairment assessment, impairment loss of approximately RMB4,317,000 in respect of exploration and evaluation assets and approximately RMB7,123,000 in respect of other intangible asset has been recognised in profit or loss during the year ended 31 December 2021 (2020: Nil) due to delay in the management's production plan and drop in projected lead price in the market.

19. OTHER INTANGIBLE ASSET *(Continued)*

Impairment test on Xizang Changdu *(Continued)*

The key assumptions for the fair value less cost of disposal calculation are those regarding the discount rate, growth rate of 2% per annum (2020: 2%) being applied for estimated selling prices, direct costs and expenses, and budgeted production plan of 16 years from 2024 to 2039 (2020: 16 years from 2024 to 2039). The discount rate had been determined based on the market comparables. The growth rate reflects the long-term growth rate for the country in which the entity of the CGU operates. The budgeted production plan had been determined based on the management's expectation for the market development, pre-feasibility study of the above mine and the expected production capacity of Xizang Changdu.

Apart from the considerations described above in determining the fair value less cost of disposal of the cash-generating unit, the Group's management is not currently aware of any other probable changes that would necessitate changes in these key assumptions. However, the estimate of recoverable amount of the Group's cash generating units is particularly sensitive to the discount rate applied.

The fair values less cost of disposal of these cash generating units are classified as level 3 measurement.

20. INTANGIBLE ASSETS

	Patent right RMB'000	Development cost RMB'000	Total RMB'000
COST			
At 1 January 2020	–	4,249	4,249
Transfer	4,249	(4,249)	–
At 31 December 2020 and 2021	4,249	–	4,249
AMORTISATION			
At 1 January 2020	–	–	–
Provided for the year	101	–	101
At 31 December 2020	101	–	101
Provided for the year	213	–	213
At 31 December 2021	314	–	314
CARRYING VALUES			
At 31 December 2021	3,935	–	3,935
At 31 December 2020	4,148	–	4,148

The above items of intangible assets are amortised on a straight line basis at the following estimated useful life:

Patent right	20 years

The Group is researching new techniques that could enhance the efficiency of metal ore extraction. It has incurred research and development expenses of approximately RMB19,372,000 in the current year (2020: RMB13,812,000) which are included in administrative expenses in the statement of profit or loss and other comprehensive income.

21. DEFERRED TAX ASSETS/LIABILITIES

The following is an analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**3,890**	3,860
Deferred tax liabilities	**(86,911)**	(84,092)
	(83,021)	(80,232)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during both years:

	Undistributed earnings of a PRC subsidiary RMB'000	Fair value adjustments on other intangible asset arising from acquisition of a subsidiary RMB'000	Restoration cost and other provisions RMB'000	Government subsidy RMB'000	Total RMB'000
At 1 January 2020	(5,320)	(79,822)	1,557	2,340	(81,245)
Credit (charge) to profit or loss	1,050	–	141	(178)	1,013
At 31 December 2020	(4,270)	(79,822)	1,698	2,162	(80,232)
(Charge) credit to profit or loss	**(4,600)**	**1,781**	**204**	**(174)**	**(2,789)**
At 31 December 2021	**(8,870)**	**(78,041)**	**1,902**	**1,988**	**(83,021)**

From 1 January 2008, pursuant to the EIT Law and its detailed implementation rules, dividend distributed out of the profit generated thereafter shall be subject to EIT at 10% and withheld by the PRC entity. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong, a Hong Kong resident company should be entitled to a preferential tax rate of 5% when receiving dividend from its investee in the PRC if such investor is the beneficial owner of the PRC entity of over 25% interest. Taylor Investment International Limited ("**HK Taylor**"), which was incorporated in Hong Kong and owns the entire equity interest of the Group's subsidiaries established in the PRC, enjoys the preferential tax rate aforementioned. Accordingly, deferred taxation has been provided for in the consolidated financial statements in respect of the expected dividend stream from these subsidiaries with the applicable tax rate of 5%.

At the end of the reporting period, the Group has unused tax losses of approximately RMB11,516,000 (2020: RMB12,263,000) available for offset against future profits with no expiry date, which is mainly derived from a subsidiary incorporated in Australia.

No deferred tax asset has been recognised in relation to such unused tax losses as it is not probable that taxable profit will be available against which the unused tax losses differences can be utilised.

22. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

The restricted bank balances carry interest at a fixed rate of 1.5% (2020: 1.5%) per annum. They represent the guarantee deposits in specified accounts which are restricted for the usage for restoration of the land upon closure of mines, and restricted bank balances amounting to approximately RMBNil (2020: RMB4,000,000) are related to the finance facilities granted by bank, for issuing bills payable.

The bank balances and cash carry interest at market rates as follows:

	2021	2020
	%	%
Range of interest rates (per annum)	**0.00 to 1.50**	0.00 to 1.50

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

	2021	2020
	RMB'000	RMB'000
HK$	**383**	296
AU$	**17**	19
US$	**9**	2

23. INVENTORIES

	2021	2020
	RMB'000	RMB'000
Mining products		
– Raw materials	**13,428**	7,742
– Work-in-progress	**4,031**	1,005
– Finished goods	**1,190**	674
	18,649	9,421

24. TRADE AND OTHER RECEIVABLES

	Note	2021 RMB'000	2020 RMB'000
Trade receivables from contracts with customers		**2,057**	4,097
Bills receivables		**2,704**	3,551
Trade and bills receivables	(a)	**4,761**	7,648
Amount due from a related company	(b)	**3**	167
Prepayments and other receivables			
– prepayments to major subcontractors		**77,588**	23,334
– prepayments to other suppliers	(c)	**69,189**	8,705
– Other receivables	(d)	**8,229**	13,922
		155,009	46,128
Total trade and other receivables		**159,770**	53,776

(a) Trade and bills receivable

As at 1 January 2020, trade receivables from contracts with customers amounted to approximately RMB7,510,000.

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 60 days for sales of certain products. For others, the Group generally requests for deposits in advance from customers (Note 26). The following is an aged analysis of trade and bills receivables presented based on the invoice dates at the end of the reporting period as follows:

	2021 RMB'000	2020 RMB'000
Within 30 days	**4,611**	5,636
31 to 60 days	–	1,532
61 to 90 days	–	480
Over 90 days	**150**	–
	4,761	7,648

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

24. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade and bills receivable *(Continued)*

The ECL for trade receivables as at 31 December 2021 and 2020 have been assessed collectively based on the trade debtors' aging, grouped by debtor balances that are not yet due and different aging brackets of numbers of days past due (if any). Based on the assessment of the management of the Group, allowance for credit losses from the trade receivables as at 31 December 2021 and 2020 is insignificant.

As at 31 December 2021 and 2020, the above bills received are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

Details of impairment assessment of trade and other receivables are set out in note 40(b).

(b) Amount due from a related company

The balance is due from a company wholly owned and controlled by Mr. Gao Mingqing, the Chief Executive of the Company. The balance is interest free, unsecured and repayable on demand.

(c) Prepayments to major subcontractors

Included in the balance is prepayment of subcontracting fee to mining subcontractors by the subsidiaries Gold Ridge Mining Limited ("**GRML**") and Yifeng Wanguo for mining of ores, which amounted to approximately RMB30,294,000 (2020: RMB Nil) and RMB47,294,000 (2020: RMB23,334,000) respectively as at 31 December 2021.

(d) Prepayments to other suppliers

Included in the balance is prepayment to suppliers of metal concentrates for trading which amounted to approximately RMB43,504,000 (2020:RMB2,103,000) and prepayment to suppliers of raw materials which amounted to approximately RMB15,093,000 (2020: RMB6,531,000) as at 31 December 2021.

25. TRADE AND OTHER PAYABLES

	Note	**2021 RMB'000**	2020 RMB'000
Trade payables	(i)	**13,975**	14,633
Bills payables	(ii)	**30,000**	33,000
Trade and bills payables		**43,975**	47,633
Value-added tax, resource tax and other tax payables		**36,126**	15,232
Payables for construction in progress and property, plant and equipment		**13,943**	19,112
Accrued expenses and other payables			
– Accrued expenses		**2,267**	4,283
– Accrued staff cost		**6,680**	8,891
– Other payables	(iii)	**16,573**	4,595
		75,589	52,113
Total trade and other payables		**119,564**	99,746

25. TRADE AND OTHER PAYABLES *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Within 30 days	9,906	7,104
31-60 days	1,939	3,222
61-90 days	693	1,129
91-180 days	665	2,438
Over 180 days	772	740
	13,975	14,633

The following is an aged analysis of bills payables based on the date of issue of bills:

	2021 RMB'000	2020 RMB'000
91-180 days	–	4,000
Over 180 days	30,000	29,000
	30,000	33,000

Notes:

(i) The average credit period on purchase of goods is 30 days upon delivery. No interest is charged on overdue trade payable.

(ii) The bills payable were pledged by a restricted deposit made by Yifeng Wanguo, which have to be settled within one year from the date of issue.

(iii) Included in the balance of other payables is an accrued outsourcing expense to a service vendor for arrangement of working force in Solomon Islands for operation of the Gold Ridge Mine which amounted to approximately RMB6,623,000 as at 31 December 2021 (2020: RMB Nil).

26. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Sales of processed concentrates products and analysed for reporting purpose as current liabilities	25,572	49,821

As at 1 January 2020, contract liabilities amounted to approximately RMB57,262,000.

Contract liabilities represent the deposit amounts received from certain customers at the requests of the Group when they place confirmed orders. Approximately RMB13,475,000 of the contract liabilities as at 1 January 2021 (2020: RMB30,932,000) has been recognised as revenue during the current year.

27. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	**278**	205
Within a period of more than one year but not more than two years	**196**	–
	474	205
Less: Amount due for settlement within 12 months shown under current liabilities	**(278)**	(205)
Amount due for settlement after 12 months shown under non-current liabilities	**196**	–

The weighted average incremental borrowing rates applied to lease liabilities are 8.39% (2020: 9.92%).

28. AMOUNTS DUE TO RELATED PARTIES

	Note	2021 RMB'000	2020 RMB'000
Victor Soar Investments Limited ("**Victor Soar**")	(a), (b)	**3,621**	3,845
Mr. Gao Mingqing	(a)	**–**	8,595
Ms. Gao Jinzhu	(a), (c)	**2,000**	16,394
Achieve Ample Investments Limited ("**Achieve Ample**")	(a), (c)	**240**	314
		5,861	29,148

Notes:

(a) All of the amounts above are non-trade in nature, interest free, unsecured and repayable on demand, of which approximately RMB3,861,000 (2020: RMB4,159,000) are denominated in HK$.

(b) Victor Soar held approximately 33.99% (2020: 39.08%) of the issued share capital of the Company as at 31 December 2021 and is wholly owned and controlled by Mr. Gao Mingqing.

(c) Ms. Gao Jinzhu, former executive director of the Company is interested in 16.74% (2020: 19.25%) of the issued share capital of the Company as at 31 December 2021 via Achieve Ample which is wholly owned and controlled by her.

29. CONSIDERATION PAYABLE TO A FORMER NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

On 3 March 2012, Yifeng Wanguo, West-Jiangxi of the Bureau of Geology and Mineral Exploration of Jiangxi Province ("**West-Jiangxi Brigade**") and HK Taylor entered into a capital reduction agreement (the "**Capital Reduction Agreement**") pursuant to which, among other things, West-Jiangxi Brigade shall redeem all of its 12% equity investment in Yifeng Wanguo for a consideration of RMB207,872,000. According to the Capital Reduction Agreement, the consideration shall be payable by Yifeng Wanguo to West-Jiangxi Brigade by instalments set out below:

(i) RMB6,000,000 within five working days after the completion of the Capital Reduction Agreement;

(ii) RMB6,000,000 in December of the year in which the completion of the Capital Reduction Agreement took place and the year thereafter, respectively;

(iii) RMB20,000,000 in December of the second year after the year in which the completion of the Capital Reduction Agreement took place; and

(iv) RMB42,468,000 in December of each of the third year to the sixth year after the year in which the completion of the Capital Reduction Agreement took place.

The Capital Reduction Agreement was approved by the relevant PRC government authorities on 23 April 2012. Upon the approval of the Capital Reduction Agreement and the completion of registration with the relevant authorities in the PRC, Yifeng Wanguo became a wholly-owned subsidiary of the Company on 27 April 2012.

As a result, the Group has recorded a liability of RMB153,584,000, which was the present value of the total consideration discounted at 7.05% payable by Yifeng Wanguo to West-Jiangxi Brigade as at the date of the completion of the transaction.

During the year ended 31 December 2018, an amount of approximately RMB42,468,000 which fell due in that year was agreed to be extended to 2020. As at 31 December 2020 and 2021, the amount was matured without further extension granted by West-Jiangxi Brigade.

At the end of the reporting period, the carrying amount of consideration payable is repayable on demand.

30. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Unsecured bank borrowings at:		
– fixed rate	**49,800**	26,000
Secured bank borrowings at:		
– fixed rate	**75,500**	78,500
– floating rate	**2,679**	3,207
	127,979	107,707
The carrying amounts of the above borrowing are repayable:		
– within one year	**86,800**	59,000
– within a period of more than one year but not exceeding two years	**38,500**	7,000
– within a period of more than two years but not exceeding five years	**–**	38,500
	125,300	104,500
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	**2,679**	3,207
	127,979	107,707
Less: Amount due within one year shown under current liabilities	**(89,479)**	(62,207)
Amount shown under non-current liabilities	**38,500**	45,500

The interest rates of the Group's floating rate borrowings are based on Hong Kong Interbank Offered Rate. Interest is reset every year.

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

	2021 %	2020 %
Effective interest rate for fixed rate borrowings (per annum)	**4.79 to 9.57**	4.79 to 9.57
Effective interest rate for floating rate borrowings (per annum)	**1.86 to 2.05**	1.92 to 2.35

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

	2021 RMB'000	2020 RMB'000
HK$	**2,679**	3,207

31. DEFERRED INCOME

Deferred income represents government grants received by Yifeng Wanguo from the Yifeng Finance Bureau for mining technology improvement.

The deferred income is released to income over the expected useful life of the relevant assets resulting from the mining technology improvement. Movements of deferred income during the year are as follows:

	2021 **RMB'000**	2020 RMB'000
Government grant related to assets:		
At the beginning of the year	**8,652**	9,842
Released to profit or loss	**(1,160)**	(1,190)
At the end of the year	**7,492**	8,652

32. PROVISIONS FOR RESTORATION COSTS

	2021 **RMB'000**	2020 RMB'000
At beginning of the year	**6,492**	5,746
Provisions	**798**	746
At end of the year	**7,290**	6,492

In accordance with relevant PRC rules and regulations, the Group is obliged to restore the land upon closure of the mines. The Group provided the cost for restoration for its present obligation.

The provision for restoration costs has been determined by the directors based on their best estimates. The directors estimated this liability for restoration upon the closure of the mines based on detailed calculations of the amount and timing of future cash flows spending for a third party to perform the required work of restoration, including material cost and labour cost, escalated for inflation, then discounted at a discount rate of 7.05% that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation.

33. SHARE CAPITAL

Details of share capital of the Company are as follows:

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,000,000	100,000
Issued:		
At 1 January 2020 and 31 December 2020	720,000	72,000
Shares issued in share subscriptions arrangement (note a)	108,000	10,800
At 31 December 2021	828,000	82,800

	2021 RMB'000	2020 RMB'000
Shown in the consolidated statement of financial position	**67,881**	58,882

Notes:

(a) On 2 March 2021, pursuant to a subscription agreement dated 26 January 2021 between the Company and an independent subscriber, the Company issued 108,000,000 new ordinary shares of HK$0.10 each at a price of HK$2.18 per share to the independent subscriber. Details of the share subscription were contained in the Company's announcements dated 29 December 2020, 22 February 2021 and 2 March 2021.

(b) The Company has adopted a share option scheme (the "**Scheme**") on 12 June 2012 to which the directors and eligible employees, among others are entitled to participate in. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of the Scheme are set out in the directors' report section of the annual report. No share options have been granted, exercised, cancelled or lapsed under the Scheme during the years ended 31 December 2021 and 2020.

34. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 16 July 2017, the Group as the purchaser entered into a conditional sale and purchase agreement, as subsequently revised by supplementary agreements, with an independent third party as the vendor to acquire the 77.78% issued share capital of AXF Gold Ridge Pty Ltd ("**AXF Gold Ridge**") which indirectly owns a gold mine in the Solomon Islands at the total consideration of AUD39.215 million (equivalent to approximately RMB182,403,000). On 30 April 2020, the acquisition of AXF Gold Ridge was completed. The total consideration was settled by cash amounted to AUD22.105 million (equivalent to approximately RMB102,233,000) and reconstruction works and other recommissioning activities undertaken by the Group whereby the Group incurred a cost of approximately AUD17.11 million (equivalent to approximately RMB80,170,000).

AXF Gold Ridge is an investment holding company which through its subsidiaries (together with AXF Gold Ridge, the "**AXF Gold Ridge Group**") indirectly owns a 90% attributable interest of Gold Ridge Mining Limited ("**GRML**"). GRML owns the mining license and the exploration license in respect of the Gold Ridge Project on Guadalcanal in the Solomon Islands.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 "Business Combinations" and concluded that substantially all of the fair value of the gross assets (excluding cash and cash equivalents and deferred tax assets and goodwill resulting from the effects of deferred tax liabilities) acquired is concentrated in the mining right of the Gold Ridge Project (i.e. in a single identifiable asset) and concluded that the acquired set of activities and assets is not a business.

The Group has elected to measure the non-controlling interests in AXF Gold Ridge Group at the non-controlling interest's proportionate share of fair values of AXF Gold Ridge Group's identifiable net assets.

The fair value of the identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were as follows:

	RMB'000
Net assets acquired:	
Mining rights	260,579
Non-controlling interests	(78,176)
Consideration	182,403
Total purchase consideration satisfied by:	
Deposits for acquisitions	182,403
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	–

35. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to banks for loan facilities granted to the Group:

	2021 **RMB'000**	2020 RMB'000
Property, plant and equipment	**38,932**	42,170
Right-of-use assets	**24,088**	24,735
Mining right	**11,557**	12,623
	74,577	79,528

36. CAPITAL COMMITMENTS

	2021 **RMB'000**	2020 RMB'000
Capital expenditure in respect of:		
– acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**51,146**	77,899

37. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs (with a cap in accordance with the statutory requirements) to the Scheme, which contribution is matched by employees.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authorities in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, ranging from 12% to 20%, of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

During the year, the retirement benefit scheme contributions amounted to approximately RMB2,459,000 (2020: RMB769,000).

38. RELATED PARTY TRANSACTIONS

(a) Related party balances and transactions

Details of the balances with related parties as at 31 December 2021 and 2020 are set out in the consolidated statement of financial position and in note 28.

During the year ended 31 December 2020, Mr. Gao Mingqing, substantial shareholder and executive director of the Company, advanced an aggregate amount of RMB3,000,000 to the Group, which is repayable on demand as at 31 December 2020.

In addition, certain of the Group's bank borrowing as set out in note 30 as at 31 December 2021 and 2020 were personally guaranteed by Mr. Gao Mingqing and Ms. Gao Jinzhu.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other key management personnel during the year were as follows:

	2021 **RMB'000**	2020 RMB'000
Fees, salaries and other allowances	**6,712**	6,354
Discretionary bonuses	**75**	178
Retirement benefit scheme contributions	**251**	126
	7,038	6,658

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include bank borrowings (note 30), and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issue and the issue of new debt or the redemption of existing debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or process for managing capital during the years ended 31 December 2021 and 2020.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 **RMB'000**	2020 RMB'000
Financial assets:		
Amortised cost	**131,954**	64,894
Financial liabilities:		
Amortised cost	**269,008**	270,619

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, restricted bank balances, trade and other payables, consideration payable to a former non-controlling shareholder of a subsidiary, amounts due to related parties, lease liabilities and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with the financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

Currency risk

Other than the subsidiaries incorporated in Australia which functional currency is the AU$, the functional currency of the Company and its subsidiaries incorporated in the PRC and Hong Kong is RMB since all of the revenue of these entities is derived from operations in the PRC and denominated in RMB.

The Group's exposure to foreign currency risk related primarily to certain bank balances and other receivables maintained in HK$, AU$ and US$.

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2021 **RMB'000**	2020 RMB'000
Assets		
HK$	**481**	684
AU$	**17**	19
US$	**2**	2
Liabilities		
HK$	**7,879**	8,676

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase or decrease in RMB against HK$, AU$ and US$. 5% (2020: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% (2020: 5%) change in foreign currency rates.

	2021 **RMB'000**	2020 RMB'000
HK$ impact:		
5% increase in the value of the functional currency RMB		
Decrease in post-tax profit for the year	**(277)**	(300)
5% decrease in the value of the functional currency RMB		
Increase in post-tax profit for the year	**277**	300
AU$ impact:		
5% increase in the value of the functional currency RMB		
Increase in post-tax profit for the year	**1**	1
5% decrease in the value of the functional currency RMB		
Decrease post-tax profit for the year	**(1)**	(1)
US$ impact:		
5% increase in the value of the functional currency RMB		
Increase in post-tax profit for the year	**–**	–
5% decrease in the value of the functional currency RMB		
Decrease post-tax profit for the year	**–**	–

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis (Continued)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the relevant year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate restricted bank balance (note 22) and bank borrowings (note 30).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 22) and bank borrowings (note 30).

The Group's cash flow interest rate risk on its bank balances is limited because these balances carry interest at prevailing rates and they are of short maturity.

The Group's exposures to interest rates on bank borrowings are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of Hong Kong Interbank Offered Rate arising from the Group's HKD denominated borrowing.

The Group currently does not have an interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposure on an on-going basis and will consider hedging the interest rate should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or 50 basis points decrease (2020: 50 basis points increase or decrease) represents management's assessment of the reasonably possible change in interest rates.

If interest rates on bank balances and bank borrowings had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 would decrease/increase by approximately RMB51,700 (2020: RMB301,000).

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bills receivables, bank balances and other receivables and deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

The Group has concentration of credit risk in respect of trade receivables with approximately 49% of total trade receivables as at 31 December 2021 (2020: 57%) was due from one customer. The Group believes that the amount is considered recoverable after taking into account the subsequent settlement after the year end, credit history of the customer and forward-looking information.

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables *(Continued)*

The Group has concentration of credit risk by geographical location as the entire balance of its trade receivable as at 31 December 2021 and 2020 were in the PRC.

In order to minimise the credit risk, the Group's current credit practices include assessment and evaluation of customers' credit reliability and periodically review of their financial status to determine credit limit to be granted. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade receivables collectively for those with similar credit risk characteristics based primarily on the trade debtors' aging profiles. The Group has been exploring new customers in order to reduce the concentration of credit risk.

Bills receivables

The credit risk associated with bills receivables, which are all bank acceptance drafts, is limited because the accepting bank will cash the bills unconditionally when the Group presents these bills on due dates.

Bank balances

The credit risk of the Group on liquid funds is limited because the majority of the counterparties are international banks and state-owned banks with good reputation.

Other receivables and deposits

The credit risk on other receivables is also limited because of the historical settlement record, past experience, and also quantative and qualitative information that is reasonable and supportive forward-looking information.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2021	Notes	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount RMB'000**
Financial assets at amortised costs				
Bank balances and cash and restricted bank balances	22	**N/A**	**12-months-ECL**	**118,964**
Bills receivables	24	**N/A**	**12-months-ECL**	**2,704**
Trade receivables	24	**(note i)**	**Lifetime ECL**	**2,057**
Other receivables	24	**(note ii)**	**12-months-ECL**	**8,229**

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

2020	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised costs				
Bank balances and cash and restricted bank balances	22	N/A	12-month-ECL	43,324
Bills receivables	24	N/A	12-month-ECL	3,551
Trade receivables	24	(note i)	Lifetime ECL	4,097
Other receivables	24	(note ii)	12-month-ECL	13,922

Notes:

(i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items base on the Group's historical default rates taking into consideration forward-looking information. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2021 and 2020, these balances are either not past due or doesn't have fixed repayment. The Group determines the ECL on these items by historical default rate and adjusts for forward-looking information.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, undrawn banking facilities and other debt financing instruments, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

In preparing the consolidated financial statements, the management of the Group has given careful consideration to the liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB36,247,000 as at 31 December 2021, and have taken into considerations of the measurements and sources of liquidity as set out in details in note 1. The directors of the Company consider the Group's liquidity risk is minimal.

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date, which is also the agreed repayment date, on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

The amounts included below for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

	Weighted average effective interest rate	On demand/ less than 3 months	3 months to 1 year	1-5 years	Total undiscounted cash flow	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021						
Non-derivative financial liabilities						
Trade and other payables	–	76,758	–	–	76,758	76,758
Amounts due to related parties	–	5,861	–	–	5,861	5,861
Consideration payable to a former non-controlling shareholder of a subsidiary	–	57,936	–	–	57,936	57,936
Lease liabilities	8.39	76	232	203	511	474
Bank borrowings						
– fixed rate	5.60	26,645	64,381	38,630	129,656	125,300
– floating rate	1.91	2,839	–	–	2,839	2,679
		170,115	64,613	38,833	273,561	269,008
As at 31 December 2020						
Non-derivative financial liabilities						
Trade and other payables	–	75,623	–	–	75,623	75,623
Amounts due to related parties	–	29,148	–	–	29,148	29,148
Consideration payable to a former non-controlling shareholder of a subsidiary	7.05	57,936	–	–	57,936	57,936
Lease liabilities	9.92	59	147	–	206	205
Bank borrowings						
– fixed rate	5.54	25,271	34,930	50,456	110,657	104,500
– floating rate	2.27	3,437	–	–	3,437	3,207
		191,474	35,077	50,456	277,007	270,619

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity tables *(Continued)*

Bank borrowings with a repayment on demand clause are included in the "on demand/less than 3 months" time band in the above maturity analysis. As at 31 December 2021, the aggregate amounts of these bank borrowings amounted to approximately RMB2,679,000 (2020: RMB3,207,000).

For the purpose of managing liquidity risk, management reviewed the expected cash flow information of the Group's bank loans with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as below:

	On demand/ less than 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2021						
Bank borrowings with a repayment on demand clause	**123**	**370**	**1,975**	**371**	**2,839**	**2,679**
As at 31 December 2020						
Bank borrowings with a repayment on demand clause	127	382	2,546	382	3,437	3,207

The amounts included above for floating interest rate instruments for non-derivative financial liabilities are subject to change if changes in floating interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments that are recorded at amortised cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000	Bank borrowings RMB'000	Interest payable RMB'000	Amounts due to related parties RMB'000	Dividend payable RMB'000	Consideration payable to a former non-controlling shareholder of a subsidiary RMB'000	Total RMB'000
At 1 January 2020	548	49,876	–	37,977	20,000	60,068	168,469
Financing cash flows	(342)	52,303	–	(1,774)	(19,150)	(6,000)	25,037
Non-cash changes (Note)							
Interest expenses	40	5,762	–	–	–	3,868	9,670
COVID-19 related rent concession	(26)	–	–	–	–	–	(26)
Effect of foreign currency exchange differences	(15)	(234)	–	(182)	(850)	–	(1,281)
Set off with prepayment to a major subcontractor	–	–	–	(6,873)	–	–	(6,873)
At 31 December 2020	205	107,707	–	29,148	–	57,936	194,996
Financing cash flows	(313)	13,752	(978)	(23,140)	(24,700)	–	(35,379)
Non-cash changes (Note)							
Interest expenses	17	6,611	978	–	–	–	7,606
Addition of lease liabilities	575	–	–	–	–	–	575
Effect of foreign currency exchange differences	(10)	(91)	–	(147)	–	–	(248)
Dividend declared	–	–	–	–	24,700	–	24,700
At 31 December 2021	474	127,979	–	5,861	–	57,936	192,250

Note:

During the year ended 31 December 2021, prepayment to a subcontractor of approximately RMBNil (2020: RMB6,873,000) were refunded and used for partial settlement of amounts due to related parties.

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries directly and indirectly held by the Company as at 31 December 2021 and 2020 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Principal activities
			2021	2020	
Directly owned					
Multinational International Holdings Limited	British Virgin Islands	US$50,000	**100%**	100%	Investment holding
Indirectly owned					
HK Taylor	Hong Kong	HK$86,900,000	**100%**	100%	Investment holding
Yifeng Wanguo (note 3)	The PRC	RMB268,990,000	**100%**	100%	Mining and processing of ores and sales of processed concentrates
Xizang Changdu	The PRC	RMB195,000,000	**51%**	51%	Exploration of mineral resources
Wanguo Australia	Australia	AU$1,000	**100%**	100%	Exploration of mineral resources
Wanguo Ascendant Holding Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Mega Harvest International Development Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
AXF Gold Ridge Pty Ltd	Australia	AU$1,000	**77.78%**	77.78%	Investment holding
Gold Ridge Mining Limited	Solomon Islands	AU$81,343,000	**70%**	70%	Exploration of mineral resources

Notes:

1. The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2. None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

3. It was a sino-foreign equity joint venture enterprise with limited liability, and became a wholly foreign owned enterprise since 27 April 2012.

43. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

Summarised financial information in respect of Xizang Changdu and AXF Gold Ridge Pty Ltd ("**AXF Gold Ridge**"), which the Group has material non-controlling interests, is set out below. The summarised financial information of Xizang Changdu and consolidated financial information of AXF Gold Ridge and its subsidiaries prepared in accordance with the significant accounting policies of the Group are as follows:

Xizang Changdu

Financial information of statement of profit or loss and other comprehensive income

	2021 **RMB'000**	2020 RMB'000
Other income	**–**	3
Expenses and taxation	**(109)**	(85)
Impaired loss on exploration and evaluation assets	**(4,317)**	–
Impaired loss on other intangible asset	**(7,123)**	–
Loss before taxation	**(11,549)**	–
Income tax credit	**1,781**	–
Loss for the year	**(9,768)**	(82)
Loss and other comprehensive expense for the year attributable to:		
Equity holders of the Company	**(4,982)**	(42)
Non-controlling interests of the Group	**(4,786)**	(40)
	(9,768)	(82)

AXF Gold Ridge Pty Ltd

Financial information of consolidated statement of profit or loss

	2021 **RMB'000**	2020 RMB'000
Other income	**1,890**	307
Expenses and taxation	**(25,243)**	(6,254)
Loss for the year	**(23,353)**	(5,947)
Loss for the year attributable to:		
Equity holders of the Company	**(16,347)**	(4,163)
Non-Controlling interests of the Group	**(7,006)**	(1,784)
	(23,353)	(5,947)

43. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Xizang Changdu

Financial information of statement of financial position

	2021 RMB'000	2020 RMB'000
Non-current assets	**501,581**	510,390
Current assets	**349**	265
Current liabilities	**(4,264)**	(1,440)
Non-current liabilities	**(78,041)**	(79,822)
	419,625	429,393
Equity attributable to:		
Equity holders of the Company	**214,009**	218,990
Non-controlling interests of the Group	**205,616**	210,403
	419,625	429,393

Financial information of statement of cash flows

	2021 RMB'000	2020 RMB'000
Net cash inflow from operating activities	**2,806**	3,399
Net cash outflow from investing activities	**(2,720)**	(3,388)
Net cash inflow from financing activities	**–**	–
Net cash inflow	**86**	11

AXF Gold Ridge Pty Ltd

Financial information of consolidated statement of financial position

	2021 RMB'000	2020 RMB'000
Non-current assets	**488,323**	333,381
Current assets	**53,654**	8,638
Current liabilities	**(145,193)**	(48,881)
Non-current liabilities	**(123,959)**	(16,764)
	272,825	276,374
Equity attributable to:		
Equity holders of the Company	**190,977**	199,982
Non-controlling interests of the Group	**81,848**	76,392
	272,825	276,374

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021	2020
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Interest in subsidiaries	**1**	1
Amounts due from subsidiaries	**11,871**	–
	11,872	1
CURRENT ASSETS		
Amounts due from subsidiaries	**364,350**	247,466
Other receivables and prepayments	**10,594**	395
Bank balances and cash	**73**	166
	375,017	248,027
CURRENT LIABILITIES		
Amount due to a subsidiary	**–**	6,711
Amount due to shareholders	**3,772**	3,981
Other payables	**1,279**	1,274
	5,051	11,966
NET CURRENT ASSETS	**369,966**	236,061
TOTAL ASSETS LESS CURRENT LIABILITIES	**381,838**	236,062
CAPITAL AND RESERVES		
Share capital	**67,881**	58,882
Reserves	**313,957**	177,180
TOTAL EQUITY	**381,838**	236,062

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in reserves:

	Share premium RMB'000	Exchange reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2020	193,956	–	(24,587)	169,369
Profit and total comprehensive income for the year	–	–	7,811	7,811
At 31 December 2020	193,956	–	(16,776)	177,180
Loss and total comprehensive expense for the year	–	(9,556)	(16,053)	(25,609)
Issue of new shares	187,086	–	–	187,086
Dividend recognised as distribution	(24,700)	–	–	(24,700)
At 31 December 2021	356,342	(9,556)	(32,829)	313,957

Summary Financial Information

RESULTS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,014,395**	1,394,144	311,155	320,669	348,494
Profit before tax	**220,945**	100,908	65,450	85,660	102,819
Income tax expenses	**(39,305)**	(16,021)	(10,044)	(13,802)	(32,534)
Profit for the year	**181,640**	84,887	55,406	71,858	70,285
Profit attributable to owners of the Company	**193,432**	86,711	55,539	72,145	70,864

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,504,047**	1,350,379	1,213,461	1,171,991	1,030,487
Current assets	**294,713**	103,859	50,023	65,612	186,975
Current liabilities	**(330,960)**	(310,118)	(288,767)	(298,773)	(414,635)
Total assets less current liabilities	**1,467,800**	1,144,120	974,717	938,830	802,827
Non-current liabilities	**(140,389)**	(144,736)	(144,210)	(143,529)	(157,935)
Non-controlling interests	**(287,464)**	(286,795)	(210,443)	(210,576)	(186,735)
Equity attributable to owners of the Company	**1,039,947**	712,589	620,064	584,725	458,157