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

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

(Stock Code: 3330)

2020
Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Jianzheng *(Chairman)*
Mr. Xing Jiangze
Ms. Zhou Xing
Mr. Zeng Xiangxin

Non-executive Directors

Mr. Shi Yuchen
Mr. Zhang Feihu
Mr. Wang Leo *(re-designated from executive Director on 6 July 2020)*

Independent Non-executive Directors

Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua
Mr. Xu Rong *(appointed on 6 July 2020)*
Mr. Yang Dongsheng *(resigned on 6 July 2020)*

SUPERVISORS

Mr. Yang Shilei
Mr. Guo Xurang
Mr. Zhao Bingbing
Mr. Dai Weitao *(appointed on 8 January 2020 and resigned on 17 March 2021)*
Mr. Jian Zhanxun *(resigned on 8 January 2020)*

STRATEGY COMMITTEE

Mr. Chen Jianzheng *(Chairman)*
Ms. Zhou Xing
Mr. Wang Leo
Mr. Han Qinchun
Mr. Zeng Xiangxin
Mr. Yang Dongsheng *(resigned on 6 July 2020)*

AUDIT COMMITTEE

Mr. Xu Rong *(Chairman) (appointed on 6 July 2020)*
Mr. Shi Yuchen
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua
Mr. Yang Dongsheng *(resigned on 6 July 2020)*

NOMINATION COMMITTEE

Mr. Wang Guanghua *(Chairman)*
Mr. Xing Jiangze
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Zeng Xiangxin *(appointed on 6 July 2020)*
Mr. Yang Dongsheng *(resigned on 6 July 2020)*

REMUNERATION AND REVIEW COMMITTEE

Mr. Wang Jiheng *(Chairman)*
Mr. Han Qinchun
Mr. Wang Guanghua
Mr. Zeng Xiangxin *(appointed on 6 July 2020)*
Mr. Yang Dongsheng *(resigned on 6 July 2020)*

COMPANY SECRETARY

Mr. Chui Man Lung Everett

AUTHORISED REPRESENTATIVES

Mr. Chen Jianzheng
Mr. Chui Man Lung Everett

INTERNATIONAL AUDITOR

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

PRC AUDITOR

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

LEGAL ADVISER

Hong Kong law
Baker Mckenzie

PRC law
King & Wood Mallsons

PRINCIPAL BANKERS

Bank of China, Lingbao City Branch
Agricultural Bank of China, Lingbao City Branch
China Construction Bank, Lingbao City Branch
Industrial and Commercial Bank of China, Lingbao City Branch
Industrial Bank of China, Zhengzhou Branch
Bank of Communications of China, Zhengzhou Branch
China Development Bank
Zhongyuan Bank, Sanmenxia Branch

SHARE REGISTRAR AND TRANSFER OFFICE FOR H SHARES

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

REGISTERED OFFICE OF THE COMPANY

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK INFORMATION

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

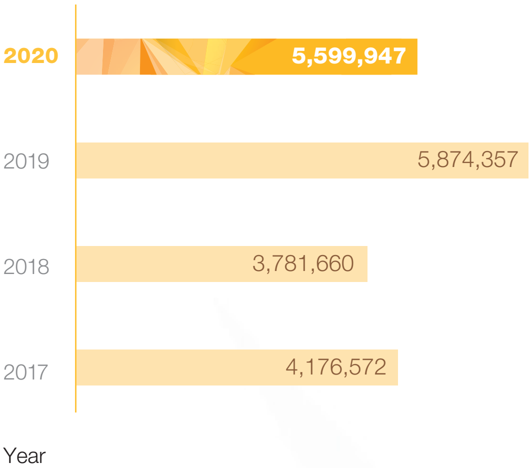
INVESTOR RELATIONS CONTACT

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

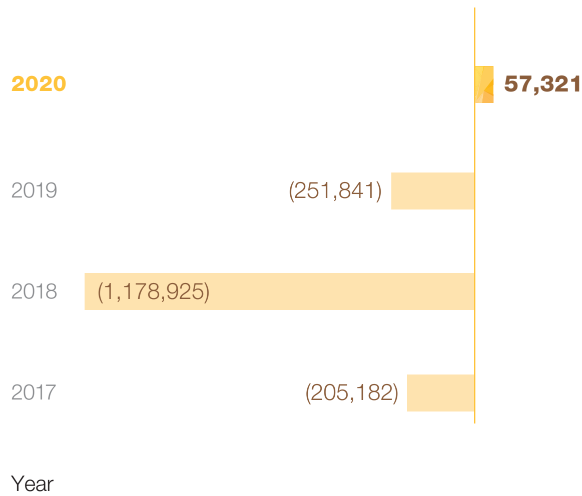
Mr. Chui Man Lung Everett
Hong Kong Office
Room 1104, 11/F
Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong
Email: lbgold@lbgold.com

FINANCIAL HIGHLIGHTS

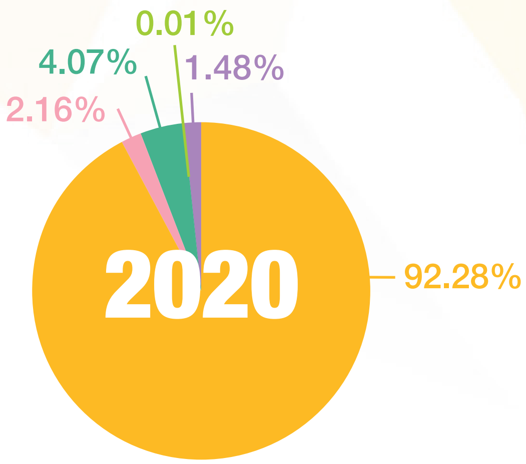
REVENUE — CONTINUING OPERATIONS
RMB'000

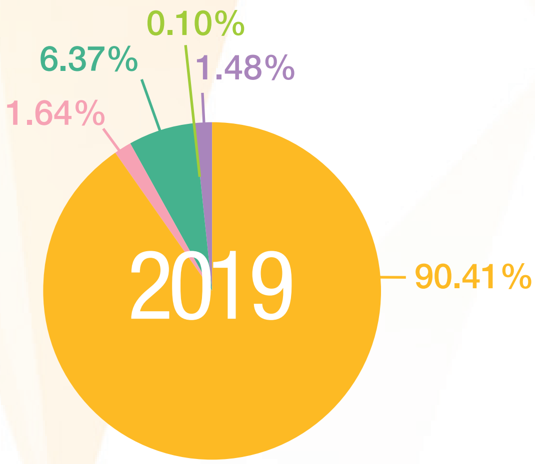


PROFIT/(LOSS) FOR THE YEAR — CONTINUING OPERATIONS
RMB'000



SALES ANALYSIS BY PRODUCTS





Gold Bullion　Gold concentrates　Copper products　Sulphuric acid　Silver

CAPITAL RESOURCES

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Total assets	**6,704,690**	5,932,254	8,212,816	7,946,667
Cash and cash equivalent	**132,709**	318,671	811,237	455,427
Bank and other borrowings	**3,760,615**	3,417,277	4,569,951	4,893,411
Total equity attributable to equity shareholders of the Company	**1,783,148**	1,652,336	2,066,449	1,223,931

CORPORATE PROFILE

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

The Group is an integrated gold mining enterprise in the People's Republic of China ("PRC"), and is mainly engaged in gold mining, smelting and refining. The products of the Group are gold, silver, copper products and sulphuric acid. The Shanghai Gold Exchange certified the Group as a standard gold bullion production enterprise. The Group's mineral resources are scattered in the PRC regions of Henan, Xinjiang, Jiangxi, Inner Mongolia, Gansu and Kyrgyz Republic ("KR") with 31 mining and exploration rights with a total area of 289.2 sq. km. The total gold reserve and resources as at 31 December 2020 were approximately 39.69 tonnes (approximately 1,276,033 ounce) and 92.02 tonnes (approximately 2,958,443 ounce) respectively. The gold reserve and resources report is prepared in accordance with PRC GB/T17766–2020, "Solid Mineral Resources/Reserves Classification", GB/T13908–2020 "General Requirements for Solid Mineral Geological Exploration" and DZ/T0205–2020 "Geological Exploration Requirements for Hard-Rock Gold". In 2020, approximately 13,778 kg (approximately 442,972 ounce) of gold was produced, and the basic and diluted earnings per share for the year amounted to RMB0.10.

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

The following is a table of gold resources and reserves of the Group as at 31 December 2020:

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
1	Henan Lingjin No. 1 Mine	Gold	Ore (t)	609,375	123,428	732,803
			Grade (g/t)	5.34	6.18	5.48
			Gold Contained (kg)	3,256	763	4,019
2	Deep exploration area of Henan Lingjin No. 1 Mine	Gold	Ore (t)	2,772,542	3,433,447	6,205,989
			Grade (g/t)	4.09	5.10	4.65
			Gold Contained (kg)	11,348	17,521	28,869
3	Henan Hongtuling Gold Mine	Gold	Ore (t)	116,856	113,120	229,976
			Grade (g/t)	4.79	4.75	4.77
			Gold Contained (kg)	560	537	1,097
4	Henan Hongxin No. 1 Mine	Gold	Ore (t)	113,027	36,065	149,092
			Grade (g/t)	4.41	3.88	4.29
			Gold Contained (kg)	499	140	639
5	Henan Lingjin No. 2 Mine	Gold	Ore (t)	691,058	364,941	1,055,999
			Grade (g/t)	7.44	7.42	7.43
			Gold Contained (kg)	5,144	2,707	7,851
6	Henan Lingjin No. 3 Mine	Gold	Ore (t)	126,395	131,354	257,749
			Grade (g/t)	5.60	4.62	5.10
			Gold Contained (kg)	708	607	1,315

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
7	Henan Pengjialaozhuang Gold Mine	Gold	Ore (t)	62,891	545,992	608,883
			Grade (g/t)	4.47	4.69	4.66
			Gold Contained (kg)	281	2,558	2,839
8	Henan Shangshanghe Gold Mine	Gold	Ore (t)	513,999	320,317	834,316
			Grade (g/t)	4.76	4.78	4.77
			Gold Contained (kg)	2,448	1,532	3,980
9	Periphery of Henan Shangshanghe Gold Mine	Gold	Ore (t)	388,920	3,012,545	3,401,465
			Grade (g/t)	5.53	4.81	4.89
			Gold Contained (kg)	2,151	14,485	16,636
10	Henan Laowan Gold Mine	Gold	Ore (t)	138,124	116,534	254,658
			Grade (g/t)	4.32	3.42	3.91
			Gold Contained (kg)	597	399	996
11	Henan Eastern Laowan Gold Mine	Gold	Ore (t)	66,491	267,701	334,192
			Grade (g/t)	5.46	6.37	6.19
			Gold Contained (kg)	363	1,705	2,068
12	Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)	249,434	1,079,225	1,328,659
			Grade (g/t)	3.97	4.72	4.58
			Gold Contained (kg)	990	5,092	6,082
13	Deep part of Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)		552,396	552,396
			Grade (g/t)		6.27	6.27
			Gold Contained (kg)		3,461	3,461
14	Periphery of Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)		129,803	129,803
			Grade (g/t)		5.18	5.18
			Gold Contained (kg)		672	672
15	Xinjiang Tuokuzibayi Gold Mine	Gold	Ore (t)	84,558	95,231	179,789
			Grade (g/t)	4.84	8.81	6.94
			Gold Contained (kg)	409	839	1,248
16	Deep part of Xinjiang Tuokuzibayi Gold Mine	Gold	Ore (t)	21,828	318,909	340,737
			Grade (g/t)	4.76	4.90	4.89
			Gold Contained (kg)	104	1,563	1,667
17	Jinchanshan Gold Mine of Inner Mongolia	Gold	Ore (t)	616,105	291,140	907,245
			Grade (g/t)	5.07	4.98	5.04
			Gold Contained (kg)	3,125	1,451	4,576
18	Jinchanshan Shuiquan Gou Gold Mine of Inner Mongolia	Gold	Ore (t)		746,112	746,112
			Grade (g/t)		10.13	10.13
			Gold Contained (kg)		7,560	7,560
	Total of gold contained — Domestic			31,983	63,592	95,575

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
19	Upper part of Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	795,338	1,637,081	2,432,419
			Grade (g/t)	8.60	6.61	7.26
			Gold Contained (kg)	6,838	10,820	17,658
20	Eastern Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	101,075	1,560,364	1,661,439
			Grade (g/t)	7.96	6.64	6.72
			Gold Contained (kg)	805	10,359	11,164
21	Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	6,228	630,789	637,017
			Grade (g/t)	10.92	11.49	11.49
			Gold Contained (kg)	68	7,250	7,318
	Total of gold contained — Oversea			7,711	28,429	36,140
	Total of gold contained			39,694	92,021	131,715

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

Henan Lingjin no. 1 Mine

1. Gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Henan Lingjin No. 1 Mine was approximately 1,054kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Deep exploration area of Henan Lingjin no. 1 Mine

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

Henan Hongtuling Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Henan Hongtuling Gold Mine was approximately 0kg in 2020.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 6m
   Crown pillar: 6m
   Distance between levels: 50m

Henan Hongxin no. 1 Mine

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

Henan Lingjin no. 2 Mine

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

Henan Pengjialaozhuang Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Pengjialaozhuang Gold Mine was 52kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.

Henan Shangshanghe Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Shangshanghe Gold Mine was 460kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.3m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Deep exploration of periphery of Henan Shangshanghe Gold Mine

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

Henan Laowan Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Henan Laowan Gold Mine was 0kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.3m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Henan Eastern Laowan Gold Mine

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

Xinjiang Duolanasayi Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Xinjiang Duolanasayi Gold Mine was 568kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for flat base short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 2m
   Pillar between blocks: 5m
   Crown pillar: 8m
   Distance between levels: 50m

Deep Part of Xinjiang Duolanasayi Gold Mine

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

Periphery of Xinjiang Duolanasayi Gold Mine

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

Xinjiang Tuokuzibayi Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Xinjiang Tuokuzibayi Gold Mine was 162kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for flat base short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 50m

Deep Part of Xinjiang Tuokuzibayi Gold Mine

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

Jinchanshan Gold Mine of Inner Mongolia

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Jinchanshan Gold Mine was 418kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Jinchanshan Shuiquan Gou Gold Mine of Inner Mongolia

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

Upper Part of Istanbul Gold Mine of Kyrgyzstan

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Upper Part of Istanbul Gold Mine was 430kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for sublevel caving mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Eastern Istanbul Gold Mine of Kyrgyzstan

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
3. Parameters for sublevel caving mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Istanbul Gold Mine of Kyrgyzstan

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

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

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

We express our appreciation for the trust and support you have in Lingbao Gold Group Company Ltd. I am pleased to present the operating results of the Group for the year ended 31 December 2020:

In 2020, the volume of gold, silver, copper product and sulphuric acid produced by the Group amounted to 13.78 tonnes, 23.58 tonnes, 4,426 tonnes and 96,706 tonnes, respectively. As of 31 December 2020, the total gold reserves and resources were 39.69 tonnes and 92.02 tonnes respectively. The Group held 31 mining and exploration rights in aggregate covering 289.2 square kilometres.

In 2020, while experiencing serious challenges posed by the COVID-19 outbreak, together with the complex and volatile development environment both internal and external, and the tangled and complicated inherent problems, we managed to consistently pursue high-quality development and bold and decisive reforms. As result, management mechanisms continue to improve with increasing growth momentum and gradual improvement of profitability. Thus achieving the "best year in history" since the mixed reform. For the year under review, our general business operation may be summarized as follows:

1. SIGNIFICANT IMPROVEMENT IN OPERATING RESULTS

With the collaborated efforts of all employees over the past year, the Group achieved a net profit of more than RMB57 million, hitting a record high since 2013. This is the first time that the principal business of the Group, being gold business, achieved profitability. In particular, the synergistic efforts of Huatai, Nanshan branch and smelting branch, the three major profit driver of the Group, provided solid support for the Group to achieve its annual goals.

2. SUSTAINABLE GROWTH IN GOLD PRODUCTION CAPACITY

With the production growth momentum, the gold production capacity of the main units has gradually increased. The production volume of gold concentrates(contained gold) and compound gold in the mining segment for the year was 2.925 tonnes, representing an increase of 0.789 tonnes or 37% as compared to last year. The Group's production volume of gold bullion in the smelting segment for the year was 13.778 tonnes, of which the production volume of gold bullion processed from gold concentrates was 10.589 tonnes, representing a year-on-year increase of 27%. On the other hand, the production volume of gold bullion processed from compound gold was 3.189 tonnes, representing a decrease of 61%. As the business of gold bullion processed from compound gold purchased externally is low-profit, the Group's smelting segment reduced its production of gold bullion processed from compound gold purchased from the external suppliers in 2020.

3. EFFECTIVENESS OF THE SYSTEM REFORM

In line with its overall development, the Group regained the business operations autonomous of Nanshan branch. In addition, the procurement, supply and management functions of key materials of the Group were integrated into Jinda Gold to establish a platform integrating procurement, supply and sales in a trading company.

4. OVERALL PROMOTION IN RESOURCE RESERVE

Leveraged on experiences and expertise from external sources, we have successively established technical cooperation relationships with various institutions and convened experts to conduct joint evaluation on major projects to effectively reduce investment risks. We also continuously increased investment in mineral exploration and reserve, and completed a total of 87,700 meters of mineral exploration projects throughout the year. We have actively implemented the development strategy of "Going Out" and carried out resource inspections in Henan, Xinjiang and Inner Mongolia to accumulate relevant experience for the forthcoming resource acquisitions and mergers.

5. HIGHLIGHTS IN PRODUCTION AND MANAGEMENT

Huatai and Full Gold insisted on normal production during the Spring Festival. In the process of resuming production, smelting branch has achieved a record high in the construction efficiency of the ignition furnace and new acid tanks. Nanshan branch completed the handover of work teams, rectification acceptance and license registration in the shortest time and resumed normal production quickly. The daily rate of advancement in 6 sections of No. 3 Vertical Shaft Project operated by Tongbai Xingyuan Mining at Shenglaozhuang hit the highest level in history. In addition, the performances of Jinda Gold, Lingjin Technology and LingDong (靈東公司) were also outstanding.

6. STEADY ADVANCEMENT IN THE INTERNAL REFORM

The Group has realigned the responsibilities and personnel of the functional departments at the headquarters for optimization purposes with a view to build a capable and efficient headquarters operating organization with responsibilities clarity and orderly management. The Group has also deepened the reform of the personnel and compensation distribution system, optimized the allocation of middle management and introduced the remuneration incentive policy of "basic annual salary + annual performance-based salary + efficiency-based bonus + individual work bonus", which enabled the cadre team to assume their responsibilities with refreshed morale and soaring enthusiasm.

PROSPECT PLANNING AND OUTLOOK OF 2021

In 2021, although facing various challenges, including bottleneck constraints in resources, technological innovation, safety and environmental protection, market risks, and capital management, the Group will continue to optimize and expand its mining operation, and streamline management and enhance quality and efficiency to become a sophisticated smelting powerhouse. Looking into 2021, the Group will mainly focus on the following aspects:

(I) to cultivate a new momentum for sustainability by seeking breakthroughs in resource reserve

Mining represents the engine of our development, and the Group is therefore required to take mineral exploration and reserve increase as the first priority for planning. Firstly, we shall coordinate and proceed with the mineral exploration under our development planning. Secondly, we shall facilitate the key mineral exploration, while striving to ensure the quality of the mineral exploration projects and constantly increasing its resource reserve. Thirdly, we shall strengthen our technical service capabilities with well defined policies governing incentives and penalties. Fourth, we shall resolutely implement our decisions upon due consideration. Fifth, we shall strengthen our indepth cooperation with professional institutions to improve the mineral exploration results. Sixth, we shall actively carry out the development strategy of "going global" by increasing our efforts to investigate into mines in domestic regions and countries along the Belt and Road Initiative, as well as complete the mergers and acquisitions. In doing so, we will safeguard the overall level of resources for the Group.

(II) to ensure steady growth in our output and performance by strengthening our production and operation management

The Group shall strengthen the management of its production units by specifically pursuing the "quality and efficiency" principle. By centering on the objectives of "stabilizing production, improving quality, ensuring safety, reducing costs and increasing efficiency", the Group shall pursue precise control over environmental protection and emission limitation to achieve a higher operating efficiency rate that will result in a higher comprehensive recovery rate of gold, silver, and copper. On the other hand, the Group shall minimize its inventory risk, while effectively marketing our products.

(III) to achieve coordinated and balanced industrial development by increasing our support for enterprises and continuing to deepen the reform of our three systems

As the corporate requirements vary from branch to branch, the Group designed unique and appropriate solution packages by identifying specific issues, which are constantly required to deepen the reform of our three systems. First, we shall advance the structural reforms for our branches and subsidiaries. Second, we shall continue to optimize the incentives schemes and penalties systems. Third, we shall constantly deepen the reform of the cadre and personnel system to make full use of our human capital.

(IV) to upgrade traditional industries by promoting the efficient operation of our governance system

The Group will continue to optimize its governance and control system by establishing streamlined and efficient management model, firmly formulating the legal concept, promoting the mechanism for work supervision and classifying management risks, which aims to strengthen our production control and achieve a significant improvement in gold production.

(V) to persevere in safety and environmental protection

Effective measures for safety and environmental protection not only are required by national laws and constitute part of our corporate social responsibilities, but also satisfy the practical needs for the sustainability and development of the Group. Besides creating a business philosophy of legal and compliant operation, the Group shall increase its efforts to inspect and resolve hidden dangers, strengthen the accountability mechanism, and carry out effective work plans to improve our operation quality and effect.

(VI) to accelerate the pace of high-quality development by highlighting the leadership of technological innovation

The Group shall build an effective innovation platform by accelerating the reform of scientific and technological system and providing a standardized and orderly promotion channel. The Group shall further increase its efforts to research the comprehensive development and utilization of gold ore and concentrate resources that are difficult to process so that our processing recovery rate can be improved at lower operating costs. Furthermore, the Group will pursue the in-depth integration of big data, internet, mechanization, automation, digitization, and smartization into the whole processing chain that covers ore exploration, processing, and smelting of gold production so that the obsolete production capacity can be phased out.

(VII) to continue to prepare well for the pandemic prevention and control

In light of the current pandemic spread around the world and the recent resurgence of the COVID-19 cases in China, the Group will continue to intensify our efforts, and conscientiously arrange pandemic prevention measures, to ensure the Group will continue with its stable operation.

APPRECIATION

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

By order of the Board

Chen Jianzheng
Chairman

Lingbao, Henan, the PRC
18 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS

For the year ended 31 December 2020 ("Fiscal Year 2020"), the Group produced approximately 13,778 kg (equivalent to approximately 442,972 ounces) of gold bullion, representing a decrease of approximately 2,741 kg (equivalent to approximately 88,125 ounces) or 16.6% as compared with the previous year. The main reason for the decrease in production volume of gold bullion was that in the smelting segment, the production of gold bullion processed from compound gold purchased from external suppliers (the gross profit margin of which is relatively lower) decreased. The Group's revenue for the Fiscal Year 2020 was approximately RMB5,599,947,000, representing a decrease of approximately 4.7%. The net profit of the Group for the Fiscal Year 2020 was approximately RMB57,321,000 (2019: net loss of the Group was RMB251,841,000). The basic earnings per share of the Company for the Fiscal Year 2020 was RMB0.10 (2019: basic loss per share of the Company was RMB0.27). The Group's success in turning losses into profits was mainly attributable to the fact that the Group, by overcoming the impact of the COVID-19 pandemic and strengthened internal management, was able to increase the output of gold bullion processed from gold concentrates in the smelting segment and the output of gold concentrates in the mining segment as compared to those in 2019. In addition, the significant increase in the average selling price of gold bullion during the Fiscal Year 2020 also contributed to the increased profitability. Furthermore, the Group optimized its relevant business processes by introducing and implementing relevant costs reduction and efficiency enhancement measures, as a result of which the overall gross profit margin was increased.

The Group's mineral resources are mainly scattered in the regions of Henan, Xinjiang, Inner Mongolia, Jiangxi and Gansu of the People's Republic of China (the "PRC") and Kyrgyz Republic ("KR") with 31 mining and exploration rights as at 31 December 2020, covering 289.2 square kilometers. The total gold reserves and resources as at 31 December 2020 were approximately 131.71 tonnes (4,234,476 ounces).

1. Mining Segment

Revenue and production

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

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

		2020		2019	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	**1,741**	**1,681**	814	760
Compound gold	kg	**1,184**	**1,177**	1,322	1,242
Total	kg	**2,925**	**2,858**	2,136	2,002
Total	Ounce	**94,039**	**91,885**	68,674	64,366

The total revenue of the mining segment of the Group for the Fiscal Year 2020 was approximately RMB1,068,322,000, representing an increase of approximately 82.9% from approximately RMB584,044,000 in last year, among which, revenue from Mining — PRC was approximately RMB926,432,000 (for the year ended 31 December 2019 ("Fiscal Year 2019"): RMB456,855,000), and revenue from Mining — KR was approximately RMB141,890,000 (for the Fiscal Year 2019: RMB127,189,000). In the Fiscal Year 2020, revenue of gold mines in Henan, Xinjiang, Inner Mongolia and KR represented approximately 45.4%, 34.0%, 7.3% and 13.3% of the total revenue of the mining segment, respectively. The production volume of compound gold in the mining segment decreased by approximately 1,322 kg to approximately 1,184 kg while the production volume of the gold concentrates increased by approximately 814 kg to approximately 1,741 kg.

Segment results

The Group's total profit of the mining segment for the Fiscal Year 2020 was approximately RMB318,829,000, as compared with the total profit of approximately RMB59,280,000 for the Fiscal Year 2019, among which, the profit from Mining — PRC was approximately RMB380,146,000 (for the Fiscal Year 2019: RMB72,574,000), and the loss from Mining — KR was approximately RMB61,317,000 (for the Fiscal Year 2019: RMB13,294,000). The segment result to segment revenue ratio of the Group's mining business for the Fiscal Year 2020 was approximately 29.8%, compared with approximately 10.1% for Fiscal Year 2019.

In the Fiscal Year 2020, the profit of the Mining — PRC segment increased by approximately 423.8% as compared with that in the Fiscal Year 2019. The main reasons include 1) the rise of global gold price and 2) the fact that a subsidiary and Nanshan branch in Mining — PRC were under renovation since 2019 due to the restrictions imposed by the safety and environmental protection policies, of which Nanshan Branch has resumed production since April 2020 and improved its operating performance. In October 2020, due to a fire broke-out in Full Gold, a subsidiary under the Mining — KR segment, part of the production equipment was burned. Coupled with the negative impact of COVID-19 pandemic, Full Gold was under-performance in Fiscal Year 2020. For details of fire broke-out, please refer to the announcement of the Company dated 30 October 2020. Despite of such situation, the mining and mineral separation efficiency of the Group's mining segment were improved as compared with 2019, and the profit of mining segment increased by approximately 437.8% as compared to the previous year.

2. Smelting Segment

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

Products	Unit	2020 Approximate production volume	2020 Approximate sales volume	2019 Approximate production volume	2019 Approximate sales volume
Gold bullion (processed from gold concentrates)	kg	10,589	10,197	8,326	8,234
	ounce	340,444	327,841	267,699	264,729
Gold bullion (processed from compound gold)	kg	3,189	3,153	8,193	8,235
	ounce	102,529	101,371	263,399	264,761
Silver	kg	23,584	20,540	23,618	25,471
	ounce	758,242	660,376	759,336	818,911
Copper products	tonne	4,426	5,173	9,107	8,959
Sulphuric acid	tonne	96,706	82,794	78,392	81,584

Sales and production

The Group's total revenue in the smelting segment for the Fiscal Year 2020 was approximately RMB5,512,827,000, representing a decrease of approximately 1.87% from approximately RMB5,617,758,000 of the previous year.

As the business of gold bullion processed from compound gold purchased externally is low-profit, in the Fiscal Year 2020, the Group's smelting segment reduced its production of gold bullion processed from compound gold purchased from the external suppliers, which resulted in a decrease in production of gold bullion in this respect of 5,004 kg. The smelting segment has also strengthened its internal control of procurement, leading to an increase in the production of gold bullion processed from gold concentrates by approximately 27.18% as compared with that in the previous year.

Segment results

The Group's total profit of the smelting segment for the Fiscal Year 2020 was approximately RMB185,192,000, representing an increase of 35.1% from the profit of approximately RMB137,041,000 in the previous year. The segment results to segment revenue ratio of the Group's smelting business was approximately 3.4% for the Fiscal Year 2020, compared with approximately 2.4% for the Fiscal Year 2019.

The continuous improvement in the results of the smelting segment was mainly due to the strict implementation of the cost reduction and efficiency enhancement policy adopted by the Group and the effective control of production costs. It also benefited from the significant increase in the average selling price of gold bullion.

Prospect Planning and Outlook

In 2021, although the Group continues to face various challenges, including the constraint of resources, technological innovation, safety and environmental protection, market risks, and capital management, the Group will further optimize and expand its mining operation, and streamline management processes and enhance its quality and efficiency to become a sophisticated smelting powerhouse. Looking into 2021, the Group will mainly focus on the following aspects:

(I) *to cultivate a new momentum for sustainability by seeking breakthroughs in resource reserve*

Mining represents the engine of our development, and the Group is therefore required to take mineral exploration and reserve as the first priority mission for planning. First, we shall coordinate and proceed with the mineral exploration under our development planning. Second, we shall facilitate the key mineral exploration, while striving to ensure the quality of the mineral exploration projects and constantly increasing its resource reserve. Third, we shall strengthen our technical service capabilities with well defined policies governing incentives and penalties. Fourth, we shall resolutely implement our decisions upon due consideration. Fifth, we shall further deepen our cooperation with professional institutions to improve the mineral exploration results. Sixth, we shall actively carry out the development strategy of "going global" by increasing our efforts to investigate into mines in the domestic market and countries along the Belt and Road Initiative, as well as carry out the mergers and acquisitions. In doing so, we will safeguard the overall level of resources for the Group.

(II) *to ensure steady growth in our output and performance by strengthening our production and operation management*

The Group shall strengthen the management of its production units by specifically pursuing the core principle "quality and efficiency", and centering on the objectives of "stabilizing production, improving quality, ensuring safety, reducing costs and increasing efficiency", the Group shall pursue precise control over environmental protection and emission limitation to achieve a higher operating efficiency rate that will result in a higher comprehensive recovery rate of gold, silver, and copper. On the other hand, the Group shall minimize its inventory risk, while effectively marketing our products.

(III) to achieve coordinated and balanced industrial development by increasing our support for enterprises and continuing to deepen the reform of our three systems

As the corporate requirements vary from branch to branch, the Group designed unique and appropriate solution packages by identifying specific issues, which are constantly required to deepen the reform of our three systems. First, we shall advance the structural reforms for our branches and subsidiaries. Second, we shall continue to optimize the mechanism for determining incentives and penalties. Third, we shall constantly deepen the reform of the cadre and personnel system to make full use of our human capital.

(IV) to upgrade traditional industries by promoting the efficient operation of our governance system

The Group will continue to optimize its governance and control system by establishing streamlined and efficient management model, firmly formulating the law-based concept, promoting the mechanism for work supervision and classifying management risks, which aims to strengthen our production control and achieve a significant improvement in gold production.

(V) to persevere in safety and environmental protection

Effective measures for safety and environmental protection are required by national laws, and constitute part of our corporate social responsibilities, which also satisfy the practical needs for the sustainability and development of the Group. Besides creating a business philosophy of legal and compliant operation, the Group shall increase its efforts to inspect and resolve hidden dangers, strengthen the accountability mechanism, and carry out effective work plans to improve our operation quality and effect.

(VI) to accelerate the pace of high-quality development by highlighting the leadership of technological innovation

The Group shall build an effective innovation platform by accelerating the reform of scientific and technological system and providing a standardized and orderly promotion channel. The Group shall further redouble its efforts to research the comprehensive development and utilization of gold ore and concentrate resources that are difficult to process so that our processing recovery rate can be improved at lower operating costs. Furthermore, the Group will pursue the in-depth integration of big data, internet, mechanization, automation, digitization, and smartization into the whole processing chain that covers ore exploration, processing, and smelting of gold production so that the obsolete production capacity can be phased out.

(VII) to continue to prepare well for the pandemic prevention and control

In light of the current pandemic spread around the world and the recent resurgence of the COVID-19 cases in China, the Group will continue to intensify our efforts, and conscientiously arrange pandemic prevention measures, to ensure the Group will continue with its stable operation.

FINANCIAL INFORMATION

1. Operating Results

Revenue

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

	2020 Amount (RMB'000)	2020 Sales volume (kg/tonne)	2020 Unit price (RMB per kg/tonne)	2019 Amount (RMB'000)	2019 Sales volume (kg/tonne)	2019 Unit price (RMB per kg/tonne)
Gold bullion	5,168,910	13,350kgs	387,184	5,102,970	16,469kgs	309,853
Silver	82,796	20,540kgs	4,031	86,969	25,471kgs	3,414
Copper products	228,143	5,173tonnes	44,103	374,701	8,959tonnes	41,825
Sulphuric acid	785	82,794 tonnes	9	5,707	81,584 tonnes	70
Gold concentrates	120,714	336kgs	359,268	305,022	1,733kgs	176,008
Revenue before tax	5,601,348			5,875,369		
Less: Sales taxes	1,401			1,012		
	5,599,947			5,874,357		

The Group's revenue for the Fiscal Year 2020 was approximately RMB5,599,947,000, representing a decrease of approximately 4.7% as compared with the previous year, of which the revenue of gold bullion accounted for 92.3% of our total revenue. Although there was an increase in the average selling price of gold bullion, in the smelting segment, the production of gold bullion processed from compound gold purchased from external suppliers (the gross profit margin of which is relatively lower) was decreased, and the sales of copper products and gold concentrates declined.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for the Fiscal Year 2020 were RMB654,633,000 and 11.7%, respectively, and the gross profit and gross profit margin in the previous year were RMB360,142,000 and 6.1%, respectively. The Group's overall gross profit margin increased, mainly due to a significant increase in the average selling price of gold bullion and the decreasing production of gold bullion processed from compound gold purchased from external suppliers (the gross profit margin of which is relatively lower) in the smelting segment during the Fiscal Year 2020.

Other revenue

The Group's other revenue for the Fiscal Year 2020 was approximately RMB76,431,000, representing an increase of approximately 129% as compared with approximately RMB33,345,000 in the previous year. The increase in other revenue was mainly due to the increase of interest income amounting to RMB12,810,000, the increase of service income and sundry income amounting to RMB18,159,000, and the increase of government grants amounting to RMB8,385,000.

Selling and distribution expenses

The Group's selling and distribution expenses for the Fiscal Year 2020 were approximately RMB5,507,000, representing an increase of approximately 2.5% as compared with the previous year.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expense for the Fiscal Year 2020 amounted to approximately RMB276,238,000, representing a decrease of approximately 7.5% from approximately RMB298,513,000 for the previous year. The decrease in administrative expenses and other operating expenses was due to the optimization of relevant business flows and implementation of reform measures to lower cost and to enhance efficiency.

Finance costs

The Group's finance costs for the Fiscal Year 2020 were approximately RMB164,522,000, representing a decrease of approximately 9.8% as compared with approximately RMB182,464,000 for the previous year. The decrease of finance costs was mainly due to the decrease in interest expenses on bank loans.

Profit/(loss) attributable to the Company's equity shareholders

For the Fiscal Year 2020, the Company recorded a profit of approximately RMB89,700,000 attributable to equity shareholders of the Company (2019: the Company recorded a loss of approximately RMB233,502,000 attributable to equity shareholders of the Company). The basic and diluted earnings per share for the Fiscal Year 2020 was RMB10.4 cents (2019: the basic and diluted loss per share was RMB27.0 cents).

2. Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 31 December 2020 amounted to RMB1,626,143,000 (31 December 2019: RMB1,190,763,000).

The total equity of the Group as at 31 December 2020 amounted to RMB1,611,021,000 (31 December 2019: RMB1,503,022,000). As at 31 December 2020, the Group had current assets of RMB3,575,327,000 (31 December 2019: RMB2,894,178,000) and current liabilities of RMB4,898,463,000 (31 December 2019: RMB3,871,947,000). The current ratio was 0.73 (31 December 2019: 0.75).

As at 31 December 2020, the Group had total outstanding bank and other borrowings of approximately RMB3,760,615,000 with interest rates ranging from 2.5% to 5.3% per annum (repayable within one year). The gearing ratio as at 31 December 2020 was 56.1% (31 December 2019: 57.6%), which was calculated by total borrowings divided by total assets.

As at 31 December 2020, the Group had unutilised bank facilities of approximately RMB1,239 million, of which directly related to bank loans facilities of RMB320 million. These facilities could be drawn down by the Group to finance its operation. Based on the past experience and the communication with banks, the Board believes that the Company has the ability to renew or secure banking facilities upon maturity.

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

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

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

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

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

3. Security

As at 31 December 2020, the Group or the Company did not provide any guarantees which would expose the Group or the Company to credit risk (31 December 2019: Nil).

4. Material Acquisition or Disposal

There was no material acquisition or disposal during the year.

5. Market Risks

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

Gold price and other commodities price risk

The Group's revenue and profit for the Fiscal Year 2020 were affected by fluctuations in the gold prices and other commodity prices as all of our products were sold at market prices and such fluctuations in prices were beyond our control. The Group does not use and strictly prohibits the use of commodity derivative instruments or futures for speculation purpose. All commodity derivative instruments are used to minimise the potential price fluctuation of gold and other commodities.

Interest rate risk

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

Exchange rate risk

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

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

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

6. Contractual Obligations

As at 31 December 2020, the Group's total capital commitments in respect of the contracted construction costs and the authorised but not contracted construction costs which were not provided for in the financial statements were approximately RMB79,351,000 (31 December 2019: RMB25,542,000) and RMB249,263,000 (31 December 2019: RMB254,281,000), respectively, representing an increase of approximately RMB53,809,000 and a decrease of RMB5,018,000, respectively.

7. Contingent Liabilities

As at 31 December 2020, the Group had no material contingent liabilities.

8. Capital Expenditure

For the Fiscal Year 2020, the Group's capital expenditure was approximately RMB386,237,000, representing an increase of approximately 27.7% from approximately RMB302,400,000 for the previous year.

The Group's capital expenditure mainly relates to the construction of mining shafts, expansion of project equipment and upgrading of production equipment.

9. Employees

For the Fiscal Year 2020, the average number of employees of the Group was 4,017. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

EXECUTIVE DIRECTORS

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

Mr. Xing Jiangze (邢江澤先生) ("Mr. Xing"), born in March 1967, holds a bachelor's degree and is a registered certified public accountant, certified tax agent and senior accountant in the PRC with funds practice qualification. He has over 27 years of work experience in finance, accounting and auditing. He has been working in the Group since April 2007 and had served as assistant financial controller, financial controller and chief investment officer. Mr. Xing has served as secretary of the Board since August 2013 and was appointed as an executive Director in June 2015. Mr. Xing is currently the vice chairman of the Board, the secretary to the Board, senior executive vice president, and a member of the management executive committee. Since 8 May 2020, Mr. Xing was appointed as an independent non-executive Director of Xinjiang La Chapelle Fashion Co., Ltd. (formerly known as "Shanghai La Chapelle Fashion Co., Ltd.") (a company listed on Shanghai Stock Exchange, stock code: 603157 and a company listed on Hong Kong Stock Exchange, stock code: 6116).

Ms. Zhou Xing (周星女士) ("Ms. Zhou"), born in March 1970, studied in Hunan College of Finance and Economics majoring in international trade from 1988 to 1992 and obtained a bachelor degree. Later she obtained a master degree in finance from the same college in 1998. She continued her study in National University of Singapore School of Business from 2004 to 2006 and obtained a master degree in business administration. Ms. Zhou has over 22 years of experience in business management and corporate governance. Prior to joining the Group, she worked in Singapore Exchange as a vice president of the corporate and listing department from January 2008 to July 2011 and has been working in James & Hina Capital Management Company Limited as a chief executive officer since July 2011. Ms. Zhou was appointed as an executive Director on 23 December 2016.

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

NON-EXECUTIVE DIRECTORS

Mr. Shi Yuchen (石玉臣先生) ("Mr. Shi"), born in November 1960, holds a doctoral degree in geology and is a senior engineer and a national mineral reserves appraiser. He is also a part-time professor and supervisor of postgraduate of Shandong University of Science and Technology. He studied in Changchun College of Geology majoring in regional geological survey and mineral resources prospecting from October 1978 to July 1982 and obtained a bachelor's degree. He continued his study in Jilin University majoring in mineral resources prospecting and exploration from February 1999 to May 2005 and obtained a master and doctoral degree. He had worked in Zhongrun Resources Investment Corporation as an executive director from May 2012 to October 2012 and had worked in Huibang Investment and Development Corporation as a director from November 2012 to November 2020. Mr. Shi is currently an executive director of the International Business Division of Chenxin Mining Group (辰信礦業集團) and a director of China City International Mining Co., Limited in Hong Kong. Mr. Shi was appointed as a non-executive Director in June 2014.

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

Mr. Wang Leo (王清貴先生) ("Mr. Wang"), born in January 1965, graduated from Zhejiang Metallurgical Economics College (now renamed Jiaxing University) majoring in accounting in 1984. In 1991, he graduated from Tianjin Nankai University majoring in law under the self-taught examinations. He graduated from New Zealand University of Canterbury majoring in accounting and finance and obtained a bachelor's degree in commerce in 2001. He graduated from New Zealand University of Otago majoring in accounting and finance and obtained a postgraduate diploma in 2002. In 2003, he graduated from New Zealand University of Waikato majoring in accounting and obtained a master degree in business administration and later in 2005 he was a doctoral candidate of commerce in Australian National University majoring in corporation governance. Mr. Wang holds the Chinese lawyer qualification certificate, Chinese certified public accountant certificate (non- practising member), Chinese accountant qualification certificate and Shenzhen Stock Exchange qualification certificate of secretary to the board. Mr. Wang has over 32 years of experience in corporate finance management, corporate governance and accounting. Mr. Wang was appointed as an executive Director on 23 December 2016 and a non-executive Director on 6 July 2020.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Han Qinchun (韓秦春先生) ("Mr. Han"), born in April 1958, obtained a Doctorate Degree of Philosophy in Urban Economics and Management from The University of Hong Kong in 1998. He is a Registered Appraiser, Planner and Engineer in the PRC. He has a corporate finance advisory license, an asset management license, a securities dealing advisory license and a securities floor trading license issued by the Hong Kong Securities and Futures Commission. Mr. Han served as an official of the PRC government authorities, the Hong Kong Investment Manager and Senior Management Member of an investment bank in Hong Kong. He has rich experience in financial investment field, equity capital market and listed companies' management. Mr. Han has served as an independent non-executive Director of LongiTech Smart Energy Holding Limited, shares of which are listed on the Hong Kong Stock Exchange (stock code: 1281) since 26 February 2015 and an independent non-executive Director of Century Ginwa Retail Holdings Limited, shares of which are listed on the Hong Kong Stock Exchange (stock code: 162) from 30 September 2019 to 18 September 2020. Mr. Han was appointed as an independent non-executive Director in March 2012.

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

Mr. Wang Guanghua (汪光華先生) ("Mr. Wang GH"), born in February 1952, graduated from Beijing Institute of Chemical Technology (renamed Beijing University of Chemical Technology in 1994) majoring in chemical engineering in July 1974. Mr. Wang GH has more than 32 years of experience in investment, government affairs and business operation and management. He worked in New Era New Materials Development Company of China New Era Group Corporation as general manager from January 2006 to February 2012. He served as partner of Elevation China Capital from March 2012 to August 2014 and served as chairman of Ningxia Jiecheng Investment and Management Company Limited and executive partner of Ningxia Jiecheng Venture Capital Fund, which was approved to establish and funded by National Development and Reform Commission and Ministry of Finance from March 2014 to November 2015. He has been serving as a director of Nanjing Jingtaiheng Investment and Management Company Limited since July 2015, during which he served as the chairman from July 2015 to 2018, and in charge of Nanjing Jingyong Healthcare Venture Capital Fund, which was funded by Zijin Group, a financial platform of Nanjing Municipal People's Government. Mr. Wang GH has more than 30 years of working experience in investment, government affairs and business operation and management. Mr. Wang GH was appointed as an independent non-executive Director in March 2016.

SUPERVISORY COMMITTEE AND SUPERVISORS

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

Mr. Yang Shilei (楊石磊先生) ("Mr. Yang"), born in September 1983, an environmental engineer. He graduated from the Third Military Medical University in July 2007 and obtained the bachelor degree of clinical medicine. Currently, he is serving as the deputy manager of the securities legal department and chairman of Lingbao Xinan Solid Waste Disposal Co., Ltd. (靈寶鑫安固體廢物處置有限責任公司). Mr. Yang was appointed as a supervisor of the Group and the vice chairman of the supervisory committee in March 2019.

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

Mr. Zhao Bingbing (趙兵兵先生) ("Mr. Zhao"), born in March 1978, obtained a bachelor's degree in economic management from Institute of the Chinese Communist Party in Henan Province in September 2010. Mr. Zhao has over 23 years of experience in gold industry. Mr. Zhao is currently the chairman of Lingbao Kaiyuen Mining Company Limited. Mr. Zhao was appointed as a supervisor of the Company in June 2018.

SENIOR MANAGEMENT

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

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

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

Mr. Wu Liming (吳黎明先生) ("Mr. Wu"), born in February 1982, holds a bachelor's degree in accounting from Jiangsu University of Science and Technology and a master's degree in accounting from Jinan University (暨南大學). He is a senior accountant and a CMA. Mr. Wu worked at CSSC Offshore & Marine Engineering (Group) Company Limited, shares of which are listed on the Hong Kong Stock Exchange (stock code: 317) from July 2005 to October 2019. Mr. Wu has been appointed as the chief financial officer and a member of the management executive committee of the Company since 15 November 2019.

CORPORATE GOVERNANCE REPORT

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

The Company has complied with all Code Provisions under the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") save for the deviation from Code A.2.1 which stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual; and Code A.2.7 that the chairman should at least annually hold one meeting with the non-executive directors (including independent non-executive directors) without the executive directors present.

THE BOARD

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

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

Director	Position
Mr. Chen Jianzheng	Executive Director and Chairman
Mr. Xing Jiangze	Executive Director
Ms. Zhou Xing	Executive Director
Mr. Zeng Xiangxin	Executive Director
Mr. Shi Yuchen	Non-executive Director
Mr. Zhang Feihu	Non-executive Director
Mr. Wang Leo (re-designated from executive Director on 6 July 2020)	Non-executive Director
Mr. Xu Rong (appointed on 6 July 2020)	Independent Non-executive Director
Mr. Han Qinchun	Independent Non-executive Director
Mr. Wang Jiheng	Independent Non-executive Director
Mr. Wang Guanghua	Independent Non-executive Director

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

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

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

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

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

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

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

For the year ended 31 December 2020, the Board of the Company held thirteen meetings to discuss and approve various important matters. All such meetings were convened in accordance with the Articles of Association. The table below lists out the attendance of each Director at the Board meetings held during the year up to the date of the report. The attendance illustrates the attention of the Board to the management of the Company's affairs. The matters processed by the Board in the meetings are all recorded, and the relevant records are kept pursuant to relevant laws and regulations.

Director	Number of Board meetings that the Director was entitled to attend	Number of Board meetings that the Director attended	Attendance (%)	Number of general meetings and class general meeting attended/held
Mr. Chen Jianzheng	13	13	100	1/1
Mr. Xing Jiangze	13	13	100	1/1
Ms. Zhou Xing	13	9	69	0/1
Mr. Zeng Xiangxin	13	13	100	1/1
Mr. Zhang Feihu	13	13	100	0/1
Mr. Shi Yuchen	13	13	100	1/1
Mr. Wang Leo*	13	13	100	1/1
Mr. Xu Rong#	2	2	100	—/—
Mr. Yang Dongsheng^	11	11	100	1/1
Mr. Han Qinchun	13	13	100	1/1
Mr. Wang Jiheng	13	13	100	1/1
Mr. Wang Guanghua	13	13	100	1/1

* Mr. Wang Leo re-designated from executive director to non-executive director with effect from 6 July 2020.

\# Mr. Xu Rong has been appointed as an independent non-executive director with effect from 6 July 2020.

^ Mr. Yang Dongsheng resigned as an independent non-executive director with effect from 6 July 2020.

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

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

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

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

Every newly-appointed Director would receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment, and subsequently continuous briefing and professional development would be arranged to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. All Directors are encouraged by the Group to participate in continuous professional development to develop and refresh their knowledge and skills. During the year 2020, all Directors attended training sessions and updates relating to the Company's business or directors' duties and responsibilities, the latest development of the Listing Rules and other applicable regulatory requirements etc. by reading.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

All Directors have been elected for a term of three years at the annual general meeting of the Company held on 6 June 2018, and the term is due on 6 June 2021. All Directors shall be eligible for election at the 2021 annual general meeting of the Company.

BOARD COMMITTEE

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

(1) Audit Committee

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

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

In 2020, the audit committee comprises of five members, all of which are non-executive Director or independent non-executive Director. Any former partner of KPMG should be prohibited from acting as a member of the audit committee. Pursuant to the Listing Rules, a member of independent director specializing in accounting will be the chairman of the audit committee who will be in charge of the work of the committee. The committee now comprises of the following members:

Mr. Xu Rong *(Chairman)* (appointed on 6 July 2020)
Mr. Shi Yuchen
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua
Mr. Yang Dongsheng (resigned on 6 July 2020)

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

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

The audit committee has been provided with sufficient resources to discharge its duty.

Details of audit committee meetings held during the year are as follows:

Director	Number of audit committee meetings in 2020	Number of meetings that Director attended	Attendance (%)
Mr. Xu Rong *(Chairman)* (appointed on 6 July 2020)	1	1	100
Mr. Shi Yuchen	3	3	100
Mr. Han Qinchun	3	3	100
Mr. Wang Jiheng	3	3	100
Mr. Wang Guanghua	3	3	100
Mr. Yang Dongsheng (resigned on 6 July 2020)	2	2	100

In 2020, three meetings of the audit committee were held. On 30 March 2020, the audit committee met with the international auditors to discuss the general scope of their audit work and review unaudited final results announcement for the year ended 31 December 2019. On 23 April 2020, the audit committee reviewed the audited results announcement for the year ended 31 December 2019. On 13 August 2020, the audit committee reviewed the Company's interim report for the year 2020. In addition, the audit committee had reviewed the financial statements for the year ended 31 December 2020 before the announcement of the Company's annual results. During the discussion, the audit committee had reviewed key areas in which management's judgment applied for adequate provision and disclosure, and internal control policies.

(2) Strategic Committee

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

For the year ended 31 December 2020, the strategic committee comprises of five members, with at least one independent non-executive Director pursuant to the implementation measure. The committee now comprises of the following members:

Mr. Chen Jianzheng *(Chairman)*
Ms. Zhou Xing
Mr. Wang Leo
Mr. Han Qinchun
Mr. Zeng Xiangxin
Mr. Yang Dongsheng (resigned on 6 July 2020)

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

No strategic committee meeting was held in 2020.

(3) Nomination Committee

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

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

Mr. Wang Guanghua *(Chairman)*
Mr. Xing Jiangze
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Zeng Xiangxin (appointed on 6 July 2020)
Mr. Yang Dongsheng (resigned on 6 July 2020)

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

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

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

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

In 2020, one meeting of the nomination committee were held to (i) review the structure, size and diversity of the Board; (ii) assess and confirm the independence of the independent non-executive Directors; (iii) consider the re-appointment of retiring directors at the annual general meeting of the Company; and (iv) review the board diversity policy of the Company; and to recommend the appointment of Mr. Xu Rong and re-designation of Mr. Wang Leo. Attendance of individual members of the nomination committee to the committee meeting in 2020 are as follows:

Director	Number of Nomination committee meetings in 2020	Number of meetings that member of committee held	Attendance (%)
Mr. Wang Guanghua *(Chairman)*	1	1	100
Mr. Xing Jiangze	1	1	100
Mr. Han Qinchun	1	1	100
Mr. Wang Jiheng	1	1	100
Mr. Zeng Xiangxin (appointed on 6 July 2020)	—	—	—
Mr. Yang Dongsheng (resigned on 6 July 2020)	1	1	100

(4) Remuneration and Review Committee

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

In 2020, the remuneration and review committee comprises of four members, all of whom are independent non-executive Directors. The members of the committee are as follows:

Mr. Wang Jiheng *(Chairman)*
Mr. Zeng Xiangxin (appointed on 6 July 2020)
Mr. Han Qinchun
Mr. Wang Guanghua
Mr. Yang Dongsheng (resigned on 6 July 2020)

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

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

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

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

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

In 2020, one meeting of the remuneration and review committee was held. Attendance of individual members of the remuneration and review committee to the committee meeting in 2020 are as follows:

Director	Number of Remuneration and review committee meetings in 2020	Number of meetings that member of committee held	Attendance (%)
Mr. Wang Jiheng	1	1	100
Mr. Zeng Xiangxin (appointed on 6 July 2020)	—	—	—
Mr. Wang Guanghua	1	1	100
Mr. Han Qinchun	1	1	100
Mr. Yang Dongsheng (resigned on 6 July 2020)	1	1	100

The remuneration and review committee had considered the annual salary review as well as bonus plan of Directors and senior management for 2020.

Breakdown of the Directors' and the supervisors' remuneration for the year ended 31 December 2020 is set out in note 9 to the financial statements.

BOARD DIVERSITY POLICY

Purpose

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

Measurable Objectives

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

Monitoring and Reporting

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors. The Company has made specific enquiry to all Directors and supervisors, who have confirmed that they have complied with the Model Code in 2020.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chen Jianzheng is the chairman and the chief executive officer of the Company. According to Article 145 of the Articles of Association of the Company, currently, the management executive committee of the Company (the "Management Executive Committee") exercises the operation and management rights of the Company (including the whole or part of the powers of the President of the Company). The Management Executive Committee has two rotating chairmen, being Mr. Chen Jianzheng and Mr. Zeng Xiangxin, and they are responsible for the daily operation and management affairs of the Company. Therefore, the Board believes that the Company already has a strong corporate governance structure appropriate for its circumstances in place to ensure effective oversight of the management. Given Mr. Chen Jianzheng's considerable industry experience and with the support of the management, the Board is of the view that it is in the best interest of the Group to have Mr. Chen Jianzheng taking up both roles for effective management and business development.

MANAGEMENT FUNCTIONS

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

COMPANY SECRETARY

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

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

FINANCIAL REPORTING

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

The reporting responsibilities of KPMG, the international auditors, are stated in the Auditor's Report on pages 64 to 72 of the annual report.

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

AUDITORS' REMUNERATION

During the year, the fees charged for all audit services including review of interim financial statements amounted to approximately RMB5,041,000.

INTERNAL AUDIT

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

The internal auditor submitted an assessment report to the audit committee and the Board. During the year ended 31 December 2020, the Board was of the view that the key areas of the Company's internal control and risk management systems had been reasonably implemented and considered sound and effective.

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year, the Board conducted a review of the adequacy and effectiveness of the risk management and internal control systems of the Group by reviewing the work of the internal audit department, the Group's external auditors, and regular reports from management. Such review covers all material controls, including financial, operational and compliance controls and risk management functions. During the year ended 31 December 2020, the Board considered the risk management and internal control systems of the Group effective and adequate and complied with the code provisions of the Corporate Governance Code, and any recommendations put forward in the report will be follow up by the Group to ensure that they are implemented within a reasonable time.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

In 2020, in order for the Articles to accurately reflect the factual situation of the Company, the board of the Company proposed to revise the name of "Financial Controller" to "Chief Financial Officer" of the Company. The amendment was duly passed by the shareholders of the Company at the annual general meeting of the Company held on 29 June 2020. For details of the amendment to the Articles of Association, please refer to the circular of the Company dated 14 May 2020. Save as disclosed above, there was no change in the Articles of Association during the year ended 31 December 2020.

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

DIRECTORS' AND OFFICERS' INSURANCE

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

SHAREHOLDERS' RIGHTS

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

Procedures for shareholders to propose a general meeting

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

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

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

Procedures for Shareholders to make Proposals at the General Meeting

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

Procedures and Contact Details for Making Enquiries

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

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

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

   By tel: +86 398 8860166

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules, and makes general disclosures based on the requirement of "comply or explain" in such guide. The environmental, social and governance report is a yearly report.

This report is related to the Group's annual report.

The Group ensures that the content of this report does not have any false information or misleading statement. If you have any advice or recommendation on this report, please email to lbgold@lbgold.com for our continuous improvement.

The Group is an integrated gold mining enterprise in the People's Republic of China, and is mainly engaged in gold mining, smelting and refining and copper processing. The products of the Group are gold, silver, copper products, and sulphuric acid. The Group's mines are scattered in the PRC regions of Henan, Xinjiang, Jiangxi, Inner Mongolia, Gansu and KR. The Group aims to provide high-quality products to our customers and to manage the impact of our operations on the environment in a responsible manner. The Group also safeguards the safety and health of our employees and serves our surrounding communities, making contribution to the society surrounding our business. The report includes data and information of the Group's operating mines (excluding KR) and smelting plants, covering the financial year of the Company for the period from 1 January 2020 to 31 December 2020.

ENVIRONMENT PROTECTION

The Group strictly complies with environmental regulations, prevents environmental pollution, promotes energy conservation and waste reduction, utilizes resources reasonably, emphasizes on continuous improvement and develops green mines. The Group insists on complying with the law to manage enterprise, preventing and controlling pollution, leveraging technology to save energy and reduce waste, and maintaining stable development. The Group takes quality, environment and professional health management as the core, and energy saving and emission reduction as the main line, actively implements clean production, energy saving and emission reduction, and comprehensive utilization of resources. The Group also promotes the application of new technologies and new products in energy-saving to reduce energy consumption, recycle and reuse waste water, so that the sewage can be fully utilized, with less resource consumption and environmental impact to achieve greater economic benefits.

The main objectives for the Group to carry out environment operations are to strictly control the total amount of exhausting pollutants, such as waste water, waste residue and waste gas within target; implement energy saving and consumption reduction, target the main product material and energy consumption at leading industry level; launch comprehensive utilization of resources and developing circular economy; put an end to major pollution accidents and major environmental complaints. The Group is committed to resolutely complete the restrictive indicators of energy saving and emission reduction through the following measures: strictly abiding by environmental laws and regulations and practically strengthening pollution prevention and control; strengthening the commitment of energy saving and consumption reduction and the level of technology transformation to ensure the full realization to the goals of energy saving and consumption reduction; enhancing the operation management towards pollution management facilities to ensure the exhaustion achieving the goal; eliminating the obsolete production equipment and skills, actively implementing the clean production in each step, such as procurement, production, transportation and sales, and developing circular economy to raise the comprehensive utilization rate of resources, reduce the emission of pollutants, and ensure zero existence of environment pollution incidents; firmly instilling the awareness of environment, resolutely realizing the indicators of environment protection, and accepting the supervision from the society. With the improvement of the industry standards, we promise further reducing the exhaustion of pollutants and increasing the investment in environmental protection, so as to enable the enterprise environment protection level to keep up with the trend, and allow each pollutant exhausting indicators to stay in the leading role in the industry, trying our best to formulate "resource-saving and environment-friendly" enterprise.

In 2020, the Group continue to strengthen its basic management and the construction of dual prevention system, so that the overall situation of safety and environmental protection was stable and controllable.

The Group continued to increase investment in safety and environmental protection and management innovation with a total investment of RMB46 million throughout the year. In addition to the introduction of Safety and Environmental Protection Hidden Dangers, Accident Accountability and Assessment Management System (安全環保隱患、事故責任追究和考核管理制度) to strengthen the implementation of the main responsibility, the Group also accelerated the reform of safety and environmental protection management system, and focused on cultivating a specialized and professional management team. While promoting the application of advanced safety technology and equipment, it replaced the obsolete equipment in the mines and carried out treatment of "three wastes" to further enhance the basic management of safety and environmental protection. The Group solidly promoted the construction of a dual prevention system and built and effectively operated a safety information management platform to realize the dynamic and intelligent management of interconnection and information sharing. At the same time, three sets of tail gas denitrification optimization projects have been completed and put into operation, resulting in the significant improvement in the NOx indexes of exhaust gas.

EMISSIONS

The Group strictly abides by the relevant pollutant discharge standards such as the "Integrated Wastewater Discharge Standard", the "Emission Standard of Pollutants into the Atmosphere" and the PRC laws and regulations, such as the "Environmental Protection Law", the "Atmospheric Pollution Prevention and Control Law", the "Water Pollution Prevention and Control Law" and the "Solid Waste Pollution Prevention and Control Law". We will never sacrifice our environment to exchange for the growth of our economic benefits, but will insist on the path of sustainable development, aiming to maintain the balance between production and operation and environment protection. The discharge of waste water and waste gas of the Group in 2020 is as follows:

			2020	2019
Smelting plants	waste water (ton)	COD	**0**	0
		NH_3-N	**0**	0
	waste gas (ton)	SO_2	**4.66**	35.13
		NO_x	**84.02**	70.12
Operating mines	waste water (ton)	COD	**0.839**	1.043
		NH_3-N	**0.001**	0.667
	waste gas (ton)	SO_2	**14.76**	28.7
		NO_x	**1.037**	10.88

UTILIZATION OF RESOURCES

The Group's energy saving and emission reduction measures: the implementation of clean production; recycling waste products and reusing packing and container products; strengthening maintenance and management of the atmospheric treatment equipment to achieve the emission reduction of pollutants, such as sulfur dioxide, nitrogen oxides, and dusts; implementing systematic water-replenishing technology, reusing the waste water after in-depth treatment, and increasing the recycling rate of water resource; improving the output rate of resources; establishing sound and modern enterprise environmental protection management system through clearly defining the responsibilities of environmental protection at all levels to make each kind of work further standardized and institutionalized, promoting clean production and raising the enterprise economic benefits and social benefits.

During the reporting period, the Group's energy consumption is as follows:

	2020	2019
Raw coal (Tons)	**4,926**	3,164
Gasoline (Tons)	**6**	9
Coal oil (Tons)	**306**	250
Diesel (Tons)	**1,459**	987
Coke (Tons)	**5**	11
Electricity (Ten thousand KWh)	**16,468**	15,818
Natural gas (Tons)	**0**	0
Water (Cubic Meter)	**1,465,658**	329,917

ENVIRONMENT AND NATURAL RESOURCES

The Group is a mining, smelting and processing enterprise. The wastes generated during the production process have a certain impact on the environment. The solid wastes generated from the mine are mainly waste rocks and tailings. The waste rocks from the mine are concentrated in the dumping site, and are covered with the soil to plant trees and grass in a timely manner to help facilitate ecological restoration. Part of rock wastes are transported to the gravel plant for comprehensive utilization. The Group has continuously strengthened the discharge control of the waste during the production process, so as to minimize the waste discharge, and actively protect and beautify the environment.

EMPLOYMENT AND LABOUR PRACTICES

The Group emphasizes on talents. The reason is that talents are the most valuable asset of the Group and crucial for maintaining sustainable development. The Group is committed to providing our employees with career development and room and appropriate platform for promotion. The Group strictly complies with the "Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》)" combining with local government and administrative regulations where each branch and subsidiary locates, participates in pension insurance, unemployment insurance, medical insurance, major disease insurance, work-related injury insurance, maternity insurance, and housing fund for all employees, and makes full payments on timely basis. We give away holiday consolation goods and funds during traditional holidays of China, goods and supplements that keep cool in summer and stay warm in winter, yearly health check for female employees, etc. Through these ways, we create a good working and living surroundings, raising up employees' belongings, safeguarding their interests and relieving them from future worries.

Remuneration: The Company determines the remuneration packages for the senior management, middle management, professional technicians and general staff based on the Company production and operation development, combining macro factors such as China's labour safeguarding policy and CPI, and competitions among the industry and different regions. Each branch and subsidiary formulates the internal second level review mechanism according to the Company's remuneration managing approach, with the employees' actual salaries directly related to their positions, capabilities, performances and the operating results of the enterprise for the period, thus stimulating their activeness at work.

Recruitment: We take into account of the actual needs and the vacancies at each unit of the Company to formulate the criteria for employment in terms of position, type of job, professional level, quantity, qualification, and working experience for staff recruitment. The recruitment channels include: internal recruitment, social recruitment, current graduates, ex-military settlement and the recruitment through government poor aiding program.

Promotion: Democratic evaluation, recommendation, selection and mobilization based on the employees' and the cadre's working performance at the end of each year. The middle cadre of our branch and subsidiary is selected by competition, through speeches, working presentations, democratic voting. Outstanding management personnels are shortlisted to fill the positions suitable for one's capability and experiences, so as to provide them with a stage to shine, and refresh the Company's development and management.

Dismissal: The Group strictly in accordance with relevant requirements of the "Labour Law of the People's Republic of China (《中華人民共和國勞動法》)", the "Law of the People's Republic of China on Employment Contracts (《中華人民共和國勞動合同法》)". As for the situation of negotiable dismissal of labour relations between employees and the Company, the Company should report to the local social security authority for record. We will handle unemployment procedures for those who are in line with relevant policies and guarantee unemployed staffs to receive unemployment benefits in a timely manner.

Working hours and holidays: We strictly complies with the "Labour Law of the People's Republic of China", the "Provisions of the State Council on Working Hours of Workers and Staff (《國務院關於職工工作時間的規定》)" and the "Notice of the Department of Human Resources and Social Security of Henan Province on Strengthening the implementation of Flexible Working Hour System and the Approval and Administration Work of Comprehensive Calculation Working Time System by Employers (《河南省人力資源和社會保障廳關於進一步加強用人單位實行不定時工作制和綜合計算工時工作制審批管理工作的通知》)" and relevant regulations, and have formulated systems in respect of annual leave, family visit leave, marriage leave and funeral leave. The Company carries out 8 working hours each day, 40 hours a week, and for voluntary overtime work, corresponding overtime pay shall be given if no alternative leave could be arranged for compensation, and triple pay will be offered for overtime work on national legal holidays.

Statistical Table of Employees' Gender and Age

Category Area	Gender		Age							
	Male	Female	Under 25	25 to 35	36 to 40	41 to 45	46 to 50	51 to 54	55 and above	Sub-total
Henan region	1,748	733	37	568	300	430	609	314	223	2,481
Xinjiang region	437	109	51	167	52	77	116	53	30	546
Inner Mongolia region	176	57	4	43	22	29	61	41	33	233
Kyrgyzstan	616	87	17	225	112	122	101	60	66	703
Total	2,977	986	109	1,003	486	658	887	468	352	3,963
Percentage of the total	75.12%	24.88%	2.75%	25.31%	12.26%	16.60%	22.38%	11.81%	8.88%	

Statistical Table of the Employee's Employment Category

Category Area	Management and administration	Technology research and development	Sales and marketing	Quality control	Safety	Environmental Protection	Production	Sub-total
Henan region	306	127	119	124	116	36	1,653	2,481
Xinjiang region	47	7	1	15	20	16	440	546
Inner Mongolia region	44	6	6	7	22	6	142	233
Kyrgyzstan	9	4	3	5	1	1	680	703
Total	406	144	129	151	159	59	2,915	3,963
Percentage of the total	10.24%	3.63%	3.26%	3.81%	4.01%	1.49%	73.56%	

HEALTH AND SAFETY

The Group strictly complies with the "Labour Law (《勞動法》)", the "Production Safety Law (《安全生產法》)", the "Mine Safety Law (《礦山安全法》)", the "Law on Prevention and Control of Occupational Disease (《職業病防治法》)" and other laws of the PRC and local policies and regulations, and establishes organizations, agencies, and specific administrative divisions. Furthermore, the Group amends and improves the "Administrative Measures for Occupational Disease Prevention (《職業病預防管理制度》)", and formulates and dispatches down the "Occupational Disease Prevention Plan (《職業病防治實施方案》)", which includes mental instructions, basic principles, organization founding, and work requirements. The Group carries out monthly and annual performance assessments over the implementation of occupational disease prevention and control measures, including occupational hazards notification, occupational safety promotion education training, occupational hazards protection facilities maintenance and inspection, employee protective gear management, daily surveillance on occupational hazards management, occupational hazards reporting, employee's occupational health files monitoring and management, and occupational health files management.

The Group conscientiously carries out the implementation of various Chinese laws and regulations, including the "Production Safety Law (《安全生產法》)" and "Law on Prevention and Control of Occupational Disease (《職業病防治法》)", while establishing the management systems for production sanitation and safety, as well as occupational disease prevention and treatment. Besides amending and improving the regulations and rules, including the "Administrative System for Production Safety (《安全生產管理制度》)", "Administrative System for Production Safety Hazards, Accidents (Incidents) Accountability, and Assessment (《安全生產隱患、事故(事件)責任追究及考核管理制度》)", and "Administrative System for Occupational Disease Prevention and Control (《職業病預防管理制度》)", the Group fully implements the accountability system for employee-specific production safety, as well as occupational disease prevention and control. Monthly assessment is carried out, based on which annual incentives will be granted. In the meantime, the Group will continue to increase safety-specific investments to improve production safety conditions at the operating sites, while the employee-specific safety education and training is strengthened to enhance their safety awareness and operational skills. Furthermore, the Group carries out the safety control based on risk classification and hazard identification to supervise the implementation of rectifiable measures and eliminate the hazards. Measures are adopted to enhance the occupational prevention and control management, occupational health and safety training, and employee awareness of occupational health and self-prevention capability. The Group regularly distributes qualified personal protective equipment to employees, and supervises and inspects their correct use. The hazardous factor assessment and inspection is carried out at the operating sites.

DEVELOPMENT AND TRAINING

The Group provides training programmes such as safety knowledge and corporate culture skill to the new recruited employees, which allow them to understand the Company overview, rules and regulations, organization structure, and make them familiarize with job duties, work flow and job-related business knowledge, so that they can adapt to the environment more quickly. The training methods include off-work centralized training and post on-duty training. The offwork training adopted centralized lecturing; on-duty training adopted daily work guidance and one-to-one consulting. After passing the training, trainees are qualified to work.

The Company organizes relevant financial, production technology, entry level technical staff, and securities and law staff to participate in business training held by certain professional training institute to improve the business skill of professional staff.

The Group organizes safety knowledge education training, safety emergency drills for production accidents and safety environmental protection knowledge learning and examination for cadre on a monthly basis to keep the awareness of safety education at a high level and to protect and secure workers' lives and safety.

To improve overall quality of the Company's employees team and to seek qualified talent for the development of the Company, the Company has conducted mentoring instructor activities to further accelerate the development of the Company's talents backup. The Company actively carries out open competition for the selection of young managers, creates an open, fair, competitive, and excellent employment environment, and accelerates the process of young management team.

Labour Standard

The Group strictly complies with relevant laws and regulations of the "Labour Law of the People's Republic of China", the "Law of the People's Republic of China on Employment Contracts" and the "Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》)", and has never hired minors under 16 years-old. The Company has entered into labor contract with employees in timely manner and has entered Collective Contract (《集體合同》), and the Collective Contract On the Protection Of Female Employees (《女職工權益保護專項集體合同》) with the labor union to safeguard the labors rights, enhance the management of labor and standardize the labor behaviors.

SUPPLY CHAIN MANAGEMENT

The Group has established a comprehensive procurement system to manage and monitor the procedures of supply chain of the Group and to conduct consolidated and comprehensive review and assessing on supplier's quality, credit, supply capacity and others aspects. When suppliers are in the same conditions, the Group will consider the reputation of suppliers in environmental management and social responsibility as the priority to ensure that the qualification of employed suppliers meet the requirements of the Group.

In 2020, the Group reformed its procurement and supply business, with the procurement and supply of core materials (including ore concentrate, electrical equipment and accessories) for the Group conducted by Jinda (a wholly-owned subsidiary) uniformly to build up a trading company and procurement platform that integrated procurement, supply and sales. As for material procurement, we strictly comply with the "Raw Materials Procurement Management System (《原料採購管理制度》)", the "Gold Concentrates On-site Biding Management Regulations (《金精礦現場競買管理辦法》)", the "Raw Materials Procurement Market Environment and Compliance Standards (《原料採購市場環境及達標標準》)", the "Regulations for Raw Materials Procurement Pricing (《原料採購計價辦法》)", the "Procedures of Unqualified Gold Concentrates (《不合格金精礦處理辦法》)", the "Management Regulations of Gold Concentrates Prepayments (《金精粉預付款管理辦法》)" and other systems. In respect of material supply, we strictly complies with the "Material Management Approach (《物資管理辦法》)" of the Group.

During the year, the numbers of smelting branch's major suppliers (over 500 tonnes) as follow:

Suppliers' area	Numbers of Suppliers in the region
Henan Province	42
Hubei Province	4
Hunan Province	3
Fujian Province	2
Liaoning Province	2
Shaanxi Province	2
Hebei Province	1
Shandong Province	1
Shanxi Province	1
Yunnan Province	1
Xinjiang Autonomous Region	1
Overseas	7

PRODUCT RESPONSIBILITY

The Group has formulated a "Record Control Program (《記錄控制程式》)" to ensure the efficient delivery of the information about the quality, environment, occupational health and safety management system, accurately and timely reflect each techno-economic indicators of the branch and provided the basis for the correct decision from the management to ensure that the statistics, accounting and review work were conducted smoothly. It also formulated "Substandard Product Control Program (《不合格產品控制程式》)", which applied to the quality control identification process of raw materials, semi-finished products and substandard finished products.

The Group commissions the National Center of Quality Supervision & Inspection On Gold-Silver Products each year for the quality testing of the gold product (3kg gold bullion), which will issue a test report. No gold product that has been sold or shipped out needed to be recalled because of safety and health reasons and no complaint was received in relation to the products and services.

CLEAN AND INTEGRITY DEVELOPMENT

The Group highly emphasizes on anti-corruption, strictly complies with the "Certain Guidelines on Honest Governance of Leaders of the Communist Party of China (《中國共產黨黨員領導幹部廉潔從政若干準則》)", the "Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》)" and other relevant laws and policies, implements the "Interim Provisions on Integrity Warning of Major Projects in Sanmenxia City (《三門峽市重大項目廉政預警工作暫行規定》)", the "Notice of Reaffirming Relevant Requirements on Incorruptibility and Self-discipline of Leaders by Discipline Commission in Lingbao City (《靈寶市紀委關於重申領導幹部廉潔自律有關規定的通知》)" and other requirements, and has a strict monitoring system in place, which is applicable to all of its departments, subsidiaries and branches of the Group. The Group has set up a dedicated discipline inspection department at the headquarter and all of its branches and subsidiaries, which help establish a centralized leadership and vertical management model at the Group's headquarter for the commission for inspecting discipline of the Group to ensure its independence.

In 2020, the Group has set up a new supervision and audit department, focusing on the functions of discipline inspection and supervision, internal audit, budget (settlement) management, major project control and internal control system evaluation, so as to combine the functions of audit and supervision to achieve dual supervision.

The Group has issued a strict internal management system, involving administrative measures for internal supervision, administrative measures for petition and report, administrative measures for integrity due diligence interview, administrative disciplinary measures, etc., which allows the discipline inspection and supervision work based on precedents. The Group has issued documents to explain the "non-compliance" of holding wedding and funeral matters. The Group strictly implemented the "Eight Point Guide for Official Conduct" (八項規定) to stop the loophole and protect the integrity and justice culture for the Group companies.

In addition, the responsible persons of the subsidiaries of the Group are required to enter into a liability statement regarding the goal of construction of the Party's honesty and integrity. Every unit under the Group shall bear the responsibility of the implementation of the construction of honesty and integrity within the Party and closely apply it to production and management, forming the layout of "one post, two duties" (一崗雙責). The Group has also set up a box and a hotline for whistle-blowing from the public, accepting supervision by, and visiting from, the public.

The Group has set up a comprehensive filing system for the management of the cadre on integrity records. It records the status of their family and part-time jobs for the immediate information for disciplinary inspection and monitoring department, so as to minimize the risk of corruption. The Group carries out the mindful conversation with those employees with potential corruption risks on a timely basis. We initiate it as soon as possible no matter the scale of risk to avoid anything getting worse as time goes by.

Apart from enhancing the monitoring system, we also actively build corporate integrity culture, and create the atmosphere of "would not, could not, and dare not corrupt (不想腐、不能腐、不敢腐)" at the workplace.

The branches and subsidiaries of the Group also set up an integrity cultural wall in the obvious spots such as the plants and open pit. They have a wide range of contents and diversified models, with a strong sense of integrity. To keep itself up-to-date, the Group capitalizes the promotion base of its own WeChat public platform of "Lingbao Gold" to release the educational information of integrity, which has a wide coverage and strong interaction, having significant contribution to enhancing corporate integrity culture.

The elections of the party committee and disciplinary committee of the Group were held in February 2020 to form a new party committee, disciplinary committee, and supervision and audit department. Three full-time disciplinary inspectors were appointed to strengthen the disciplinary inspection and supervision team, enhancing our supervision efforts.

In March 2020, the Group set up an incorruptibility mechanism at the headquarters, its branches, and subsidiaries to collect opinions and suggestions from the cadres and employees in all aspects, so that all employees are subject to the "sunshine supervision" campaign to prevent and stamp out various forms of corruption and misconduct in office.

With effect from April 2020, we organized and compiled the project quota for the Lingbao Gold Mine, tightened the control of the settlement unit prices of key projects, and closed management loopholes, so as to prevent various forms of corruption.

In May 2020, the Company conducted a special operation to identify and clean up illicit accounts across the board, which was aimed to further strengthen the financial discipline, regulate capital management, and prevent corruption.

In June 2020, the Group's senior and mid-level managers visited the Yan'an Revolution Memorial Hall to attend anti-corruption seminars where informative videos were played and party integrity lectures were taught, helping party members and cadres develop a stronger mind to fight corruption and prevent any compromise, as well as drawing the red line for integrity practice and developing the bottom line thinking.

In October 2020, the "Interim Regulations on Supervision and Auditing of Appointment (Resignation)" were revised to further improve the cadre supervision mechanism of the Group, which will urge cadres to correctly exercise their powers, and ensure operating compliance with laws and regulations, and integrity and self-discipline.

In November 2020, following the instructions of the Lingbao Municipal Party Committee and the Lingbao Discipline Inspection Commission, the Group held an educational seminar focused on "Promoting Reforms Based on Cases" to analyze cases in depth and encourage party members and cadres to learn lessons from cases and make rectifications, so that they heighten their integrity awareness, fortify the line of defense against corruption and compromise, and always maintain the integrity of party members and cadres.

By deepening the theme of "Do not Forget the Original Heart, and Remember the Mission", the Group formulated the learning plan and implementation scheme so that the notion of "Do not Forget the Original Heart, and Remember the Mission" will be deeply instilled to our employees' consciousness, which can be put into action and enable a clean and honest workplace.

During the reporting period, the Group did not have any litigations or corresponding penalties arising from corruption or bribery.

COMMUNITY INVESTMENT

The Group endeavored to meet the community's needs through participating community activities with our expertise and resources, striving to improve the quality of people's lives.

1. We made concerted efforts to prevent and control the pandemic, ensured the smooth resumption of work and production, and actively fulfilled social responsibilities.

   In 2020, the Group invested over RMB200,000 in pandemic materials for the resumption of work and production.

   In 2020, the Group made donations of RMB377,000 alongside RMB295,000 worth of materials to the Kyrgyz Republic for pandemic prevention and control.

   In 2020, Communist Party members of the Group donated approximately RMB40,000 for national pandemic prevention.

   In 2020, volunteers of the Group actively provided pandemic prevention services for 11 residential communities in Lingbao City.

   In 2020, to contribute to a beautiful Lingbao, the Group participated in the "civilized transportation" volunteer service campaign in Lingbao City, advocating civilized travel, and our volunteers cleaned community streets every Friday.

2. We actively and enthusiastically carried out poverty alleviation work and effectively resolved difficulties in the standard of living.

   In 2020, the Group donated a poverty alleviation funds of RMB100,000 to three supporting villages in Zhuyang Town, Ling Bao City; and distributed materials and allowances of RMB17,000 as a condolence to the poverty-stricken families and poverty alleviation cadres in the supporting villages. In active response to the poverty alleviation policy of "assistance by purchase", the Group helped low-income individuals sell agricultural products for over RMB15,000; and donated over RMB4,000 worth of traditional Chinese medicine seeds to 10 low-income households in Dongzhai Village, Zhuyang Town, Lingbao City under the industry poverty alleviation program.

   In 2020, Xinjiang Habahe Huatai Gold Company Limited, a subsidiary of the Group, donated RMB300,000, which was aimed to implement local drinking water projects for humans and livestock, significantly improving the living conditions of local residents, and providing employment opportunities for 151 local residents, and the local revenue increased by over RMB6.8 million.

   In 2020, Tongbai Xingyuan Mining Company Limited, a subsidiary of the Group, donated RMB30,000 to build a "United supermarket" in Laowan Village, facilitating the purchase of household and food supplies for villagers; and invested RMB61,000 in a canal project for Laowan Village throughout the year, actively improving the amenities of the village.

The Group will continue to enhance the corporate governance, the quality of the products and the level of safety. We will also continue to improve the environmental protection measures, energy saving and emission reduction, the technical skills of staff and remuneration package and provide appropriate assistance and support for the near neighboring community.

REPORT OF THE SUPERVISORY COMMITTEE

1. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

In 2020, four supervisory committee meetings were held by the supervisory committee.

2. INDEPENDENT WORK REPORT OF THE SUPERVISORY COMMITTEE

In 2020, aiming at protecting the interest of the Company and the shareholders, the supervisory committee of the Company seriously performed its duties in accordance with the Company Law of the PRC ("Company Law"), Securities Law, Listing Rules and other relevant rules and regulations and the Articles of Association, comprehensively monitored aspects such as the Company's capital operation, operating management, financial position and the fulfillment of obligations by senior management. After a serious review, members of the committee unanimously agreed to the following:

i. Legal Compliance of the Company's Operations

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

ii. Inspection of the Financial Status of the Company

In 2020, the supervisory committee reviewed the financial system and position of the Company and considered that the financial report of the Company for 2020 truly reflected its financial position and operating results.

iii. External Guarantees

The Company did not have any additional external guarantees for the year ended 31 December 2020.

The Directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2020.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

The principal activities of the Group are the mining, processing, smelting and sales of gold and other metallic products in the PRC. Further details regarding the Group's principal activities are disclosed in note 35 to these financial statements.

BUSINESS REVIEW

A review of the Group's business during the reporting period is provided in the "Chairman's Statement" on pages 12 to 15 and the "Management Discussion & Analysis" on pages 16 to 24 of this annual report. Description of the risks and uncertainties that the Group may face can be found in the "Management Discussion & Analysis" on pages 16 to 24 in this annual report. The financial risk management of the Group are also set out in the note 34 to the financial statements and the financial highlights of the Group are set out on pages 4 to 5 in this annual report.

EVENT AFTER THE REPORTING PERIOD

There were no material events occurred after the reporting period.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Groups' total	
	Sales	Purchases
The largest customer	92%	
Five largest customers in aggregate	95%	
The largest supplier		8%
Five largest suppliers in aggregate		27%

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

FINANCIAL STATEMENTS

The financial results of the Group for the year ended 31 December 2020 and the financial position of the Group as at that date are set out in the financial statements on pages 73 to 159 of the annual report.

DIVIDEND

At the Board meeting held on 18 March 2021, the Directors do not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of the movements in reserves of the Company during the year are set out in note 32(a) to the financial Statements. The Company's reserves available for distribution to shareholders as at 31 December 2020 is RMB1,043,315,000 (2019: RMB938,133,000).

SHARE CAPITAL

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

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

Details of the movements in share capital of the Company during the year are set out in note 32(b) to the financial statements.

EQUITY-LINKED AGREEMENT

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

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

MANAGEMENT CONTRACTS

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

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company for the year ended 31 December 2020 and up to the date of this report are as follows:

Directors

Executive Directors

Mr. Chen Jianzheng *(Chairman)*
Mr. Xing Jiangze
Ms. Zhou Xing
Mr. Zeng Xiangxin

Non-executive Directors

Mr. Shi Yuchen
Mr. Zhang Feihu
Mr. Wang Leo (re-designated from executive Director on 6 July 2020)

Independent Non-executive Directors

Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua
Mr. Xu Rong (appointed on 6 July 2020)
Mr. Yang Dongsheng (resigned on 6 July 2020)

Supervisors

Mr. Yang Shilei
Mr. Guo Xurang
Mr. Zhao Bingbing
Mr. Dai Weitao (appointed on 8 January 2020 and resigned on 17 March 2021)
Mr. Jian Zhanxun (resigned on 8 January 2020)

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, supervisors and senior management of the Company are set out on pages 25 to 29 of the annual report.

HIGHEST PAID INDIVIDUALS

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

REMUNERATION

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and supervisors has a service contract with the Company until the expiry of the term of 6th Session of the Board on 6 June 2021.

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

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

PERMITTED INDEMNITY PROVISION

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

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

The Directors, supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance ("SFO") as at 31 December 2020 that are required to be (i) notified to the Company and the 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); (ii) recorded in the register kept under section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES OF THE COMPANY

As at 31 December 2020, so far as was known to the Directors, the following person, other than the Directors, supervisors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Number of Domestic Shares	Capacity	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total share capital
D&R Asset Management Group Company Limited	185,339,000	Beneficial owner	32.69%	21.45%
Lingbao State-owned Assets Operation Company Limited (靈寶市國有資產經營有限責任公司)	73,540,620	Beneficial owner	12.97%	8.50%
Shanghai Zhengxi Investment Management Partnership (Limited Partnership)	57,000,000	Beneficial owner	10.05%	6.60%

Save as disclosed above, according to the provisions of the SFO, as at 31 December 2020, so far as the Directors are aware, there are no other persons, other than the Directors, supervisors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

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

CONNECTED TRANSACTIONS

The related party transactions during the year as disclosed in note 36 to the consolidated financial statements are deminimis transactions that are fully exempted from announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

Save as disclosed above, the Group had not entered into any connected transactions which are required to be disclosed in this annual report in compliance with the requirements of Chapter 14A of the Listing Rules during the year ended 31 December 2020. The Directors confirm that they have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2020 are mainly set out in note 28 to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB910,000 (2019: RMB600,000).

PRE-EMPTIVE RIGHTS

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

POLICY ON INCOME TAX

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 27 April 2021 to Friday, 28 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents of shares accompanied by the relevant share certificates must be lodged with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office address of the Company at Hangu Road and Jingshan Road Intersection, Lingbao, Henan, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Monday, 26 April 2021.

PUBLIC FLOAT

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

COMPLIANCE OF CODE OF CONDUCT

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provision set out in the code on Corporate Governance Code for any time from 1 January 2020 to 31 December 2020.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 160 of the annual report.

CONFIRMATION OF INDEPENDENCE

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

AUDITORS

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

By order of the Board

Chen Jianzheng
Chairman

Lingbao, Henan, the PRC
18 March 2021

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Lingbao Gold Group Company Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 73 to 159, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

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

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

The Key Audit Matter

At 31 December 2020, the Group had net current liabilities of RMB1,323 million, total borrowings of RMB3,761 million and capital commitments of RMB329 million.

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

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

How the matter was addressed in our audit

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

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

KEY AUDIT MATTERS (continued)

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

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

The Key Audit Matter

We identified the assessment of the Group's ability to continue as a going concern as a key audit matter because the Group has recorded net current liabilities since 2015 which has increased the risk that the Group may not be able to continue to operate as a going concern and because the assessment of the Group's ability to continue as a going concern is dependent upon certain management assumptions and judgements, in particular in relation to future revenue from sales of gold and the ability of the Group to renew or obtain new bank facilities upon expiry of the existing bank facilities.

How the matter was addressed in our audit

- comparing future expected cash flows with historical data and assessing whether any variations were consistent with our expectations based on our understanding of the Group's business;
- considering the accuracy and reliability of past cash flow forecasts made by management by comparing them with the current year's results;
- comparing the available bank facilities and arrangements to underlying documentation and assessing the impact of any covenants and other restrictive terms attached thereto; and
- assessing the sensitivities of the key assumptions adopted by management in the going concern assessment and considering whether management had incorporated any bias in the selection of such assumptions.

KEY AUDIT MATTERS (continued)

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

Refer to note 16 to the consolidated financial statements and the accounting policies on page 80.

The Key Audit Matter

The carrying value of E&E assets of the Group was RMB433 million as at 31 December 2020.

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

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

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

How the matter was addressed in our audit

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

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

KEY AUDIT MATTERS (continued)

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

Refer to note 16 to the consolidated financial statements and the accounting policies on page 80.

The Key Audit Matter

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

How the matter was addressed in our audit

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

KEY AUDIT MATTERS (continued)

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

Refer to notes 14, 15, 16 to the consolidated financial statements and the accounting policies on page 80.

The Key Audit Matter

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

Full Gold held intangible assets (excluding exploration and evaluation assets) totalling RMB96 million, CIP totalling RMB9 million and PP&E totalling RMB178 million as at 31 December 2020.

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

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

How the matter was addressed in our audit

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

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

KEY AUDIT MATTERS (continued)

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

Refer to notes 14, 15, 16 to the consolidated financial statements and the accounting policies on page 80.

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

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020 (Expressed in Renminbi Yuan)

	Note	2020 RMB'000	2019 RMB'000
Revenue	3	**5,599,947**	5,874,357
Cost of sales		**(4,945,314)**	(5,514,215)
Gross profit		**654,633**	360,142
Other revenue	4	**76,431**	33,345
Other net loss	5	**(162,580)**	(110,369)
Selling and distribution expenses		**(5,507)**	(5,373)
Administrative expenses and other operating expenses		**(276,238)**	(298,513)
Profit/(loss) from operations		**286,739**	(20,768)
Finance costs	7(a)	**(164,522)**	(182,464)
Profit/(loss) before taxation	7	**122,217**	(203,232)
Income tax	8(a)	**(64,896)**	(48,609)
Profit/(loss) for the year		**57,321**	(251,841)
Attributable to:			
Equity shareholders of the Company		**89,700**	(233,502)
Non-controlling interests		**(32,379)**	(18,339)
Profit/(loss) for the year		**57,321**	(251,841)
Basic and diluted earnings/(loss) per share (RMB cents)	13	**10.4**	(27.0)

The notes on pages 80 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020 (Expressed in Renminbi Yuan)

	Note	**2020** **RMB'000**	2019 RMB'000
Profit/(loss) for the year		**57,321**	(251,841)
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**50,678**	(9,713)
Total comprehensive income for the year		**107,999**	(261,554)
Attributable to:			
Equity shareholders of the Company		**130,812**	(241,263)
Non-controlling interests		**(22,813)**	(20,291)
Total comprehensive income for the year		**107,999**	(261,554)

The notes on pages 80 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi Yuan))

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	14	**1,363,827**	1,320,365
Construction in progress	15	**570,953**	534,101
Intangible assets	16	**669,732**	644,497
Goodwill	17	**4,717**	4,717
Right-of-use assets	18	**128,511**	133,756
Interest in associates		**22,531**	22,531
Other financial assets	20	**4,520**	4,520
Investment deposits	21	**9,400**	18,800
Non-current prepayments	22	**13,044**	2,353
Deferred tax assets	23(b)	**334,128**	338,171
Other non-current assets		**8,000**	14,265
		3,129,363	3,038,076
Current assets			
Inventories	24(a)	**1,779,200**	1,477,971
Trade and other receivables, deposits and prepayments	25	**162,705**	214,401
Current tax recoverable	23(a)	**7,279**	11,043
Pledged deposits	26	**1,394,329**	872,092
Fixed deposits held at banks with maturity over three months		**99,105**	—
Cash and cash equivalents	27	**132,709**	318,671
		3,575,327	2,894,178
Current liabilities			
Bank and other borrowings	28	**3,760,615**	3,011,262
Trade and other payables	29	**1,073,211**	811,026
Contract liabilities	30	**2,778**	6,796
Lease liabilities	31	**1,895**	3,255
Current tax payable	23(a)	**59,964**	39,608
		4,898,463	3,871,947
Net current liabilities		**(1,323,136)**	(977,769)
Total assets less current liabilities		**1,806,227**	2,060,307

	Note	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank and other borrowings	28	**–**	406,015
Other payables	29	**181,696**	132,009
Lease liabilities	31	**7,629**	9,005
Deferred tax liabilities	23(b)	**5,881**	10,256
		195,206	557,285
NET ASSETS		**1,611,021**	1,503,022
CAPITAL AND RESERVES	32		
Share capital		**172,850**	172,850
Reserves		**1,610,298**	1,479,486
Total equity attributable to equity shareholders of the Company		**1,783,148**	1,652,336
Non-controlling interests		**(172,127)**	(149,314)
TOTAL EQUITY		**1,611,021**	1,503,022

Approved and authorised for issue by the Board of Directors on 18 March 2021.

Zeng Xiangxin
Executive director

Xing Jiangze
Executive director

The notes on pages 80 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020 (Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *(note 32(b))*	Share premium RMB'000 *(note 32(a)(i))*	PRC statutory reserves RMB'000 *(note 32(c))*	Exchange reserve RMB'000 *(note 32(a)(iii))*	Other reserve RMB'000 *(note 32(a)(iv))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2018	172,850	891,926	160,878	(30,876)	(858)	872,529	2,066,449	(129,023)	1,937,426
Changes in equity for 2019:									
Loss for the year	–	–	–	–	–	(233,502)	(233,502)	(18,339)	(251,841)
Other comprehensive income	–	–	–	(7,761)	–	–	(7,761)	(1,952)	(9,713)
Total comprehensive income for the year	–	–	–	(7,761)	–	(233,502)	(241,263)	(20,291)	(261,554)
Dividends approved in respect of the previous year *(note11)*	–	–	–	–	–	(172,850)	(172,850)	–	(172,850)
Appropriation of safety production funds	–	–	46,415	–	–	(46,415)	–	–	–
Utilisation of safety production funds	–	–	(46,415)	–	–	46,415	–	–	–
Balance at 31 December 2019	172,850	891,926	160,878	(38,637)	(858)	466,177	1,652,336	(149,314)	1,503,022
Balance at 31 December 2019	**172,850**	**891,926**	**160,878**	**(38,637)**	**(858)**	**466,177**	**1,652,336**	**(149,314)**	**1,503,022**
Changes in equity for 2020:									
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**89,700**	**89,700**	**(32,379)**	**57,321**
Other comprehensive income	**–**	**–**	**–**	**41,112**	**–**	**–**	**41,112**	**9,566**	**50,678**
Total comprehensive income for the year	**–**	**–**	**–**	**41,112**	**–**	**89,700**	**130,812**	**(22,813)**	**107,999**
Appropriation of safety production funds	**–**	**–**	**42,224**	**–**	**–**	**(42,224)**	**–**	**–**	**–**
Utilisation of safety production funds	**–**	**–**	**(42,224)**	**–**	**–**	**42,224**	**–**	**–**	**–**
Balance at 31 December 2020	**172,850**	**891,926**	**160,878**	**2,475**	**(858)**	**555,877**	**1,783,148**	**(172,127)**	**1,611,021**

The notes on pages 80 to 159 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020 (Expressed in Renminbi Yuan)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Profit/(loss) before taxation		**122,217**	(203,232)
Adjustments for:			
— Interest income	4	**(36,664)**	(23,854)
— Net realised and unrealised loss on other financial instruments at fair value	5	**20,832**	12,764
— Net (income)/loss on disposal of property, plant and equipment and intangible assets	5	**(330)**	4,095
— Depreciation	7(b)	**168,544**	129,925
— Finance costs	7(a)	**164,522**	182,464
— Provision/(reversal) of impairment losses on:			
— trade and other receivables	7(b)	**2,305**	23,140
— investment deposits	7(b)	**9,400**	61,553
— purchase deposits	7(b)	**(318)**	(1,811)
— property, plant and equipment	7(b)	**56,431**	26,291
— intangible assets	7(b)	**1,550**	—
— Amortisation of intangible assets	7(b)	**20,220**	11,217
— Write down/(reversal of write-down) of inventories	24(b)	**16,407**	(1,439)
— Foreign exchange differences		**(2,116)**	(547)
Operating profit before changes in working capital		**543,000**	220,566
Increase in inventories		**(329,449)**	(443,119)
Increase in pledged deposits		**(51,640)**	(683,613)
Increase in fixed deposits held at banks with maturity over three months		**(99,105)**	—
Decrease in trade and other receivables, deposits and prepayments		**38,481**	785,529
Increase/(decrease) in trade and other payables		**317,255**	(664,043)
Cash generated from/(used in) operations		**418,542**	(784,680)
PRC income tax paid	23(a)	**(41,108)**	(124,896)
Net cash generated from/(used in) operating activities		**377,434**	(909,576)

	Note	2020 RMB'000	2019 RMB'000
Investing activities			
Interest received		**36,664**	23,854
Payment for settlement of financial instruments		**(20,598)**	(5,569)
Payment for purchase of property, plant and equipment		**(80,567)**	(111,280)
Proceeds from disposal of property, plant and equipment		**3,237**	2,303
Payment for construction in progress		**(194,313)**	(143,219)
Payment for purchase of intangible assets		**(59,269)**	(22,375)
Collection for investment deposits	21	**—**	4,247
Proceeds from disposal of discontinued operations		**20,277**	1,412,940
Acquisition of subsidiary net of cash acquired	27(d)	**(81)**	—
Advance to related parties	36(a)	**—**	(31,614)
Proceeds from repayment of advance to related parties	36(a)	**—**	31,614
Net cash (used in)/generated from investing activities		**(294,650)**	1,160,901
Financing activities			
Proceeds from bank and other borrowings	27(b)	**3,380,866**	2,826,982
Repayment of bank and other borrowings	27(b)	**(3,011,262)**	(3,487,245)
Repayment of gold lease contracts	27(b)	**(314)**	(27,488)
Proceeds from/(payment for) interest swap settlement	27(b)	**399**	(7,208)
Interest paid for bank and other borrowings	27(b)	**(166,326)**	(190,647)
Pledged deposits (placed)/collected for borrowings	27(b)	**(468,857)**	367,861
Pledged deposits placed for interest swap		**(1,740)**	(6,500)
Repayment of other financial liabilities		**—**	(50,000)
Dividend paid to equity shareholders of the Company		**—**	(169,352)
Capital element of lease rentals paid	27(b)	**(480)**	(320)
Interest element of lease rentals paid	27(b)	**(464)**	(215)
Net cash used in financing activities		**(268,178)**	(744,132)
Net decrease in cash and cash equivalents		**(185,394)**	(492,807)
Cash and cash equivalents at 1 January	27	**318,671**	811,237
Effect of foreign exchange rate changes		**(568)**	241
Cash and cash equivalents at 31 December	27	**132,709**	318,671

The notes on pages 80 to 159 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group's interest in an associate.

As at 31 December 2020, the Group had net current liabilities of RMB1,323 million, total borrowings of RMB3,761 million and capital commitments of RMB329 million. In view of these circumstances, the Directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2020, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities of RMB1,239 million, of which directly related to bank loans facilities of RMB320 million, ability to renew or refinance the banking facilities upon maturity and ability to adjust the scheduled capital commitments, the Directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(c) Subsidiaries and non-controlling interests

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(d) Associates

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates (continued)

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

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

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

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

(e) Goodwill

Goodwill represents the excess of

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments in equity securities

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

Investments in equity securities are recognised/derecognised on the date the group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the group determines fair value of financial instruments, see note 34(g). These investments are subsequently accounted for as follows, depending on their classification.

Equity investments

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

(g) Derivative financial instruments

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

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

(i) Property, plant and equipment

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Property, plant and equipment (continued)

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

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

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

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

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

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

(ii) Construction in progress

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Construction in progress (continued)

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

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

(i) Intangible assets (other than goodwill)

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

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

(i) Mining rights

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

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

(ii) Exploration rights

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (other than goodwill) (continued)

(iii) Exploration and evaluation assets and mining development assets

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

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

(j) Leased assets

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

(i) As a lessee

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(i) As a lessee (continued)

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

- right-of-use assets that meet the definition of investment property are carried at fair value; and
- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

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

(ii) As a lessor

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(ii) As a lessor (continued)

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

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

(k) Credit losses and impairment of assets

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

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

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

Measurement of ECLs

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Measurement of ECLs (continued)
ECLs are measured on either of the following bases:

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Significant increases in credit risk (continued)
In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments on their contractually due dates;

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Basis of calculation of interest income (continued)
Evidence that a financial asset is credit-impaired includes the following observable events:

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

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

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

(ii) Credit losses from financial guarantees issued

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

(iii) Impairment of other non-current assets

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

- property, plant and equipment;
- construction in progress;
- intangible assets;
- right-of-use assets;
- goodwill; and
- investments in subsidiaries and associates in the Company's statement of financial position.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit ("CGU")).

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iv) Interim financial reporting and impairment

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

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

(l) Inventories

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

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

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

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

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

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

(m) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(k)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Cash and cash equivalents

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

(o) Contract liabilities

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

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Interest-bearing borrowings

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

(r) Employee benefits

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

(s) Income tax

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

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

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

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

  - the same taxable entity; or

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

(t) Provisions and contingent liabilities

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

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

(u) Revenue and other income

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue and other income (continued)

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

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

(i) Sale of goods

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

(ii) Dividends

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

(iii) Interest income

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

(iv) Rental income from operating leases

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Government grants

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

(w) Translation of foreign currencies

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

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

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

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

(x) Borrowing costs

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Critical accounting judgements

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

Key sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

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

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

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(ii) Impairments

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

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

The provision of ECLs is sensitive to changes in circumstances and of customer-specific conditions. The information about the ECLs and trade receivables are disclosed in notes 25 and 34(a). If the financial condition of the customers was to deteriorate, actual loss allowance would be higher than estimated.

(iii) Net realisable value of inventories

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

(iv) Depreciation

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(v) Recognition of deferred tax assets

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

(vi) Determining the lease term

As explained in policy note 1(j), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the group, the group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

3 REVENUE

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

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

(i) Disaggregation of Revenue

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

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
— Sales of gold	**5,285,893**	5,360,413
— Sales of other metals	**310,939**	461,670
— Others	**4,516**	53,286
Less: Sales taxes and levies	**(1,401)**	(1,012)
	5,599,947	5,874,357

3 REVENUE (continued)

(i) Disaggregation of Revenue (continued)

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

The Group has only one customer with whom transactions have exceeded 10% of the Group's revenues (2019: one). In 2020, revenues from sales of gold products to this customer amounted to approximately RMB5,168,910,000 (2019: RMB5,102,970,000) arose in the Henan Province, the PRC. Details of concentrations of credit risk arising from this customer are set out in note 34(a).

Further details regarding the Group's principal activities are disclosed in note 35 to these financial statements.

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

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

4 OTHER REVENUE

	2020 **RMB'000**	2019 RMB'000
Interest income on financial assets measured at amortised cost	**36,664**	23,854
Government grants	**12,256**	3,871
Service income	**9,536**	—
Scrap sales	**6,342**	2,610
Sundry income	**11,633**	3,010
	76,431	33,345

5 OTHER NET LOSS

	2020 RMB'000	2019 RMB'000
Net realised and unrealised loss on other financial instruments at fair value	**20,832**	12,764
Net (income)/loss on disposal of property, plant and equipment and intangible assets	**(330)**	4,095
Net foreign exchange loss/(gain)	**52,874**	(2,161)
Impairment losses of:		
— property, plant and equipment *(note 14)*	**56,431**	26,291
— intangible assets *(note 16)*	**1,550**	—
— investment deposits *(note 21)*	**9,400**	61,553
Economic loss of production equipment for fire of a subsidiary	**12,035**	—
Others	**9,788**	7,827
	162,580	110,369

6 STAFF COSTS

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	**234,949**	197,870
Contributions to defined contribution retirement plan	**15,681**	20,742
	250,630	218,612
Less: Staff costs capitalised into construction in progress	**(2,046)**	(1,620)
	248,584	216,992

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at the rate of 16%—19% (2019: 16%—19%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

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

7 PROFIT/(LOSS) BEFORE TAXATION

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

	2020 RMB'000	2019 RMB'000
(a) Finance costs		
Interest expenses on bank loans	**67,485**	119,279
Interest expenses on lease liabilities *(note 27(b))*	**442**	527
Other borrowing costs	**96,595**	62,658
	164,522	182,464

	2020 RMB'000	2019 RMB'000
(b) Other items:		
Depreciation of right-of-use assets# *(note 18)*	**5,245**	6,257
Amortisation of intangible assets# *(note 16)*	**20,220**	11,217
Depreciation of property, plant and equipment# *(note 14)*	**163,804**	123,998
Less: Depreciation capitalised construction in progress	**(505)**	(330)
	163,299	123,668
Provision/(reversal) of impairment losses on:		
— other receivables *(note 25(b))*	**2,305**	23,140
— investment deposits *(note 21)*	**9,400**	61,553
— purchase deposits *(note 25(c))*	**(318)**	(1,811)
— property, plant and equipment *(note 14)*	**56,431**	26,291
— intangible assets *(note 16)*	**1,550**	—
Auditors' remuneration–audit services	**5,041**	5,119
Research and development expenses	**3,504**	1,216
Environmental rehabilitation fees	**10,819**	8,699
Cost of inventories# *(note 24(b))*	**4,945,314**	5,514,215

Cost of inventories includes RMB272,048,000 (2019: RMB232,304,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately in note 6 and above for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020 RMB'000	2019 RMB'000
Current tax — PRC income tax		
Provision for the year	69,997	35,886
Over-provision in respect of prior years	(4,769)	(551)
	65,228	35,335
Deferred tax		
Origination and reversal of temporary differences	(332)	13,274
	64,896	48,609

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

	Note	2020 RMB'000	2019 RMB'000
Profit/(loss) before taxation		122,217	(203,232)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the jurisdictions concerned	(i) (ii) (iii)	74,216	(41,295)
Effect of non-deductible expenses		13,810	2,322
Effect of tax assessment and levying		4,672	—
Utilisation of temporary differences not recognised in previous years		(28,890)	(4,242)
Tax losses and temporary differences not recognised	(iv)	5,481	92,256
Over-provision in prior years		(4,769)	(551)
Others		376	119
Actual tax expense		64,896	48,609

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

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

Notes:

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

(ii) Hong Kong Profits Tax rate for 2020 is 16.5% (2019: 16.5%). No provision for Hong Kong Profits Tax is made as the subsidiary located in Hong Kong did not earn any income which is subject to Hong Kong Profits Tax.

(iii) Kyrgyzstan corporate income tax rate ("KR CIT") in 2020 is 0% (2019: 0%).

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

(iv) Considering the uncertainty of the future available taxable profits against which certain tax benefits can be utilised in the relevant tax jurisdiction and entity, the Group has not recognised deferred tax assets of RMB5,481,000 (2019: RMB92,256,000) in respect of unused tax losses of RMB13,648,000 (2019: RMB221,740,000) and temporary differences of RMB8,276,000 (2019: RMB147,284,000) for the year ended 31 December 2020.

9 DIRECTORS' EMOLUMENTS

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

Year ended 31 December 2020

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

9 DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2019

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Bonus RMB'000	Total RMB'000
Executive directors					
Mr. Chen Jianzheng	–	868	28	–	896
Mr. Zeng Xiangxin (appointed in November 2019)	–	105	4	–	109
Mr. Zhao Kun (resigned in July 2019)	–	222	15	–	237
Mr. Xing Jiangze	–	814	28	–	842
Ms. Zhou Xing	–	–	–	–	–
Mr. Wang Leo	–	100	–	–	100
Non-executive directors					
Mr. Shi Yuchen	100	–	–	–	100
Mr. Zhang Feihu (appointed in April 2019)	–	–	–	–	–
Independent non-executive directors					
Mr. Han Qinchun	120	–	–	–	120
Mr. Yang Dongsheng	100	–	–	–	100
Mr. Wang Jiheng	100	–	–	–	100
Mr. Wang Guanghua	100	–	–	–	100
Supervisors					
Mr. Dai Weitao (appointed in January 2020)	–	–	–	–	–
Mr. Wang Guodong (resigned in March 2019)	–	128	8	–	136
Mr. Guo Xurang	–	36	–	–	36
Mr. Zhao Bingbing	–	36	–	–	36
Mr. Yang Shilei (appointed in March 2019)	–	203	12	–	215
Mr. Jian Zhanxun (resigned in January 2020)	–	267	23	–	290
Mr. Jiao Xiaoxiao (resigned in March 2019)	–	30	5	–	35
Total	520	2,809	123	–	3,452

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2019: five) are directors and supervisors of the Company whose emoluments are disclosed in note 9. The emolument in respect of the other one (2019: Nil) individual is as follows:

	2020 **RMB'000**	2019 RMB'000
Salary and wage	**685**	–
Contribution to retirement benefit scheme	**21**	–
	706	–

The emolument of the above individual (2019: Nil) is within the following bands:

	2020 **Number of individuals**	2019 Number of individuals
Nil – RMB1,000,000	**1**	–

11 DIVIDENDS

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

No dividend attributable to the year was declared in 2020 or proposed after the end of the reporting period (2019: Nil).

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

	2020 **RMB'000**	2019 RMB'000
Final dividend in respect of the previous financial year, approved during the year, of RMB0.20 per ordinary share	**–**	172,850

Among the above final dividend approved in respect of the previous financial year, RMB169,352,000 was paid during the year ended 31 December 2019.

12 OTHER COMPREHENSIVE INCOME

The component of other comprehensive income does not have any significant tax effect for each of the years ended 31 December 2020 and 2019.

13 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the earnings attributable to equity shareholders of the Company of RMB89,700,000 (2019: loss of RMB233,502,000) and 864,249,091 ordinary shares (2019: 864,249,091 ordinary shares) in issue during the year ended 31 December 2020.

(b) Diluted earnings/(loss) per share

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

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining shafts RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2019	1,073,638	1,246,575	850,142	76,716	73,801	3,320,872
Exchange adjustments	5,867	3,828	2,629	510	11	12,845
Additions	96,941	139	13,844	7,083	1,351	119,358
Transfer from construction in progress *(note 15)*	9,019	9,131	2,707	–	–	20,857
Disposals	(560)	–	(1,059)	(8,436)	(337)	(10,392)
At 31 December 2019	1,184,905	1,259,673	868,263	75,873	74,826	3,463,540
Depreciation and impairment:						
At 1 January 2019	447,868	758,538	660,823	63,585	64,141	1,994,955
Exchange adjustments	3,071	2,499	1,719	489	3	7,781
Charge for the year	67,750	11,010	38,880	4,052	2,306	123,998
Impairment loss	–	26,291	–	–	–	26,291
Written back on disposals	(461)	–	(935)	(8,454)	–	(9,850)
At 31 December 2019	518,228	798,338	700,487	59,672	66,450	2,143,175
Net book value:						
At 31 December 2019	666,677	461,335	167,776	16,201	8,376	1,320,365

14 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Note:

(a) Impairment loss

Impairment loss of RMB56,431,000 was recognised in respect of a CGU, Full Gold Mining Limited Liability Company ("Full Gold"), which is under the mining — KR reportable segment, during the year ended 31 December 2020. Owing to the under-performance of production and operation of Full Gold, the Group identified an impairment indicator of its property, plant and equipment, and performed an impairment assessment of the related assets based on their estimated recoverable amounts.

The recoverable amounts of the CGU are estimated using the present value of future cash flows based on the financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using several key assumptions, including the expected gross margin, weighted average growth rate, useful life of the assets and pre-tax discount rate. The forecasted gross margin is based on past business performance and market participants' expectations for market development. The weighted average growth rate used is 1.9% and consistent with the forecasts included in industry reports. The discount rate used is pre-tax of 16% and reflect specific risks relating to the mining segment and country.

As a result of the assessment, the Group recognised an impairment loss of RMB56,431,000 on the property, plant and equipment to reduce the carrying amount of this CGU to its recoverable amount of RMB177,951,000. The impairment loss was recorded in "other net loss" (note 5) in the consolidated statement of profit or loss for the year ended 31 December 2020.

15 CONSTRUCTION IN PROGRESS

	2020 RMB'000	2019 RMB'000
At 1 January	**534,101**	395,590
Exchange adjustments	**(744)**	76
Additions	**215,604**	159,292
Transfer to property, plant and equipment *(note 14)*	**(178,008)**	(20,857)
At 31 December	**570,953**	534,101

16 INTANGIBLE ASSETS

	Shanghai Gold Exchange trading rights RMB'000	Exploration and evaluation assets *(note (a))* RMB'000	Mining development assets RMB'000	Mining rights *(note (b))* RMB'000	Exploration rights *(note (c))* RMB'000	Total RMB'000
Cost:						
At 1 January 2019	820	440,057	117,592	351,788	204,884	1,115,141
Exchange adjustments	–	170	500	2,050	–	2,720
Additions	–	3,700	–	20,050	–	23,750
At 31 December 2019	820	443,927	118,092	373,888	204,884	1,141,611
Amortisation and impairment:						
At 1 January 2019	–	50,332	21,481	208,239	204,884	484,936
Exchange adjustments	–	–	4	957	–	961
Charge for the year	–	–	4,873	6,344	–	11,217
At 31 December 2019	–	50,332	26,358	215,540	204,884	497,114
Net book value:						
At 31 December 2019	820	393,595	91,734	158,348	–	644,497

16 INTANGIBLE ASSETS (continued)

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

Notes:

(a) Included in the Group's exploration and evaluation assets are assets related to mines, which are under the exploration and evaluation stage as at 31 December 2020, with a carrying value of RMB432,564,000 (31 December 2019: RMB393,595,000). These assets are not subject to amortisation until they are placed in use.

An impairment loss of RMB1,550,000 was recognised on certain exploration and evaluation assets of the Group, which are under the mining PRC reportable segment, during the year ended 31 December 2020. The Group's management assessed that the possibility of extending the related exploration rights is low. As a result, a full impairment loss of RMB1,550,000 in respect of the related assets was recognised in "other net loss" (note 5) during the year ended 31 December 2020.

16 INTANGIBLE ASSETS (continued)

Notes: (continued)

(b) The Group's mining rights as at 31 December 2020 are as follows:

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

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

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

17 GOODWILL

	RMB'000
Cost:	
At 31 December 2019, 1 January 2020 and 31 December 2020	38,775
Accumulated impairment losses:	
At 31 December 2019, 1 January 2020 and 31 December 2020	(34,058)
Carrying amount:	
At 31 December 2019 and 31 December 2020	4,717

Impairment tests for cash-generating units containing goodwill

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

	2020 RMB'000	2019 RMB'000
Habahe Huatai Gold Company Limited	**2,262**	2,262
Tongbai Xingyuan Mining Company Limited	**2,455**	2,455
Total	**4,717**	4,717

17 GOODWILL (continued)

Impairment tests for cash-generating units containing goodwill (continued)

The recoverable amounts of the CGUs are determined based on value-in-use calculations with certain key assumptions. Value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and after-tax discount rates of 12%. Cash flow projections during the forecast period for the CGUs are based on the expected growth rates of 1.9% and gross margins of 30% to 58% during the forecast period. Forecasted gross margin is based on the expected growth rate for the industry. Forecasted gross margin has been determined based on past business performance and market participants' expectations for market development.

The Group's management determined that no additional impairment provision was required based on the impairment assessment performed as at 31 December 2020 (31 December 2019: Nil).

18 RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Other properties leased for own use RMB'000	Total RMB'000
Cost:			
At 1 January 2019	127,745	12,018	139,763
Additions	—	250	250
At 31 December 2019	127,745	12,268	140,013
Depreciation:			
At 1 January 2019	—	—	—
Charge for the year	4,839	1,418	6,257
At 31 December 2019	4,839	1,418	6,257
Net book value:			
At 31 December 2019	122,906	10,850	133,756

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

19 INTERESTS IN SUBSIDIARIES

Details of the subsidiaries at 31 December 2020 are as follows:

Name of companies	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Xinjiang Baoxin Mining Company Limited	Limited liability company	The PRC	80	20	RMB10,000/ RMB10,000	Sales of mineral products
Lingbao Hongxin Mining Company Limited	Limited liability company	The PRC	80	–	RMB3,000/ RMB3,000	Exploration and processing of gold; sales of mineral products
Jiangxi Mingxin Mining Company Limited	Limited liability company	The PRC	80	–	RMB5,000/ RMB5,000	Production and sales of precious metal products
Habahe Huatai Gold Company Limited	Limited liability company	The PRC	83.3	16.7	RMB9,800/ RMB9,800	Mining, processing and smelting of gold, production of gold products, sales of gold bullion products, machinery,equipment and components for gold processing
Tongbai Xingyuan Mining Company Limited	Limited liability company	The PRC	100	–	RMB17,000/ RMB17,000	Geological exploration of mineral reserves
Chi Feng City Zheng Ji Mining Company Limited	Limited liability company	The PRC	80	–	RMB15,131/ RMB15,131	Processing of metallurgy products, sales of mineral products
Lingbao Gold International Company Limited ("Lingbao Gold International")	Limited liability company	Hong Kong	100	–	HKD61,775/ HKD61,775	Investment holding
Chifeng Jinchan Mining Company Limited	Limited liability company	The PRC	100	–	RMB20,000/ RMB20,000	Mining and exploration of mineral reserves
Chifeng Lingjin Mining Company Limited	Limited liability company	The PRC	80	–	RMB40,000/ RMB40,000	Mining and exploration of mineral reserves
Full Gold Mining Limited Liability Company	Limited liability company	Kyrgyz Republic	82	–	SOM33,300/ SOM33,300	Mining and exploration of mineral reserves
Lingbao Jinda Mineral Products Trading Company Limited	Limited liability company	The PRC	–	100	RMB Nil/ RMB10,000	Sale of mineral products
Lingbao City Lingdong Mineral Products Company Limited *(note 27(d))*	Limited liability company	The PRC	100	–	RMB8,000/ RMB8,000	Sale of mineral products, mine engineering construction

19 INTERESTS IN SUBSIDIARIES (continued)

Name of companies	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Tianshui Hongwu Mining Development Company Limited ("Tianshui Hongwu")	Limited liability company	The PRC	74 *(note (a))*	–	RMB1,000/ RMB1,000	Mining and exploration of mineral reserves
Lanzhou Lingjin Mining Company Limited	Limited liability company	The PRC	100	–	RMB1,000/ RMB1,000	Mining and exploration of mineral reserves
Beijing Fushengda Investment Company Limited	Limited liability company	The PRC	100	–	RMB10,000/ RMB10,000	Investment holding
Ha Mi Jiachang Mining Investment and Development Company Limited	Limited liability company	The PRC	–	100	RMB20,000/ RMB20,000	Mining and exploration of mineral reserves
Lingbao Gold Yili Metallurgical Company Limited	Limited liability company	The PRC	100	–	RMB25,000/ RMB25,000	Processing and smelting of gold, further processing and sales of gold products
Habahe Huayuan Mining Company Limited	Limited liability company	The PRC	–	60	RMB5,000/ RMB5,000	Mining and exploration of mineral reserves
Lingbao Lingjin Technology Company Limited	Limited liability company	The PRC	100	–	RMB1,000/ RMB1,000	Development of mining and exploration of mineral reserves technology; design of mineral engineering
Lingbao Lingxin Gold Metallurgical Company Limited	Limited liability company	The PRC	100	–	RMB500,000/ RMB550,000	Processing and smelting of gold, further processing and sales of gold products
Lingbao City Dexin Mining Company Limited	Limited liability company	The PRC	100	–	RMB Nil/ RMB300,000	Mining, processing and sales of mineral reserves
Tianshui Dongshanhong Mining Development Company Limited	Limited liability company	The PRC	–	74	RMB1,000/ RMB1,000	Mining, processing and sales of mineral reserves
Shenzhen Jinda Gold Company Limited	Limited liability company	The PRC	100	–	RMB200,000/ RMB200,000	Sales of mineral products

19 INTERESTS IN SUBSIDIARIES (continued)

Note:

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

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

Full Gold

	2020 **RMB'000**	2019 RMB'000
NCI percentage	**18%**	18%
Current assets	**245,436**	293,932
Non-current assets	**285,189**	417,390
Current liabilities	**(620,450)**	(1,230,348)
Non-current liabilities	**(780,432)**	(229,872)
Net liabilities	**(870,257)**	(748,898)
Carrying amount of NCI	**(140,091)**	(123,247)
Revenue	**141,890**	127,189
Loss for the year	**(174,510)**	(37,463)
Loss attributable to NCI	**(31,412)**	(6,743)
Total comprehensive income	**(121,359)**	(48,308)
Total comprehensive income attributable to NCI	**(21,845)**	(8,695)
Cash flows generated from operating activities	**57,250**	95,345
Cash flows used in investing activities	**(9,183)**	(31,172)
Cash flows used in financing activities	**(44,751)**	(64,463)

20 OTHER FINANCIAL ASSETS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Financial assets measured at FVPL		
— Unlisted, at fair value		
— Henan Jinqu Gold Co., Ltd. *(note (a))*	**4,500**	4,500
— Others	**20**	20
	4,520	4,520

Note:

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

21 INVESTMENT DEPOSITS

	2020 RMB'000	2019 RMB'000
Investment deposits		
— Beijing Jiuyi *(note (a))*	**75,753**	75,753
— Henan Asset Management *(note (b))*	**94,000**	94,000
Less: Impairment losses	**(160,353)**	(150,953)
	9,400	18,800

Notes:

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

During the year ended 31 December 2019, the Group received RMB4,247,000 and reversed the corresponding impairment loss of RMB4,247,000, which was recorded in "other net loss" (note 5) in the consolidated statements of profit or loss for the year ended 31 December 2019.

21 INVESTMENT DEPOSITS (continued)

Notes: (continued)

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

In June 2019, the Group filed an application to the court in the PRC to reclaim the investment deposit of RMB94,000,000. The case was put in trials in the PRC court in August 2019. However, on 19 November 2019, a first instance court judgement had been rendered against the Group. In December 2019, the Group filed an appeal and as at 31 December 2019, the lawsuit was still under review before the Higher People's Court of Henan Province. Based on the Group's assessment on the claim and the PRC lawyer's opinion, the Directors considered the recoverability of the above investment deposit due from Henan Assets Management was reduced. Therefore, at 31 December 2019, the Group has additionally made an impairment loss for the investment deposit amounting to RMB65,800,000, representing 70% of total investment deposit, which was recorded in "other net loss" (note 5) in the consolidated statement of profit or loss for the year ended 31 December 2019. As at 31 December 2019, the accumulated impairment loss of the above investment deposit was RMB75,200,000.

In April 2020, the Higher People's Court of Henan Province found against the Group. In July 2020, the Group filed an appeal before the Supreme People's Court of the People's Republic of China ("Supreme People's Court"), which was dismissed by the Supreme People's Court in November 2020. In March 2021, the Group filed another appeal before the Supreme People's Procuratorate of the People's Republic of China in respect of the deposit. Based on the legal advice and taking into account of further legal action, at 31 December 2020, the Group has additionally made an impairment loss for the investment deposit amounting to RMB9,400,000 in respect of this lawsuit, representing 10% of total investment deposit, which was recorded in "other net loss" (note 5) in the consolidated statement of profit or loss for the year ended 31 December 2020. As at 31 December 2020, the accumulated impairment loss of the above investment deposit was RMB84,600,000.

22 NON-CURRENT PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Prepayments for purchase of property, plant and equipment and construction of mining shafts	**13,044**	2,353
Prepayments for taxes *(note (a))*	**170,305**	170,305
	183,349	172,658
Less: Loss allowance	**(170,305)**	(170,305)
	13,044	2,353

22 NON-CURRENT PREPAYMENTS (continued)

Note:

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

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

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

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2020 **RMB'000**	2019 RMB'000
At beginning of the year	**28,565**	118,126
Provision for PRC income tax *(note 8)*	**65,228**	35,335
PRC income tax paid	**(41,108)**	(124,896)
At the end of the year	**52,685**	28,565
Representing:		
PRC income tax		
— Recoverable	**(7,279)**	(11,043)
— Payable	**59,964**	39,608
At the end of the year	**52,685**	28,565

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

(b) Deferred tax assets and liabilities recognised:

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

	Depreciation of property, plant and equipment RMB'000	Amortisation of intangible assets RMB'000	Allowance for bad debt RMB'000	Inventories RMB'000	Other accruals and payables RMB'000	Financial instruments RMB'000	Tax losses RMB'000	Total RMB'000
Deferred tax arising from:								
At 1 January 2019	9,873	5,025	267,466	6,308	37,503	1,527	13,487	341,189
(Charged)/credited to profit or loss	(8,651)	55	(5,543)	2,279	4,183	1,687	(7,284)	(13,274)
At 31 December 2019	**1,222**	**5,080**	**261,923**	**8,587**	**41,686**	**3,214**	**6,203**	**327,915**
Credited/(charged) to profit or loss	**6,646**	**1,856**	**(8)**	**(1,146)**	**(1,831)**	**(1,655)**	**(3,530)**	**332**
At 31 December 2020	**7,868**	**6,936**	**261,915**	**7,441**	**39,855**	**1,559**	**2,673**	**328,247**

(ii) Reconciliation to the consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Net deferred tax asset recognised on the consolidated statement of financial position	**334,128**	338,171
Net deferred tax liability recognised on the consolidated statement of financial position	**(5,881)**	(10,256)
	328,247	327,915

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative unused tax losses of RMB199,797,000 (2019: RMB396,176,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Tax losses of RMB34,981,000, RMB44,232,000, RMB40,381,000, RMB73,351,000 and RMB6,852,000 if unused, will expire in 2021, 2022, 2023, 2024 and 2025, respectively.

24 INVENTORIES

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

	2020 RMB'000	2019 RMB'000
Raw materials	**1,171,889**	1,062,284
Work in progress	**129,645**	116,594
Finished goods	**388,853**	214,469
Spare parts and materials	**88,813**	84,624
	1,779,200	1,477,971

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

	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold	**4,928,907**	5,515,654
Write down of inventories	**16,407**	—
Reversal of write-down of inventories	**—**	(1,439)
	4,945,314	5,514,215

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain other metals as a result of a change in product price.

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Trade receivables, net of loss allowance	**21,324**	9,422
Bills receivable	**–**	66,717
	21,324	76,139
Other receivables, net of loss allowance *(note (b))*	**77,955**	59,729
Amounts due from related parties *(note 36)*	**–**	20,277
	77,955	80,006
Financial assets measured at amortised cost	**99,279**	156,145
Deposits and prepayments	**49,277**	47,335
Purchase deposits *(note (c))*	**800,354**	797,444
Less: Allowance for non-delivery	**(786,205)**	(786,523)
	14,149	10,921
Amount due from Beijing Jiuyi *(note (d))*	**–**	–
	162,705	214,401

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

Transfers of financial assets

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

As at 31 December 2019, the Group endorsed certain bank acceptance bills with a carrying amount of RMB RMB2,070,000 to suppliers for settling trade payables of the same amount on a full recourse basis. As the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, the Group's management determined not to derecognise the carrying amounts of these bills receivable and the associated trade payables settled.

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

Transfers of financial assets (continued)

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

As at 31 December 2020, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date less than twelve months from the end of the reporting period. The Group's management determined that the Group has transferred substantially all the risks and rewards of ownership of these bills to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit rating and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2020, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to banks or suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB150,000 (31 December 2019: RMB10,500,000).

(a) Ageing analysis

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

	2020 RMB'000	2019 RMB'000
Within three months	**21,324**	78,436
Over three months but less than six months	**–**	4,080
Over one year	**–**	3,900
At 31 December	**21,324**	86,416

For sales of gold, the Group requests customers to pay cash in full immediately upon the delivery. For sales of other metallic products, trade and bills receivables are due within 30 days to 180 days from the date of billing. Further details on the Group's credit policy are set out in note 34(a).

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

Transfers of financial assets (continued)

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

(b) Other receivables, net of loss allowance

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

	2020 **RMB'000**	2019 RMB'000
Other receivables	**109,020**	99,517
Less: Allowance for expected credit losses	**(31,065)**	(39,788)
	77,955	59,729

During the year ended 31 December 2020, the Group recognised the loss allowance for expected credit losses of other receivables of RMB2,305,000 and wrote off the loss allowance for expected credit losses of other receivables of RMB11,028,000.

During the year ended 31 December 2019, the Group recognised the loss allowance for expected credit losses of other receivables of RMB23,140,000.

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

(c) Purchase deposits

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

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

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

Transfers of financial assets (continued)

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

(c) Purchase deposits (continued)

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

	2020 RMB'000	2019 RMB'000
At 1 January	**786,523**	788,334
Reversal of impairment loss	**(318)**	(1,811)
At 31 December	**786,205**	786,523

During the year ended 31 December 2020, the Group reversed impairment losses of purchase deposits of RMB318,000 (31 December 2019: RMB40,000,000) due to the receipt of mineral sand from three suppliers.

During the year ended 31 December 2019, an impairment loss of RMB38,189,000 was made based on the Group's reassessment of recoverability of purchase deposits.

The management considered that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the remaining purchase deposits of RMB14,149,000 as at 31 December 2020 would be gradually recovered through future purchases of mineral sand from the respective suppliers.

(d) Amount due from Beijing Jiuyi

	2020 RMB'000	2019 RMB'000
Amount due from Beijing Jiuyi	**30,800**	30,800
Less: Impairment losses	**(30,800)**	(30,800)
	–	–

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

26 PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	2020 RMB'000	2019 RMB'000
Guarantee deposits for issuance of letter of credit	**34,450**	128,592
Guarantee deposits for bank and other borrowings	**1,319,857**	42,000
Guarantee deposits for issuance of bank acceptance bills	**21,008**	695,000
Guarantee deposits for interest swap	**8,240**	6,500
Guarantee deposits for environment governance	**8,401**	—
Others	**2,373**	—
	1,394,329	872,092

At 31 December 2020, guarantee deposits of RMB1,375,315,000 (RMB865,592,000) have been pledged with various banks to obtain bank and other borrowings, to issue letter of credit and bank acceptance bills. The pledge in respect of the bank deposits will be released with the expiration of the relevant bank and other borrowings, letter of credit and bank acceptance bills. All of these deposits are to be collected within one year.

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2020 RMB'000	2019 RMB'000
Cash at bank and on hand	**132,709**	318,671

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

(b) Reconciliation of liabilities arising from financing activities

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

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

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

	Bank and other borrowings RMB'000 *(note 28)*	Guarantee deposits for bank and other borrowings RMB'000 *(note 26)*	Interest payable RMB'000 *(note 29)*	Financial liabilities at fair value through profit or loss RMB'000 *(note 29)*	Lease liabilities RMB'000 *(note 31)*	Total RMB'000
At 1 January 2019	4,569,951	(409,861)	11,526	27,650	12,018	4,211,284
Changes from financing cash flows:						
Proceeds from new bank loans	2,826,982	–	–	–	–	2,826,982
Repayment of bank loans	(3,487,245)	–	–	–	–	(3,487,245)
Pledged deposits collected for borrowings	–	367,861	–	–	–	367,861
Interest paid	–	–	(190,647)	–	–	(190,647)
Payment for interest swap settlement	–	–	–	(7,208)	–	(7,208)
Repayment of gold lease contracts	–	–	–	(27,488)	–	(27,488)
Capital element of lease rentals paid	–	–	–	–	(320)	(320)
Interest element of lease rentals paid	–	–	–	–	(215)	(215)
Total changes from financing cash flows	(660,263)	367,861	(190,647)	(34,696)	(535)	(518,280)
Exchange adjustments	7,589	–	72	–	–	7,661
Other changes:						
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	250	250
Interest expenses *(note 7(a))*	–	–	181,937	–	527	182,464
Unrealised loss on financial instruments at fair value	–	–	–	7,194	–	7,194
Reclassification	(500,000)	–	–	–	–	(500,000)
At 31 December 2019	3,417,277	(42,000)	2,888	148	12,260	3,390,573

(c) Total cash outflow for leases

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

	2020 RMB'000	2019 RMB'000
Within operating cash flows	**30**	295
Within financing cash flows	**944**	535
	974	830

All these amounts are related to lease rentals paid.

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

(d) Net cash outflow arising from the acquisition of a subsidiary

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary comprise the following:

	2020 RMB'000
Property, plant and equipment	**88**
Trade and other receivables, deposits and prepayments	**1,150**
Cash	**1,069**
Total consideration paid in cash	**1,150**
Less: cash of subsidiary acquired	**(1,069)**
	81

28 BANK AND OTHER BORROWINGS

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

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000
Short-term bank and other borrowings:		
— Bank and other borrowings	**3,380,866**	2,698,378
— Add: Current portion of long-term bank and other borrowings	**379,749**	312,884
	3,760,615	3,011,262
Long-term bank and other borrowings:		
— Bank and other borrowings	**379,749**	718,899
— Less: Current portion of long-term bank and other borrowings	**(379,749)**	(312,884)
	—	406,015
	3,760,615	3,417,277

28 BANK AND OTHER BORROWINGS (continued)

At 31 December 2020, the bank and other borrowings were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within one year or on demand	**3,760,615**	3,011,262
Over one year but within two years	**–**	367,646
Over two years but within five years	**–**	38,369
	–	406,015
	3,760,615	3,417,277

At 31 December 2020, the bank and other borrowings were secured as follows:

	2020 RMB'000	2019 RMB'000
Bank and other borrowings		
— Guaranteed	**410,177**	627,858
— Unsecured	**3,350,438**	2,789,419
	3,760,615	3,417,277

At 31 December 2020, bank and other borrowings of the Group amounting to RMB326,245,000 (31 December 2019: RMB627,858,000) and USD12,863,000 (RMB equivalent: 83,932,000) (31 December 2019: Nil) were guaranteed by Lingbao State-owned Assets Operation Company Limited and by a major shareholder of the Group, D&R Asset Management Group Company Limited ("D&R Investment"), respectively.

Certain of the Group's bank loan agreements were subject to the fulfilment of covenants imposing certain specific performance requirements on the Group. If the Group were to breach the covenants, bank loans drawn down would become payable on demand. As at 31 December 2020, certain covenants of the bank loan agreements from three banks were breached by the Company and one of its subsidiaries named Full Gold. The Company obtained waiver letters from two banks, confirming that they do not treat the Company has breached the relevant covenants under the existing loan agreements. For the bank loan drawn down by Full Gold, no waiver letter had been obtained as at 31 December 2020. As a result, the balance of bank loan amounting to USD8,400,000 (RMB equivalent: 53,504,180) was recorded in the current portion of long-term bank and other borrowings as at 31 December 2020.

29 TRADE AND OTHER PAYABLES

Current trade and other payables

	31 December 2020 RMB'000	31 December 2019 RMB'000
Bills payable	**21,008**	–
Trade payables	**582,729**	283,422
Other payables and accruals	**321,771**	331,438
Interest payables *(note 27(b))*	**1,084**	2,888
Payable for mining rights	**79,440**	84,935
Deferred income *(note (a))*	**62,136**	80,416
Payable to non-controlling interests *(note (b))*	**52**	23,021
Dividend payable	**4,758**	4,758
Financial liabilities at fair value through profit or loss	**233**	148
	1,073,211	811,026
Non-current other payables		
Deferred income *(note (a))*	**87,472**	76,481
Decommissioning costs *(note (c))*	**94,224**	55,528
	181,696	132,009

Notes:

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

(b) Payable to non-controlling interests is unsecured, interest free and repayable on demand.

(c) The decommissioning costs relate to reclamation and closure costs relating to the Group's mine operations. The decommissioning costs are calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, discounted at 4.9%, which amounted to RMB94,224,000 (31 December 2019: RMB55,528,000) in total as at 31 December 2020.

29 TRADE AND OTHER PAYABLES (continued)

Current trade and other payables (continued)

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

	2020 RMB'000	2019 RMB'000
Within three months	**544,643**	221,201
Over three months but less than six months	**20,784**	5,859
Over six months but less than one year	**3,968**	38,485
Over one year but less than two years	**5,177**	3,585
Over two years	**8,157**	14,292
	582,729	283,422

30 CONTRACT LIABILITIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Made-to-order manufacturing arrangements — Billings in advance of performance	**2,778**	6,796

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

Made-to-order manufacturing arrangements

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

30 CONTRACT LIABILITIES (continued)

Movements in contract liabilities

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**6,796**	32,621
Increase in contract liabilities as a result of billing in advance of manufacturing activities	**124,896**	103,895
Decrease in contract liabilities as a result of recognising revenue during the year	**(128,914)**	(129,720)
Balance at 31 December	**2,778**	6,796

31 LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**1,895**	3,255
After 1 year but within 2 years	**1,577**	1,503
After 2 years but within 5 years	**4,296**	5,537
After 5 years	**1,756**	1,965
	7,629	9,005
	9,524	12,260

32 CAPITAL AND RESERVES

(a) Movements in components of equity

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

The Company

	Note	Share capital *(note 32(b))* RMB'000	Share premium *(note (i))* RMB'000	PRC statutory reserves *(note (ii))* RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2019		172,850	891,926	160,070	1,291,960	2,516,806
Changes in equity for 2019						
Total comprehensive income for the year		–	–	–	(144,366)	(144,366)
Dividends approved in respect of the previous year *(note 11)*		–	–	–	(172,850)	(172,850)
Appropriation of safety production fund		–	–	716	(716)	–
Utilisation of safety production fund		–	–	(716)	716	–
At 31 December 2019	37	**172,850**	**891,926**	**160,070**	**974,744**	**2,199,590**
Changes in equity for 2020						
Total comprehensive income for the year		**–**	**–**	**–**	**105,182**	**105,182**
Appropriation of safety production fund				**27,316**	**(27,316)**	**–**
Utilisation of safety production fund				**(27,316)**	**27,316**	**–**
At 31 December 2020	37	**172,850**	**891,926**	**160,070**	**1,079,926**	**2,304,772**

Notes:

(i) *Share premium*

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

32 CAPITAL AND RESERVES (continued)

(a) Movements in components of equity (continued)

The Company (continued)

Notes: (continued)

(ii) *PRC statutory reserves*

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

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

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

For the year ended 31 December 2020, the Company transferred RMB27,316,000 (2019: RMB716,000) from retained earnings to specific reserve for the provision for the safety production fund, and transferred RMB27,316,000 (2019: RMB716,000) from reserves to retained earnings for the utilisation of the safety production fund according to relevant PRC regulations.

(iii) *Exchange reserve*

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

(iv) *Other reserve*

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

32 CAPITAL AND RESERVES (continued)

(b) Share capital

	Number of shares	Amount RMB'000
As at 31 December 2019, 1 January 2020 and 31 December 2020		
Registered, issued and fully paid:		
Domestic shares of RMB0.20 each	566,975,091	113,395
H shares of RMB0.20 each	297,274,000	59,455
Total	864,249,091	172,850

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

(c) Statutory reserves — specific reserves

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

For the year ended 31 December 2020, the Group transferred RMB42,224,000 (2019: RMB46,415,000) from retained earnings to specific reserve provision for the safety production fund and transferred RMB42,224,000 (2019: RMB46,415,000) from specific reserve to retained earnings for the utilisation of the safety production fund according to relevant PRC regulations.

As at 31 December 2020, the consolidated retained profits included an appropriation of RMB36,611,000 (31 December 2019: RMB36,611,000) to PRC statutory reserve made by the subsidiaries of the Group.

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes bank loans, other loans, trade and other payables less cash and cash equivalents and pledged deposits). Adjusted capital comprises all components of equity attributable to equity shareholders of the Company less unaccrued proposed dividends.

32 CAPITAL AND RESERVES (continued)

(d) Capital management (continued)

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratio at 31 December 2020 and 31 December 2019 was as follows:

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Current liabilities:			
— Bank and other borrowings	28	**3,760,615**	3,011,262
— Trade and other payables	29	**1,073,211**	811,026
— Lease liabilities	31	**1,895**	3,255
		4,835,721	3,825,543
Non-current liabilities:			
— Bank and other borrowings	28	**–**	406,015
— Other payables	29	**181,696**	132,009
— Lease liabilities	31	**7,629**	9,005
		189,325	547,029
Total debt		**5,025,046**	4,372,572
Less: Cash and cash equivalents	27	**(132,709)**	(318,671)
Fixed deposits held at banks with maturity over three months		**(99,105)**	–
Pledged deposits	26	**(1,394,329)**	(872,092)
Adjusted net debt		**3,398,903**	3,181,809
Total equity attributable to equity shareholders of the Company		**1,783,148**	1,652,336
Adjusted net debt-to-capital ratio		**191%**	193%

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

33 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments, representing purchase of property, plant and equipment and intangible assets outstanding at 31 December 2020 not provided for in the financial statements, were as follows:

	2020 RMB'000	2019 RMB'000
Authorised and contracted for	**79,351**	25,542
Authorised but not contracted for	**249,263**	254,281
	328,614	279,823

(b) Financial guarantees issued

As at 31 December 2020, the Company has issued a guarantee to a subsidiary, Lingbao Gold International, in respect of a loan granted to another subsidiary, Full Gold, of USD1,426,000 (RMB equivalent: 9,305,000) (31 December 2019: USD1,426,000 (RMB equivalent: 9,948,000)).

The management does not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the above outstanding loan granted to a subsidiary of the Company.

Except for the above guarantee, the Group or the Company does not provide any guarantees which would expose the Group or the Company to credit risk.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, gold price, other commodity price and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, deposits and prepayments and investment deposit. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit quality, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

The Group's major customers are Shanghai Gold Exchange and metallurgical companies in the PRC, which accounted for significant amounts of the Group's total revenues during the year.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk (continued)

Trade receivables (continued)

For sales of gold, the Group has no significant credit risk as the transaction amounts of sales of gold are required to be settled immediately upon the delivery.

For sales of other metallic products, the Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant. Normally, the Group obtains a part of advance receipts from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Credit risk arising from purchase deposits and investment deposits

As at 31 December 2020, the Group had purchase deposits of RMB14,149,000 (net of provision) (31 December 2019: RMB10,921,000) to suppliers to secure its supplies of mineral sand which is the major raw materials in the smelting process. The balance represented 0.40% (2019: 0.38%) of the total current assets at 31 December 2020. The purchase deposits will be recovered through purchases from these suppliers in future periods. In the event that these suppliers ceased to provide mineral sand to the Group, the Group may expose itself to significant credit risk arising from the recoverability of the purchase deposits and hence the profitability will be adversely affected.

As at 31 December 2020, the Group's purchase deposits of RMB786,205,000 (31 December 2019: RMB786,523,000) were individually determined to be impaired (see note 25(c)). Management of the Group will continue to monitor the progress of the recoverability of the purchase deposits and chase for settlement of the outstanding balances from the suppliers regularly.

As at 31 December 2020, the accumulated impairment loss of an investment deposit was RMB84,600,000 (31 December 2019: RMB75,200,000) (see note 21). Management of the Group will continue to monitor the progress of the recoverability of the investments including the legal action taken and chase for settlement of the outstanding balances from the debtor regularly. Management considers to carry out due diligence work on the proposed acquisition before investment decision is made in order to reduce the related credit risk.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk (continued)

Credit risk arising from purchase deposits and investment deposits (continued)

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance, and discounted and endorsed bills with full recourse which were derecognised by the Group (see note 25).

Except for the financial guarantees given by the Company to a subsidiary, as set out in note 33(b), the Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and purchase deposits are set out in note 25.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient funding to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Other than discounted and endorsed bills with full recourse which were derecognised by the Group, the following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

		2020 Contractual undiscounted cash outflow						2019 Contractual undiscounted cash outflow					
	Note	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank and other borrowings	28	3,776,757	–	–	–	3,776,757	3,760,615	3,072,610	370,716	40,518	–	3,483,844	3,417,277
Lease liabilities	31	1,895	1,895	4,820	2,555	11,165	9,524	3,255	1,895	6,260	4,666	16,076	12,260
Trade and other payables		1,049,295	–	–	–	1,049,295	1,049,295	787,415	–	–	–	787,415	787,415
		4,827,947	1,895	4,820	2,555	4,837,217	4,819,434	3,863,280	372,611	46,778	4,666	4,287,335	4,216,952

Note:

Further information on management's plans to manage the Group's liquidity needs is set out in note 1(b).

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise. The Group's interest rate profile as monitored by management is set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period, after taking into account the effect of swap contracts.

	2020		2019	
	Interest rate %	**RMB'000**	Interest rate %	RMB'000
Net fixed rate borrowings:				
Bank and other borrowings	**2.95–5.30**	**3,160,866**	2.20–5.70	2,188,378
Lease liabilities	**4.90**	**9,524**	4.90	12,260
Less: fixed deposits held at banks with maturity over three months	**1.10–1.30**	**(99,105)**	N/A	N/A
		3,071,285		2,200,638
Net variable rate borrowings:				
Bank and other borrowings	**2.46–4.63**	**599,749**	2.20–5.00	1,228,899
Less: Cash and cash equivalents	**0.00–4.20**	**(132,709)**	0.00–4.20	(318,671)
Pledged deposits	**0.30–2.75**	**(1,394,329)**	0.03–3.66	(872,092)
		(927,289)		38,136
Total net borrowings		**2,143,996**		2,238,774
Net fixed rate borrowings as a percentage of total net borrowings		**143%**		98%

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

As at 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's net profit for the year and decrease/increase the Group's retained earnings by approximately RMB9,273,000 (2019: increase/decrease the Group's net loss for the year and decrease/increase the Group's retained earnings by approximately RMB476,000). This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of reporting period and the change was applied to the Group's variable rate borrowings at that date with exposure to cash flow interest rate risk. The impact on the Group's profit after tax and retained earnings is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2019.

(d) Commodity price risk

Gold price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of gold.

The Group entered into forward and futures contracts for the sale of gold. All forward and future commodity contracts can only be carried out under the approval of the General Manager's Office which is composed of top management of the Company and established by the Board of Directors of the Company. As approved by the Board of Directors of the Company, the holding position of gold underlying the exposure positions of forward and future contracts should not exceed certain percentage of annual gold planned production volume of the Group, respectively. In addition, the price range of the forward and future commodity contracts is closely monitored by the General Manager's Office. As at 31 December 2020 and 2019, most forward and future commodity contracts had been closed out.

Accordingly, a reasonably possible fluctuation of 10% in commodity prices would have no significant impact on the Group's net profit and retained earnings for the year.

(e) Foreign currency risk

The Group is exposed to currency risk primarily through bank deposits, trade and other receivables, trade and other payables and bank loans that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("USD"). In addition, as the Hong Kong dollar ("HKD") is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Foreign currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entities to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currency (expressed in Renminbi)	
	2020	2019
	USD	USD
	RMB'000	RMB'000
Trade and other receivables	**777,445**	961,398
Cash and cash equivalents	**3,680**	4,474
Trade and other payables	**(19,479)**	(14,594)
Bank and other borrowings	**(558,308)**	(685,063)
Overall net exposure	**203,338**	266,215

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and increase/ (decrease) in retained profits**	Increase/ (decrease) in foreign exchange rates	Decrease/ (increase) in loss after tax and increase/ (decrease) in retained profits
	%	**RMB'000**	%	RMB'000
USD	**3**	**4,575**	3	3,990
	(3)	**(4,575)**	(3)	(3,990)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Foreign currency risk (continued)

(ii) Sensitivity analysis (continued)

Result of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations in the Group's presentation currency. The analysis is performed on the same basis for 2019.

(f) Procurement risk of raw material

During the year ended 31 December 2020, the Group's supplies of direct materials from independent third parties for smelting segment represent 66% (2019: 62%) of the Group's total direct materials, in which, the top five suppliers in 2020 represent 27.25% (2019: 26.69%) of the Group's total direct materials. Although the Group believes that it maintains good relationships with its suppliers, there can be no assurance that its suppliers will continue to sell to the Group on normal commercial terms as and when needed. In the event that these suppliers cease to sell to the Group and the Group could not secure other sources of supply, the Group's revenue and profitability will be adversely affected.

(g) Fair value measurement

(i) Financial assets and liabilities carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Fair value measurement (continued)

(i) Financial assets and liabilities carried at fair value (continued)

Fair value hierarchy (continued)

The Group has a team headed by the finance manager performing valuations for the financial instruments. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
— Unlisted equity securities	**4,520**	**–**	**–**	**4,520**
Financial liabilities at fair value through profit or loss:				
— Interest rate swaps	**(233)**	**–**	**(233)**	**–**

	Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
— Unlisted equity securities	4,520	–	4,520	–
Financial liabilities at fair value through profit or loss:				
— Interest rate swaps	(148)	–	(148)	–

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Fair value measurement (continued)

(i) Financial assets and liabilities carried at fair value (continued)

Fair value hierarchy (continued)

During the twelve months ended 31 December 2020, there were no transfers between Level 1 and Level 2 (2019: RMB Nil). As at 31 December 2020, the unlisted equity securities amounting to RMB4,520,000 were transferred out from level 2 to level 3 since no quoted price could be obtained and unobservable inputs were applied in valuation of the unlisted equity securities (31 December 2019: RMB Nil).

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Information about Level 3 fair value measurements

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2020 RMB'000	2019 RMB'000
Unlisted equity securities		
At 1 January	**–**	–
Transfer out of Level 2	**4,520**	–
At 31 December	**4,520**	–

The fair value of unlisted equity securities is determined using the price/sales ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

	Valuation techniques	**Significant unobservable inputs**
Unlisted equity securities	Market comparable companies	Discount for lack of marketability

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019 and 2020.

35 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (production processes, products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. Operating segments with similar nature of the production process, products and services have been aggregated to form the following reportable segments.

Mining — PRC — Gold mining and mineral ores processing operations in the PRC.

Mining — KR — Gold mining and mineral ores processing operations in the KR.

Smelting — Gold and other metal smelting and refinery operations carried out in the PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, deferred tax assets and current assets with the exception of investments in financial assets and other corporate assets managed by head office. Segment liabilities include trade creditors and accruals attributable to the activities of the individual segments, deferred tax liabilities and bank and other borrowings managed directly by the segments with the exception of bank borrowings managed by head office.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of goods, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

35 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Mining – PRC		Mining – KR		Smelting		Total	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Revenue from external customers	**3,526**	145,023	**83,719**	111,627	**5,514,103**	5,618,719	**5,601,348**	5,875,369
Inter-segment revenue	**923,031**	311,883	**58,171**	15,562	**–**	–	**981,202**	327,445
Sales taxes and levies	**(125)**	(51)	**–**	–	**(1,276)**	(961)	**(1,401)**	(1,012)
Reportable segment revenue	**926,432**	456,855	**141,890**	127,189	**5,512,827**	5,617,758	**6,581,149**	6,201,802
Reportable segment profit/(loss)	**380,146**	72,574	**(61,317)**	(13,294)	**185,192**	137,041	**504,021**	196,321
Reportable segment assets	**2,553,252**	2,278,066	**526,316**	707,012	**2,746,091**	2,016,860	**5,825,659**	5,001,938
Reportable segment liabilities	**1,761,491**	1,801,913	**1,400,882**	1,460,219	**2,021,593**	1,501,218	**5,183,966**	4,763,350
Other segment information								
Interest expenses	**(23,608)**	(85,406)	**(25,578)**	(31,227)	**(72,069)**	(79,593)	**(121,255)**	(196,226)
Depreciation and amortisation for the year	**(99,485)**	(61,184)	**(51,074)**	(52,564)	**(35,448)**	(19,758)	**(186,007)**	(133,506)
Reversal/(provision) of impairment on:								
– trade and other receivables	**(286)**	(676)	**–**	–	**–**	–	**(286)**	(676)
– purchase deposits	**–**	–	**–**	–	**318**	1,811	**318**	1,811
– property, plant and equipment	**–**	(26,291)	**(56,431)**	–	**–**	–	**(56,431)**	(26,291)
– intangible assets	**(1,550)**	–	**–**	–	**–**	–	**(1,550)**	–
– investment deposits	**–**	–	**–**	–	**(9,400)**	(65,800)	**(9,400)**	(65,800)

35 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	**6,581,149**	6,201,802
Elimination of inter-segment revenue	**(981,202)**	(327,445)
Consolidated revenue	**5,599,947**	5,874,357
Profit or loss		
Reportable segment profit	**504,021**	196,321
Elimination of inter-segment profits	**(25,860)**	(10,835)
Reportable segment profit derived from the Group's external customers	**478,161**	185,486
Other net loss	**(162,580)**	(110,369)
Finance costs	**(164,522)**	(182,464)
Unallocated head office and corporate expenses	**(28,842)**	(95,885)
Consolidated profit/(loss) before taxation	**122,217**	(203,232)
Income tax	**(64,896)**	(48,609)
Profit/(loss) for the year	**57,321**	(251,841)

35 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	2020 RMB'000	2019 RMB'000
Assets		
Reportable segment assets	**5,825,659**	5,001,938
Elimination of inter-segment receivables	**(372,567)**	(425,648)
Elimination of unrealised profits	**(43,306)**	(19,463)
	5,409,786	4,556,827
Interest in associates	**22,531**	22,531
Other financial assets	**4,520**	4,520
Cash and cash equivalents managed by head office	**905,779**	795,083
Unallocated head office and corporate assets	**362,074**	563,181
Consolidated total assets	**6,704,690**	5,942,142
Liabilities		
Reportable segment liabilities	**5,183,966**	4,763,350
Elimination of inter-segment payables	**(372,567)**	(427,666)
	4,811,399	4,335,684
Unallocated head office and corporate liabilities	**282,270**	103,436
Consolidated total liabilities	**5,093,669**	4,439,120

36 RELATED PARTY TRANSACTIONS

During the year ended 31 December 2020, the Directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
D&R Investment 達仁投資管理集團股份有限公司	Major shareholder of the Group
Lingbao Wason Copper-Foil Company Limited 靈寶華鑫銅箔有限責任公司 ("Wason Copper-Foil")	Entity controlled by D&R Investment
Lingbao Hongyu Electronics Company Limited 靈寶鴻宇電子有限責任公司	Entity controlled by D&R Investment
Lingbao Baoxin Electronic Technology Company Limited 靈寶寶鑫電子科技有限公司	Entity controlled by D&R Investment
Shenzhen Londian Electrics Company Limited 深圳龍電電氣股份有限公司 ("Shenzhen Londian")	Entity controlled by D&R Investment

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(a) Transactions with related parties

	2020 RMB'000	2019 RMB'000
Sales of other metals		
Wason Copper-Foil	**921**	850
Interest expenses		
Wason Copper-Foil	**–**	605
Guarantee income		
Wason Copper-Foil	**–**	3,376
Advance to related parties		
Wason Copper-Foil	**–**	31,614
Proceeds from repayment of advance to related parties		
Wason Copper-Foil	**–**	31,614

36 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

As at the end of each reporting period, the Group had the following balances with related parties:

	2020 RMB'000	2019 RMB'000
Amount due from related parties		
Shenzhen Londian	–	20,277

(c) Guarantee issued by related parties

During the year ended 31 December 2020, D&R Investment issued maximum guarantees amounting to RMB100,000,000 to a bank in respect of bank and other borrowings of the Company (2019: Nil).

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 9 is as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	6,205	4,523
Post-employment benefits	193	173
	6,398	4,696

Total remuneration is included in "staff costs" (see note 6).

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the guarantees provided by D&R Investment in above note (c) constitute connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Directors' Report.

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment		**694,736**	536,575
Construction in progress		**152,799**	56,197
Intangible assets		**54,511**	48,193
Right-of-use assets		**69,880**	47,876
Interests in subsidiaries	19	**2,683,352**	2,753,418
Interests in associates		**22,531**	22,531
Other financial assets		**4,520**	4,520
Trade and other receivables		**30**	30
Non-current prepayments		**8,752**	—
Deferred tax assets		**488,116**	486,826
		4,179,227	3,956,166
Current assets			
Inventories		**1,258,452**	217,738
Trade and other receivables, deposits and prepayments		**101,159**	152,248
Amounts due from subsidiaries		**485,554**	438,529
Pledged deposits		**1,370,226**	872,092
Fixed deposits held at banks with maturity over three months		**99,105**	—
Cash and cash equivalents		**112,436**	136,509
		3,426,932	1,817,116
Current liabilities			
Bank and other borrowings		**1,810,866**	1,657,426
Trade and other payables		**574,158**	186,602
Amounts due to subsidiaries		**2,835,438**	1,290,702
		5,220,462	3,134,730
Net current liabilities		**(1,793,530)**	(1,317,614)
Total assets less current liabilities		**2,385,697**	2,638,552

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current liabilities			
Bank and other borrowings		**–**	348,810
Other payables		**80,234**	85,086
Deferred tax liabilities		**691**	5,066
		80,925	438,962
NET ASSETS		**2,304,772**	2,199,590
CAPITAL AND RESERVES	32		
Share capital		**172,850**	172,850
Reserves		**2,131,922**	2,026,740
TOTAL EQUITY		**2,304,772**	2,199,590

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE YEARS SUMMARY

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**3,129,363**	3,038,076	2,975,760	4,024,224	3,916,286
Net current liabilities	**1,323,136**	977,769	101,145	978,919	889,036
Total assets less current liabilities	**1,806,227**	2,060,307	2,874,615	3,045,305	3,027,250
Non-current liabilities	**195,206**	557,285	937,189	1,661,943	1,975,646
NET ASSETS	**1,611,021**	1,503,022	1,937,426	1,383,362	1,051,604
Share capital	**172,850**	172,850	172,850	154,050	154,050
Reserves	**1,610,298**	1,479,486	1,893,599	1,069,881	965,094
Total equity attributable to equity shareholders of the Company	**1,783,148**	1,652,336	2,066,449	1,223,931	1,119,144
Non-controlling interests	**(172,127)**	(149,314)	(129,023)	159,431	(67,540)
TOTAL EQUITY	**1,611,021**	1,503,022	1,937,426	1,383,362	1,051,604
Operating results	**5,599,947**	5,874,357	5,384,027	5,911,096	6,054,620
Revenue					
Profit/(loss) from operations	**286,739**	(20,768)	(716,954)	357,954	152,478
Finance costs	**(164,522)**	(182,464)	(299,593)	(246,648)	(230,232)
Profit/(loss) before taxation	**122,217**	(203,232)	(1,016,547)	111,306	(77,754)
Income tax	**(64,896)**	(48,609)	126,480	(60,668)	(14,618)
Profit on disposal of discontinued operations	**–**	–	1,667,901	–	–
Profit/(loss) for the year	**57,321**	(251,841)	777,834	50,638	(92,372)
Attributable to:					
Equity shareholders of the Company	**89,700**	(233,502)	796,162	79,834	(77,456)
Non-controlling interests	**(32,379)**	(18,339)	(18,328)	(29,196)	(14,916)
Profit/(loss) for the year	**57,321**	(251,841)	777,834	50,638	(92,372)

Note: The above figures include continuing operations and discontinued operations.