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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3939)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHT:

	Year ended 31 December		
	2021	2020	
	RMB'000	*RMB'000*	**Increase**
Revenue	**2,014,395**	1,394,144	44.5%
Cost of sales	**(1,698,188)**	(1,236,735)	37.3%
Gross profit	**316,207**	157,409	100.9%
Gross profit margin	**15.7%**	11.3%	4.4p.pt
Profit before tax	**220,945**	100,908	119.0%
Profit attributable to owners of the Company	**193,432**	86,711	123.1%

- Revenue increased by 44.5% to approximately RMB2,014.4 million.
- Gross profit increased by 100.9% to approximately RMB316.2 million.
- Gross profit margin increased by 4.4 percentage points to 15.7%.
- Profit attributable to owners of the Company increased by 123.1% to approximately RMB193.4 million.
- Basic earnings per share was RMB23.9 cents (2020: RMB12.0 cents).
- The Board recommended the payment of a final dividend of RMB10.10 cents (equivalent to approximately HK$12.35 cents) per share (2020: RMB2.98 cents per share).

The board (the "**Board**") of directors (the "**Directors**") of Wanguo International Mining Group Limited (the "**Company**") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*4*	**2,014,395**	1,394,144
Cost of sales		**(1,698,188)**	(1,236,735)
Gross profit		**316,207**	157,409
Other income	*5*	**2,803**	3,693
Other gains and losses	*6*	**1,162**	5,693
Distribution and selling expenses		**(4,696)**	(3,133)
Administrative expenses		**(75,485)**	(53,084)
Finance costs	*7*	**(7,606)**	(9,670)
Impairment loss on exploration and evaluation assets	*13*	**(4,317)**	–
Impairment loss on other intangible asset	*14*	**(7,123)**	–
Profit before tax		**220,945**	100,908
Income tax expense	*8*	**(39,305)**	(16,021)
Profit for the year	*9*	**181,640**	84,887
Other comprehensive income for the year			
– Exchange differences arising on translation of foreign operations, which may be reclassified subsequently to profit or loss		**(37,459)**	5,814
Total comprehensive income for the year		**144,181**	90,701
Profit for the year attributable to:			
Owners of the Company		**193,432**	86,711
Non-controlling interests		**(11,792)**	(1,824)
		181,640	84,887
Total comprehensive income attributable to:			
Owners of the Company		**155,973**	92,525
Non-controlling interests		**(11,792)**	(1,824)
		144,181	90,701
Earnings per share			
Basic *(RMB cents)*	*10*	**23.9**	12.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**632,384**	468,302
Right-of-use assets		**56,164**	57,253
Mining right	*12*	**271,974**	295,256
Exploration and evaluation assets	*13*	**189,227**	190,824
Other intangible asset	*14*	**312,165**	319,288
Intangible assets		**3,935**	4,148
Deposit for purchase of property, plant and equipment		**31,638**	8,786
Deferred tax assets		**3,890**	3,860
Restricted bank balances		**2,670**	2,662
		1,504,047	1,350,379
CURRENT ASSETS			
Inventories		**18,649**	9,421
Trade and other receivables	*15*	**159,770**	53,776
Bank balances and cash			
– cash and cash equivalents		**116,294**	36,662
– restricted bank balances		**–**	4,000
		294,713	103,859
CURRENT LIABILITIES			
Trade and other payables	*16*	**119,564**	99,746
Contract liabilities		**25,572**	49,821
Lease liabilities		**278**	205
Amounts due to related parties	*17*	**5,861**	29,148
Consideration payable to a former non-controlling shareholder of a subsidiary		**57,936**	57,936
Tax payable		**32,270**	11,055
Bank borrowings	*18*	**89,479**	62,207
		330,960	310,118
NET CURRENT LIABILITIES		**(36,247)**	(206,259)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,467,800**	1,144,120

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2021

	Notes	**2021** **RMB'000**	2020 *RMB'000*
NON-CURRENT LIABILITIES			
Bank borrowings	*18*	**38,500**	45,500
Lease liabilities		**196**	–
Deferred income		**7,492**	8,652
Deferred tax liabilities		**86,911**	84,092
Provisions for restoration costs		**7,290**	6,492
		140,389	144,736
CAPITAL AND RESERVES			
Share capital	*19*	**67,881**	58,882
Reserves		**972,066**	653,707
Equity attributable to owners of the Company		**1,039,947**	712,589
Non-controlling interests		**287,464**	286,795
TOTAL EQUITY		**1,327,411**	999,384
		1,467,800	1,144,120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The principal activity of the Company is investment holding. A principal subsidiary of the Company, Jiangxi Province Yifeng Wanguo Mining Company Ltd ("**Yifeng Wanguo**"), located in Jiangxi Province, the PRC, is engaged in mining and processing of ores and sales of processed concentrates in the PRC.

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

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

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

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

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

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

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

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

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

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

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

The Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

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

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

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

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

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

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

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

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

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

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

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

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

HKFRS 16 Leases

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

HKAS 41 Agriculture

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

Performance obligations for contracts with customers

Revenue from sales of processed concentrates of various metals

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

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

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

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

Information about major customers

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

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

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

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

3 Revenue for sales of electrolytic copper

5. OTHER INCOME

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

Notes:

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

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

6. OTHER GAINS AND LOSSES

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

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

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

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

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

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

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

9. PROFIT FOR THE YEAR

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

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

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

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

10. EARNINGS PER SHARE

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

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

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

11. DIVIDEND

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

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

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

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

12. MINING RIGHTS

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

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

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

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

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

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

Impairment test on Gold Ridge Project

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

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

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

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

13. EXPLORATION AND EVALUATION ASSETS

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

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

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

Please refer to Note 14 for impairment assessment.

14. OTHER INTANGIBLE ASSET

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

In addition to the exploration and evaluation assets as set out in note 13 above, the Group has recognised other intangible asset pursuant to the acquisition of Xizang Changdu which represents, in the opinion of the directors, premium paid for the mining right license to be obtained by Xizang Changdu to conduct mining activities in the lead mine in Walege of the Changdu County, Tibet Autonomous Region, the PRC, owned by Xizang Changdu. The Group is in the process of applying the mining permit for the above mine with the relevant regulatory authorities and the directors of the Company expect the mining permit will be granted to the Group without significant cost in the foreseeable future. The relevant mining permit, when granted to the Group, will allow the Group to mine up to a predetermined level of ore every year from the date of grant through the expiry of the mining license.

Impairment test on Xizang Changdu

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

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

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

The fair values less cost of disposal of these cash generating units are classified as level 3 measurement.

15. TRADE AND OTHER RECEIVABLES

	Note	**2021** **RMB'000**	2020 RMB'000
Trade receivables from contracts with customers		**2,057**	4,097
Bills receivables		**2,704**	3,551
Trade and bills receivables	*(a)*	**4,761**	7,648
Amount due from a related company	*(b)*	**3**	167
Prepayments and other receivables			
– prepayments to major subcontractors	*(c)*	**77,588**	23,334
– prepayments to other suppliers	*(d)*	**69,189**	8,705
– Other receivables		**8,229**	13,922
		155,009	46,128
Total trade and other receivables		**159,770**	53,776

(a) Trade and bills receivable

As at 1 January 2020, trade receivables from contracts with customers amounted to approximately RMB7,510,000.

For long-term customers with good credit quality and payment history, the Group allows credit periods of no longer than 60 days for sales of certain products. For others, the Group generally requests for deposits in advance from customers. The following is an aged analysis of trade and bills receivables presented based on the invoice dates at the end of the reporting period as follows:

	2021 **RMB'000**	2020 RMB'000
Within 30 days	**4,611**	5,636
31 to 60 days	**–**	1,532
61 to 90 days	**–**	480
Over 90 days	**150**	–
	4,761	7,648

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

The ECL for trade receivables as at 31 December 2021 and 2020 have been assessed collectively based on the trade debtors' aging, grouped by debtor balances that are not yet due and different aging brackets of numbers of days past due (if any). Based on the assessment of the management of the Group, allowance for credit losses from the trade receivables as at 31 December 2021 and 2020 is insignificant.

As at 31 December 2021 and 2020, the above bills received are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

(b) Amount due from a related company

The balance is due from a company wholly owned and controlled by Mr. Gao Mingqing, the Chief Executive of the Company. The balance is interest free, unsecured and repayable on demand.

(c) Prepayments to major subcontractors

Included in the balance is prepayment of subcontracting fee to mining subcontractors by the subsidiaries Gold Ridge Mining Limited ("**GRML**") and Yifeng Wanguo for mining of ores, which amounted to approximately RMB30,294,000 (2020: RMB Nil) and RMB47,294,000 (2020: RMB23,334,000) respectively as at 31 December 2021.

(d) Prepayments to other suppliers

Included in the balance is prepayment to suppliers of metal concentrates for trading which amounted to approximately RMB43,504,000 (2020:RMB2,103,000) and prepayment to suppliers of raw materials which amounted to approximately RMB15,093,000 (2020: RMB6,531,000) as at 31 December 2021.

16. TRADE AND OTHER PAYABLES

	Note	**2021** *RMB'000*	2020 *RMB'000*
Trade payables	*(i)*	**13,975**	14,633
Bills payables	*(ii)*	**30,000**	33,000
Trade and bills payables		**43,975**	47,633
Value-added tax, resource tax and other tax payables		**36,126**	15,232
Payables for construction in progress and property, plant and equipment		**13,943**	19,112
Accrued expenses and other payables			
– Accrued expenses		**2,267**	4,283
– Accrued staff cost		**6,680**	8,891
– Other payables	*(iii)*	**16,573**	4,595
		75,589	52,113
Total trade and other payables		**119,564**	99,746

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

	2021 *RMB'000*	2020 *RMB'000*
Within 30 days	**9,906**	7,104
31-60 days	**1,939**	3,222
61-90 days	**693**	1,129
91-180 days	**665**	2,438
Over 180 days	**772**	740
	13,975	14,633

The following is an aged analysis of bills payables based on the date of issue of bills:

	2021 *RMB'000*	2020 *RMB'000*
91-180 days	**–**	4,000
Over 180 days	**30,000**	29,000
	30,000	33,000

Notes:

(i) The average credit period on purchase of goods is 30 days upon delivery. No interest is charged on overdue trade payable.

(ii) The bills payable were pledged by a restricted deposit made by Yifeng Wanguo, which have to be settled within one year from the date of issue.

(iii) Included in the balance of other payable is an accrued outsourcing expense to a service vendor for arrangement of working force in Solomon Islands for operation of the Gold Ridge Mine which amounted to approximately RMB6,623,000 as at 31 December 2021 (2020: RMB Nil).

17. AMOUNTS DUE TO RELATED PARTIES

	Note	**2021** *RMB'000*	2020 *RMB'000*
Victor Soar Investments Limited ("**Victor Soar**")	*(a), (b)*	**3,621**	3,845
Mr. Gao Mingqing	*(a)*	**–**	8,595
Ms. Gao Jinzhu	*(a), (c)*	**2,000**	16,394
Achieve Ample Investments Limited ("**Achieve Ample**")	*(a), (c)*	**240**	314
		5,861	29,148

Notes:

(a) All of the amounts above are non-trade in nature, interest free, unsecured and repayable on demand, of which approximately RMB3,861,000 (2020: RMB4,159,000) are denominated in HK$.

(b) Victor Soar held approximately 33.99% (2020: 39.08%) of the issued share capital of the Company as at 31 December 2021 and is wholly owned and controlled by Mr. Gao Mingqing.

(c) Ms. Gao Jinzhu, former executive director of the Company is interested in 16.74% (2020: 19.25%) of the issued share capital of the Company as at 31 December 2021 via Achieve Ample which is wholly owned and controlled by her.

18. BANK BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Unsecured bank borrowings at:		
– fixed rate	**49,800**	26,000
Secured bank borrowings at:		
– fixed rate	**75,500**	78,500
– floating rate	**2,679**	3,207
	127,979	107,707
The carrying amounts of the above borrowing are repayable:		
– within one year	**86,800**	59,000
– within a period of more than one year but not exceeding two years	**38,500**	7,000
– within a period of more than two years but not exceeding five years	**–**	38,500
	125,300	104,500
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	**2,679**	3,207
	127,979	107,707
Less: Amount due within one year shown under current liabilities	**(89,479)**	(62,207)
Amount shown under non-current liabilities	**38,500**	45,500

The interest rates of the Group's floating rate borrowings are based on Hong Kong Interbank Offered Rate. Interest is reset every year.

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

	2021	2020
	%	*%*
Effective interest rate for fixed rate borrowings (per annum)	**4.79 to 9.57**	4.79 to 9.57
Effective interest rate for floating rate borrowings (per annum)	**1.86 to 2.05**	1.92 to 2.35

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

	2021	2020
	RMB'000	*RMB'000*
HK$	**2,679**	3,207

19. SHARE CAPITAL

Details of share capital of the Company are as follows:

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,000,000	100,000
Issued:		
At 1 January 2020 and 31 December 2020	720,000	72,000
Shares issued in share subscriptions arrangement *(note a)*	108,000	10,800
At 31 December 2021	828,000	82,800

	2021	2020
	RMB'000	*RMB'000*
Shown in the consolidated statement of financial position	**67,881**	58,882

Notes:

(a) On 2 March 2021, pursuant to a subscription agreement dated 26 January 2021 between the Company and an independent subscriber, the Company issued 108,000,000 new ordinary shares of HK$0.10 each at a price of HK$2.18 per share to the independent subscriber. Details of the share subscription were contained in the Company's announcements dated 29 December 2020, 22 February 2021 and 2 March 2021.

(b) The Company has adopted a share option scheme (the "**Scheme**") on 12 June 2012 to which the directors and eligible employees, among others are entitled to participate in. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No share options have been granted, exercised, cancelled or lapsed under the Scheme during the years ended 31 December 2021 and 2020.

MARKET REVIEW

Copper

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

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

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

Iron

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

Zinc

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

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

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

Lead

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

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

Gold and Silver

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

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

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

BUSINESS REVIEW

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

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

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

EXPANSION IN EXISTING MINES

Xinzhuang Mine

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

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

Walege Mine

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

Gold Ridge Mine

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

EXPANSION IN SURROUNDING AREAS

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

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

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

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

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

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

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

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

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

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

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

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

Entering into an offtake contract

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

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

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

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

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

MINERAL RESOURCES AND RESERVES

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

Gold Ridge Mine Resources Summary
– as at 31 December 2021 at 0.6 g/t Au cut-off grade

JORC Mineral Resource Category	Tonnes	Gold Grade	Contained Gold	As	Cu	S
	(Mt)	*(g/t Au)*	*(k oz Au)*	*(ppm)**	*(ppm)**	*(%)**
Measured	24.1	1.35	1,000	232	84	1.51
Indicated	20.4	1.34	900	119	88	1.43
Inferred	31.3	1.55	1,600	79	91	1.47
Total**	**75.8**	**1.43**	**3,500**	**139**	**88**	**1.47**

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

** *Totals may not add up due to rounding.*

Notes:

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

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

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

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

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

Notes:

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

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

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

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

5) Apparent differences may occur due to rounding.

FINANCIAL REVIEW

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

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

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

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

(i) Concentrates products (own mined)

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

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

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

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

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

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

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

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

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

Other income

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

Other gains and losses

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

Distribution and selling expenses

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

Administrative expenses

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

Finance costs

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

Impairment loss on exploration and evaluation assets and other intangible asset

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

Income tax expense

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

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

Profit for the year

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

Profit attributable to owners of our Company

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

Analysis of property, plant and equipment and construction in progress

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

Analysis of inventories

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

Analysis of trade and bills receivables

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

Analysis of trade payables

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

Liquidity and capital resources

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

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

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

Borrowings

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

Gearing Ratio

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

Capital Expenditure

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

Contractual Obligations and Capital Commitment

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

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

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

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

Contingent Liabilities

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

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

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

Future Plan for Material Investments and Capital Assets

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

Charge on Group Assets

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

Exposure to Fluctuations in Exchange Rates

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

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

Interest Rate Risk

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

Financial Instruments

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

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, we had a total of 606 (2020: 360) employees, excluding the independent third-party contractor which is responsible for underground mining work in Xinzhuang Mine. Such increase was attributable to increase in employees in our Gold Ridge Mine. The remuneration of the employees of the Group is based on their experience, qualifications, and competence. Other employees' benefits include contributions to statutory mandatory provident funds for our Hong Kong employees, superannuation for our Australia employees, national provident funds for our Solomon Islands employees, and social insurance together with housing provident funds for our PRC employees.

EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Xinzhuang Mine

Mineral exploration

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

Development

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

Detailed breakdown of development expenditure is as follows:

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

Mining activities

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

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

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

Walege Mine

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

Mineral exploration

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

Development

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

Mining activities

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

Gold Ridge Mine

Mineral exploration

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

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

Development

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

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

Mining activities

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

PROSPECT

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

Growing production at our mine and outsourcing our mining works

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

Horizontal expansion through future acquisitions of new mines

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

OUTLOOK

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS

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

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

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

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

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2021. The report includes paragraphs of an emphasis of matter, without qualification.

"**Opinion**

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

Material Uncertainty Related to Going Concern

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

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive Directors, namely Mr. Shen Peng (chairman of the Audit Committee), Mr. Qi Yang, Dr. Lu Jian Zhong and Mr. Wang Xin. The purpose of the establishment of the Audit Committee is for reviewing and supervising the financial reporting process, risk management and internal control system of the Group. The Audit Committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2021 and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.wgmine.com. The 2021 annual report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 15 March 2022

As at the date of this announcement, the Board comprises Mr. Gao Mingqing (Chairman), Mr. Liu Zhichun, Mr. Wang Renxiang and Ms. Wang Nan as executive Directors; and Dr. Lu Jian Zhong, Mr. Qi Yang, Mr. Shen Peng and Mr. Wang Xin as independent non-executive Directors.