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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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (the “**Board**”) of Lingbao Gold Group Company Ltd. (the “**Company**”), hereby presents the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 (“**Fiscal Year 2021**”), which have been reviewed by the audit committee of the Company (“**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	<i>9</i>	1,754,699	1,363,827
Construction in progress		422,633	570,953
Intangible assets		1,088,435	669,732
Goodwill		4,717	4,717
Right-of-use assets		118,505	128,511
Interest in associates		28,620	22,531
Other financial assets		4,520	4,520
Investment deposits	<i>10</i>	—	9,400
Non-current prepayments		14,294	13,044
Deferred tax assets		323,612	334,128
Other non-current assets		8,000	8,000
		<u>3,768,035</u>	<u>3,129,363</u>
Current assets			
Inventories		1,518,855	1,779,200
Trade and other receivables, deposits and prepayments	<i>11</i>	193,505	162,705
Current tax recoverable		—	7,279
Pledged deposits		1,363,361	1,394,329
Fixed deposits held at banks with maturity over three months		—	99,105
Cash and cash equivalents		160,145	132,709
		<u>3,235,866</u>	<u>3,575,327</u>
Current liabilities			
Bank and other borrowings	<i>12</i>	3,542,876	3,760,615
Trade and other payables	<i>13</i>	1,072,020	1,073,211
Contract liabilities		30,045	2,778
Lease liabilities		480	1,895
Loan from shareholders	<i>14</i>	40,000	—
Current tax payable		74,671	59,964
		<u>4,760,092</u>	<u>4,898,463</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Net current liabilities		<u>(1,524,226)</u>	<u>(1,323,136)</u>
Total assets less current liabilities		<u>2,243,809</u>	<u>1,806,227</u>
Non-current liabilities			
Other payables	<i>13</i>	484,955	181,696
Lease liabilities		3,157	7,629
Deferred tax liabilities		<u>7,501</u>	<u>5,881</u>
		<u>495,613</u>	<u>195,206</u>
NET ASSETS		<u>1,748,196</u>	<u>1,611,021</u>
CAPITAL AND RESERVES			
Share capital		172,850	172,850
Reserves		<u>1,756,181</u>	<u>1,610,298</u>
Total equity attributable to equity shareholders of the Company		1,929,031	1,783,148
Non-controlling interests		<u>(180,835)</u>	<u>(172,127)</u>
TOTAL EQUITY		<u>1,748,196</u>	<u>1,611,021</u>

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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 (Cap. 622 of the Laws of Hong Kong). 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 (the “**Listing Rules**”).

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

2 CHANGE IN ACCOUNTING POLICIES

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.

3 REVENUE

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

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

(i) Disaggregation of Revenue

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

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

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

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

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

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

4 OTHER REVENUE

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

5 OTHER NET LOSS

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

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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

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

Notes:

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

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

- (ii) Hong Kong Profits Tax rate for 2021 is 16.5% (2020: 16.5%). No provision for Hong Kong Profits Tax is made as the subsidiary located in Hong Kong did not earn any income which is subject to Hong Kong Profits Tax.
- (iii) Kyrgyzstan corporate income tax rate (“**KR CIT**”) in 2021 is 0% (2020: 0%).

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

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

7 DIVIDENDS

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

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

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

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

8 EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

9 PROPERTY, PLANT AND EQUIPMENT

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

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

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

10 INVESTMENT DEPOSITS

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

Notes:

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

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

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

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

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

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

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

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

(a) Ageing analysis

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

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

For sales of gold, the Group requests customers to pay cash in full immediately upon the delivery. For sales of other metallic products, trade and bills receivables are due within one month to one year from the date of billing.

(b) Other receivables, net of loss allowance

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

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

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

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

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

(c) Purchase deposits

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

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

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

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

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

(d) Amount due from Beijing Jiuyi

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Amount due from Beijing Jiuyi	30,800	30,800
Less: Impairment losses	(30,800)	(30,800)
	<hr/>	<hr/>
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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.

12 BANK AND OTHER BORROWINGS

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

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within one year or on demand	<u>3,542,876</u>	<u>3,760,615</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At 31 December 2020, bank and other borrowings of the Group amounting to USD50,000,000 (equivalent: RMB326,245,000) were guaranteed by Lingbao State-owned Assets Operation Company Limited.

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

13 TRADE AND OTHER PAYABLES

Current trade and other payables

	31 December 2021 RMB'000	31 December 2020 RMB'000
Bills payable	74,000	21,008
Trade payables	326,214	582,729
Other payables and accruals	472,851	321,771
Interest payables	1,139	1,084
Payable for mining rights	111,934	79,440
Deferred income (<i>note (a)</i>)	79,779	62,136
Payable to non-controlling interests	52	52
Dividend payable	4,758	4,758
Financial liabilities at fair value through profit or loss	1,293	233
	<u>1,072,020</u>	<u>1,073,211</u>

Non-current other payables

Payable for long-term assets (<i>note (b)</i>)	311,032	—
Deferred income (<i>note (a)</i>)	59,364	87,472
Decommissioning costs (<i>note (c)</i>)	114,559	94,224
	<u>484,955</u>	<u>181,696</u>

Notes:

- (a) Deferred income represents grants received from the government for the exploration of mines and construction of mining related assets. When certain conditions are met, the government grants are recognised as income over the periods necessarily to match them with the related costs of assets constructed which they are intended to compensate over the periods and in the proportion in which depreciation on those assets is charged.
- (b) Payable for long-term assets represents non-current payables in respect of procurement of property, plant and equipment, construction in progress and mining rights.
- (c) The decommissioning costs relate to reclamation and closure costs relating to the Group's mine operations. The decommissioning costs are calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, discounted at 4.9%, which amounted to RMB114,559,000 (31 December 2020: RMB94,224,000) in total as at 31 December 2021.

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

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

14 LOAN FROM SHAREHOLDERS

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

15 CAPITAL COMMITMENTS

Capital commitments, representing purchase of property, plant and equipment and intangible assets outstanding at 31 December 2021 not provided for in the financial statements, were as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Authorised and contracted for	102,532	79,351
Authorised but not contracted for	372,944	249,263
	475,476	328,614

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS

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

The Group's mineral resources are mainly scattered in the regions of Henan, Xinjiang, Inner Mongolia, Jiangxi and Gansu of the People's Republic of China (the "**PRC**") and Kyrgyz Republic ("**KR**") with 31 mining and exploration rights as at 31 December 2021, covering 248.82 square kilometers. The total gold reserves and resources as at 31 December 2021 were approximately 131.65 tonnes (4,232,500 ounces).

1. MINING SEGMENT

Revenue and production

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

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

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

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

Segment results

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

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

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

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

accelerated the restoration and reconstruction of filtering workshop, and boldly created new production management, producing 508 kg of gold concentrates and compound gold which was the highest level since mine construction.

2. SMELTING SEGMENT

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

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

Sales and production

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

The decrease in the total revenue of the smelting segment for the Fiscal Year 2021 was mainly caused by the impact on the transportation and normal operation of the smelting plant due to the carrying out of the road maintenance works in the vicinity of the smelting plant for nearly two months commencing from early March 2021. Moreover, the metal grade of primary metal mined and produced, was lower due to market influences, leading to the decreasing volume of gold bullion processed from

gold concentrates. As a result of the above, the production volume of gold bullion decreased by 526 kg. In addition, the smelting segment recorded a decrease in the revenue due to the dramatical decrease of the international gold prices during the first half year of 2021.

Segment results

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

Fiscal Year 2022 Planning and Outlook

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Management cadres at all levels must continue to strengthen their awareness of development, overall situation, accountability, responsibility and service, while correctly understanding and handling the relationship between power and responsibility, division of labor and collaboration, overall situation and self-worth, individuality and tolerance. In addition, they shall take the lead in setting a benchmark and an example, with strict self-righteousness, harmony and

cohesion, to form a good atmosphere where all members of the Company as a whole strive for the same cause, pay close attention to work details like a game of chess, and push forward with corporate development.

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

FINANCIAL INFORMATION

1. Operating Results

Revenue

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

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

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

Gross profit and gross profit margin

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

Other net loss

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

Other revenue

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

Selling and distribution expenses

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

Administrative expenses and other operating expenses

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

Finance costs

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

Profit attributable to the Company's equity shareholders

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

2. Liquidity and Financial Resources

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

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

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

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

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

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

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

- 2) securing certain funding by enhancing the communication and promoting mutual trust between the Group and banks and other financial institutions as well as taking advantage of the government's relatively loose financing policies;
- 3) increasing supply chain financing by taking full advantage of the attribute of high liquidity of inventories in the gold mining industry;
- 4) increasing the liquidity and reducing short-term borrowings. The Group will arrange more secured long-term loan facilities at lower interest rates by the pledging of property, plant and equipment of the Group; and
- 5) obtaining financing upon the completion of subscription of the Company's shares (as described in the circular dated 31 December 2021). The net proceeds from the subscription will be used to meet the Group's production and working capital needs, which will enhance the liquidity of the Company and further lower its gearing ratio.

3. Security and guarantee

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Connected Party Transactions

(1) Loan from a shareholder

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

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

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

(2) *Guarantee issued by a shareholder*

During the year ended 31 December 2021, D&R Investment issued maximum guarantees amounting to RMB11,350,000,000 to several banks in respect of bank and other borrowings, bank acceptance bills and letter of credit of the Company (2020: RMB100,000,000).

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

5. Material Acquisition or Disposal

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

6. Market Risks

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

Gold price and other commodities price risk

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

Interest rate risk

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

Exchange rate risk

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

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

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

7. Contractual Obligations

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

8. Contingent Liabilities

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

9. Capital Expenditure

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

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

10. Employees

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

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions as set out in the Corporate Governance Code (collectively the “**Code**”) contained in Appendix 14 of the Listing Rules during the year ended 31 December 2021. None of the Directors is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the Code by the Company at any time during the year.

For details of the corporate governance report, please refer to the annual report to be despatched to shareholders in due course.

PURCHASE, SALES OR REDEMPTION OF SHARES OF THE COMPANY

For the Fiscal Year 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares.

DIVIDENDS

The Board does not recommend the payment of final dividend for the Fiscal Year 2021 (Fiscal Year 2020: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities by directors of the Company. Having made specific enquiries of all the Company’s directors, all directors of the Company have confirmed that they had fully complied with the required standard set out in the Model Code throughout the Fiscal Year 2021.

AUDIT COMMITTEE AND REVIEW OF RESULTS ANNOUNCEMENT FOR FISCAL YEAR 2021

The Audit Committee comprises four independent non-executive directors and one non-executive director, namely, Mr. Xu Rong (Chairman), Mr. Wang Guanghua, Mr. Wang Jiheng, Mr. Tan Chong Huat and Mr. Zhang Feihu.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group, audit, internal control, and financial reports, as well as the policies and practices of the Company in respect of corporate governance. The Audit Committee has reviewed and confirmed annual results. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

THE SCOPE OF WORK OF KPMG

Financial figures in respect of the consolidated statement of financial position, consolidated statement of profit or loss, and the consolidated statement of profit or loss and other comprehensive income of the Group and related notes thereto for the year ended 31 December 2021 as set out in this announcement have been compared by the auditor of the Company, KPMG (Certified Public Accountants), with the amounts as contained in the audited consolidated financial statements of the Group for the year, and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement has been published on the website of The Hong Kong Exchanges and Clearing Limited (the “**HK Exchange**”), www.hkexnews.hk, and the website of the Company, www.irasia.com/listco/hk/lingbao. The 2021 Annual Report will be despatched to shareholders in due course and published on the websites of HK Exchange and the Company.

By order of the Board
Lingbao Gold Group Company Ltd.
Zeng Xiangxin
Chairman

Lingbao City, Henan Province, the PRC
15 March 2022

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Zeng Xiangxin, Mr. Xing Jiangze, Mr. He Chengqun, Mr. Dai Weitao and Mr. Wu Liming; two non-executive Directors, namely Mr. Zhang Feihu and Mr. Wang Guanran; and four independent non-executive Directors, namely Mr. Wang Guanghua, Mr. Wang Jiheng, Mr. Xu Rong and Mr. Tan Chong Huat.