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Lingbao Gold Group Company Ltd.

靈寶黃金集團股份有限公司

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

(Stock Code: 3330)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “**Board**”) of Lingbao Gold Group Company Ltd. (the “**Company**”), hereby presents the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 (“**Fiscal Year 2022**”), which have been reviewed by the audit committee of the Company (“**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Revenue	<i>3</i>	10,126,458	5,330,611
Cost of sales		<u>(9,341,357)</u>	<u>(4,742,801)</u>
Gross profit		785,101	587,810
Other revenue	<i>4</i>	45,697	53,796
Other net loss	<i>5</i>	(48,561)	(41,212)
Selling and distribution expenses		(8,701)	(3,850)
Administrative expenses and other operating expenses		<u>(331,719)</u>	<u>(291,218)</u>
Profit from operations		441,817	305,326
Finance costs		(132,894)	(138,548)
Share of (losses)/profits of associates		<u>(2,415)</u>	<u>6,089</u>
Profit before taxation		306,508	172,867
Income tax	<i>6</i>	<u>(76,238)</u>	<u>(55,228)</u>
Profit for the year		<u>230,270</u>	<u>117,639</u>
Attributable to:			
Equity shareholders of the Company		240,222	130,026
Non-controlling interests		<u>(9,952)</u>	<u>(12,387)</u>
Profit for the year		<u>230,270</u>	<u>117,639</u>
Basic and diluted earnings per share (RMB cents)	<i>8</i>	<u>27.8</u>	<u>15.0</u>

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

for the year ended 31 December 2022

(Expressed in Renminbi Yuan)

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Profit for the year		230,270	117,639
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(79,884)</u>	<u>19,536</u>
Total comprehensive income for the year		<u>150,386</u>	<u>137,175</u>
Attributable to:			
Equity shareholders of the Company		175,362	145,883
Non-controlling interests		<u>(24,976)</u>	<u>(8,708)</u>
Total comprehensive income for the year		<u>150,386</u>	<u>137,175</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi Yuan)

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	9	1,814,683	1,754,699
Construction in progress		304,205	422,633
Intangible assets		1,028,386	1,088,435
Goodwill		4,717	4,717
Right-of-use assets		135,777	118,505
Interest in associates		26,206	28,620
Other financial assets		4,520	4,520
Non-current prepayments		25,665	14,294
Deferred tax assets		300,139	323,612
Other non-current assets		—	8,000
		3,644,298	3,768,035
Current assets			
Inventories		1,280,758	1,518,855
Trade and other receivables, deposits and prepayments	10	379,937	193,505
Pledged deposits		1,425,900	1,363,361
Cash and cash equivalents		173,010	160,145
		3,259,605	3,235,866
Current liabilities			
Bank and other borrowings	11	3,571,749	3,542,876
Trade and other payables	12	838,739	1,072,020
Contract liabilities		5,439	30,045
Lease liabilities		12,119	480
Loan from shareholders	13	—	40,000
Current tax payable		70,275	74,671
		4,498,321	4,760,092
Net current liabilities		(1,238,716)	(1,524,226)
Total assets less current liabilities		2,405,582	2,243,809

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
(Expressed in Renminbi Yuan)

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Non-current liabilities			
Bank and other borrowings	<i>11</i>	100,000	—
Other payables	<i>12</i>	384,122	484,955
Lease liabilities		17,382	3,157
Deferred tax liabilities		5,496	7,501
		<u>507,000</u>	<u>495,613</u>
NET ASSETS		<u>1,898,582</u>	<u>1,748,196</u>
CAPITAL AND RESERVES			
Share capital		172,850	172,850
Reserves		1,931,543	1,756,181
Total equity attributable to equity shareholders of the Company		2,104,393	1,929,031
Non-controlling interests		<u>(205,811)</u>	<u>(180,835)</u>
TOTAL EQUITY		<u>1,898,582</u>	<u>1,748,196</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

As at 31 December 2022, the Group had net current liabilities of RMB1,239 million, total bank and other borrowings of RMB3,672 million and capital commitments of RMB339 million. In view of these circumstances, the Directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2022, taking into account the Group’s cash flow projection, including the Group’s unutilised banking facilities related to unsecured bank loans facilities of RMB251 million, ability to renew or refinance the banking facilities upon maturity and ability to adjust the scheduled capital commitments, the Directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group’s ability to continue as a going concern.

2 CHANGES IN ACCOUNTING POLICIES

The group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not effective for the current accounting period.

3 REVENUE

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

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

(i) Disaggregation of Revenue

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
— Sales of gold	9,614,599	4,977,778
— Sales of other metals	300,265	277,133
— Sales of jewellery	18,513	—
— Others	251,487	92,967
Less: Sales taxes and levies	<u>(58,406)</u>	<u>(17,267)</u>
	<u>10,126,458</u>	<u>5,330,611</u>

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

In 2022, revenue from sales of gold bullion to Shanghai Gold Exchange has exceeded 10% of the Group's revenues, amounting to RMB9,565,030,000 (2021: RMB4,913,037,000). The Shanghai Gold Exchange certified the Group as a standard gold bullion production enterprise and the Group has Shanghai Gold Exchange trading rights. The gold bullion was traded on or through Shanghai Gold Exchange, thus the counterparty is uncertain and unknown.

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

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

4 OTHER REVENUE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income on financial assets measured at amortised cost	29,712	23,132
Government grants	7,662	15,221
Scrap sales	4,740	13,317
Sundry income	3,583	2,126
	<u>45,697</u>	<u>53,796</u>

5 OTHER NET LOSS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net realised and unrealised loss/(gain) on other financial instruments at fair value	3,207	(13,955)
Net loss on disposal of property, plant and equipment and intangible assets	14,264	1,004
Net foreign exchange (gain)/loss	(84,087)	22,088
Impairment losses of:		
— property, plant and equipment (<i>note 9</i>)	48,160	9,986
— intangible assets	21,215	—
— right-of-use assets	17,520	—
— investment deposits	—	10,241
Expenditure on government claims of a subsidiary	24,475	—
Provision for legal claims	—	15,338
Others	3,807	(3,490)
	<u>48,561</u>	<u>41,212</u>

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax — PRC income tax		
Provision for the year	57,288	43,296
Over-provision in respect of prior years	<u>(2,518)</u>	<u>(205)</u>
	----- 54,770	----- 43,091
Deferred tax		
Origination and reversal of temporary differences	<u>21,468</u>	<u>12,137</u>
	<u>76,238</u>	<u>55,228</u>

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

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before taxation		<u>306,508</u>	<u>172,867</u>
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	<i>(i)(ii)(iii)</i>	78,873	55,383
Effect of tax concessions	<i>(i)</i>	(4,599)	(12,426)
Effect of non-deductible expenses		7,042	8,325
Effect of non-taxable income		(105)	(8,342)
Effect of tax assessment and levying		—	1,739
Utilisation of temporary differences not recognised in previous years		(40,087)	(7,671)
Tax losses and temporary differences not recognised	<i>(iv)</i>	37,632	19,124
Over-provision in prior years		(2,518)	(205)
Others		<u>—</u>	<u>(699)</u>
Actual tax expense		<u>76,238</u>	<u>55,228</u>

Notes:

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

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

- (ii) Hong Kong Profits Tax rate for 2022 is 16.5% (2021: 16.5%). No provision for Hong Kong Profits Tax is made as the subsidiary located in Hong Kong did not earn any income which is subject to Hong Kong Profits Tax.
- (iii) Kyrgyzstan corporate income tax rate (“**KR CIT**”) in 2022 is 0% (2021: 0%).

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

- (iv) Considering the uncertainty of the future available taxable profits against which certain tax benefits can be utilised in the relevant tax jurisdiction and entity, the Group has not recognised deferred tax assets of RMB37,632,000 (2021: RMB19,124,000) in respect of unused tax losses of RMB52,788,000 (2021: RMB66,588,000) and temporary differences of RMB97,740,000 (2021: RMB9,908,000) for the year ended 31 December 2022.

7 DIVIDENDS

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

No dividend attributable to the year was declared in 2022 or proposed after the end of the reporting period (2021: Nil).

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

No dividend attribute to the previous financial year was approved or paid in 2022 (2021: Nil).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the earnings attributable to equity shareholders of the Company of RMB240,222,000 (2021: RMB130,026,000) and 864,249,091 ordinary shares (2021: 864,249,091 ordinary shares) in issue during the year ended 31 December 2022.

(b) Diluted earnings per share

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

9 PROPERTY, PLANT AND EQUIPMENT

Impairment loss of RMB48,160,000 was recognised in respect of a cash-generating unit (“CGU”), Chifeng Jinchan Mining Company Limited (“Jinchan”), which is under the mining — PRC reportable segment, during the year ended 31 December 2022. Owing to the under-performance of production and operation of Jinchan, the Group identified an impairment indicator of its property, plant and equipment, and performed an impairment assessment of the related assets based on their estimated recoverable amounts.

The recoverable amounts of this CGU are estimated using the present value of future cash flows based on the financial budgets approved by management covering a ten-year period, and pre-tax discount rates of 16%. Future cash flows during the forecast period for the CGU are based on several key assumptions, including the expected gross margin, expected production volume and future gold price. The forecasted gross margin of 35% and production volume are based on past business performance. The future gold price is consistent with the market participants’ expectations for market development.

As a result of the assessment, the Group recognised an impairment loss of RMB48,160,000 on the property, plant and equipment to reduce the carrying amount of this CGU to its recoverable amount of RMB202,208,000. The impairment loss was recorded in “other net loss” (see note 5) in the consolidated statement of profit or loss for the year ended 31 December 2022.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables, net of loss allowance	168,389	11,819
Bills receivable	<u>3,953</u>	<u>12,669</u>
	<u>172,342</u>	<u>24,488</u>
Other receivables, net of loss allowance (<i>note (b)</i>)	78,334	65,949
Amounts due from related parties	923	231
Financial assets at fair value through profit or loss	<u>—</u>	<u>485</u>
	<u>79,257</u>	<u>66,665</u>
Financial assets measured at amortised cost	<u>251,599</u>	<u>91,153</u>
Deposits and prepayments	<u>60,222</u>	<u>49,099</u>
Purchase deposits (<i>note (c)</i>)	818,734	794,765
Less: Allowance for non-recoverability	<u>(750,618)</u>	<u>(741,512)</u>
	68,116	53,253
Amount due from Beijing Jiuyi	<u>—</u>	<u>—</u>
	<u>379,937</u>	<u>193,505</u>

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

(a) Ageing analysis

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within three months	172,042	17,228
Over three months but less than six months	—	6,460
Over six months but less than one year	<u>300</u>	<u>800</u>
At 31 December	<u>172,342</u>	<u>24,488</u>

The majority of gold bullion was traded on or through Shanghai Gold Exchange, of which receivables will be collected within 1–2 days upon the completion of clearing by Shanghai Gold Exchange. For sales of gold, the Group requests customers to pay cash in full immediately upon the delivery. For sales of other metallic products, trade and bills receivables are due within one month to one year from the date of billing.

(b) Other receivables, net of loss allowance

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

	2022	2021
	RMB'000	RMB'000
Other receivables	97,135	83,567
Less: Allowance for expected credit losses	(18,801)	(17,618)
	<u>78,334</u>	<u>65,949</u>

During the year ended 31 December 2022, the Group recognised the loss allowance for expected credit losses of other receivables of RMB7,535,000 (31 December 2021: RMB4,739,000).

During the year ended 31 December 2022, the Group wrote off the gross carrying amount of other receivables amounting to RMB6,352,000 (31 December 2021: RMB25,691,000) and the corresponding allowance for expected credit losses of RMB6,352,000 (31 December 2021: RMB25,691,000).

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

(c) Purchase deposits

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

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

	2022	2021
	RMB'000	RMB'000
At 1 January	741,512	786,205
Impairment loss recognised/(reversed)	9,106	(50)
Write-off of impairment loss	—	(44,643)
At 31 December	<u>750,618</u>	<u>741,512</u>

During the year ended 31 December 2022, the Group recognised the loss allowance for expected credit losses of purchase deposits of RMB9,106,000.

The management considered that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the remaining purchase deposits of RMB68,116,000 as at 31 December 2022 would be gradually recovered through future purchases of mineral sand from the respective suppliers.

11 BANK AND OTHER BORROWINGS

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

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Short-term bank and other borrowings:		
— Bank and other borrowings	3,552,248	3,507,810
— Add: Current portion of long-term bank and other borrowings	<u>19,501</u>	<u>35,066</u>
	<u>3,571,749</u>	<u>3,542,876</u>
Long-term bank and other borrowings:		
— Bank and other borrowings	119,501	35,066
— Less: Current portion of long-term bank and other borrowings	<u>(19,501)</u>	<u>(35,066)</u>
	<u>100,000</u>	<u>—</u>
	<u>3,671,749</u>	<u>3,542,876</u>

At 31 December 2022, the bank and other borrowings were repayable as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year or on demand	3,571,749	3,542,876
Over one year but within two years	<u>100,000</u>	<u>—</u>
	<u>3,671,749</u>	<u>3,542,876</u>

At 31 December 2022, the bank and other borrowings were secured as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bank and other borrowings		
— Secured	1,705,390	1,857,429
— Guaranteed	826,359	891,791
— Unsecured	1,140,000	793,656
	<u>3,671,749</u>	<u>3,542,876</u>

At 31 December 2022, bank loans of a subsidiary, named Shenzhen Jinda, amounting to RMB40,000,000 were secured by its building with carrying amount of RMB63,841,000 and guaranteed by the Company.

At 31 December 2022, bank and other borrowings of the Group amounting to RMB685,390,000 were secured by pledged deposits with the carrying amount of RMB552,560,000.

At 31 December 2022, bank and other borrowings of the Group amounting to RMB980,000,000 were secured by pledged deposits with the carrying amount of RMB820,000,000 and guaranteed by the D&R Asset Management Group Company Limited (“**D&R Investment**”) with maximum guarantees of RMB160,000,000).

At 31 December 2022, bank and other borrowings of the Group amounting to RMB666,858,000 were guaranteed by D&R Investment with maximum guarantees of RMB785,000,000.

At 31 December 2022, bank loans of a subsidiary, named Full Gold, amounting to USD2,800,000 (RMB equivalent 19,501,000) were guaranteed by the Company.

At 31 December 2022, bank loans of the Company amounting to RMB140,000,000 were guaranteed by a subsidiary named Huatai with maximum guarantees of RMB140,000,000 and D&R Investment with maximum guarantees of RMB140,000,000, respectively.

Certain of the Group’s bank loan agreements were subject to the fulfilment of covenants imposing certain specific performance requirements on the Group. If the Group were to breach the covenants, bank loans drawn down would become payable on demand. As at 31 December 2022, certain covenant of the bank loan agreement from a bank was breached by a subsidiary of the Company named Full Gold. For the bank loan drawn down by Full Gold, no waiver letter had been obtained as at 31 December 2022. As a result, the balance of bank loan amounting to USD2,800,000 (RMB equivalent 19,501,000) was recorded in the current portion of long-term bank and other borrowings as at 31 December 2022.

12 TRADE AND OTHER PAYABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Current trade and other payables		
Bills payable	10,000	74,000
Trade payables	248,192	326,214
Other payables and accruals	393,248	468,684
Interest payables	1,628	1,139
Payable for mining rights	84,780	111,934
Deferred income (<i>note (a)</i>)	78,684	79,779
Payable to non-controlling interests	52	52
Amount due to related parties	4,343	4,167
Dividend payable	4,758	4,758
Financial liabilities at fair value through profit or loss	13,054	1,293
	838,739	1,072,020
Non-current other payables		
Payable for long-term assets (<i>note (b)</i>)	217,523	311,032
Deferred income (<i>note (a)</i>)	55,410	59,364
Decommissioning costs (<i>note (c)</i>)	111,189	114,559
	384,122	484,955

Notes:

- (a) Deferred income represents grants received from the government for the exploration of mines and construction of mining related assets. When certain conditions are met, the government grants are recognised as income over the periods necessarily to match them with the related costs of assets constructed which they are intended to compensate over the periods and in the proportion in which depreciation on those assets is charged.
- (b) Payable for long-term assets represents non-current payables in respect of procurement of property, plant and equipment, construction in progress and mining rights.
- (c) The decommissioning costs relate to reclamation and closure costs relating to the Group's mine operations. The decommissioning costs are calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, discounted at 4.9%, which amounted to RMB111,189,000 (31 December 2021: RMB114,559,000) in total as at 31 December 2022.

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	203,859	281,980
Over three months but less than six months	10,246	16,909
Over six months but less than one year	9,556	9,922
Over one year but less than two years	8,827	4,549
Over two years	15,704	12,854
	<u>248,192</u>	<u>326,214</u>

13 LOAN FROM SHAREHOLDERS

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

On 24 February 2022, the Company and D&R Investment entered into a loan agreement and the unsecured loan of RMB30,000,000 was provided by D&R Investment, which is bearing interest per annum at 5.39% and with a maturity of one month. The loan of RMB30,000,000 was repaid in April 2022.

14 COMMITMENTS AND CONTINGENCIES

- (a) Capital commitments, representing purchase of property, plant and equipment and intangible assets outstanding at 31 December 2022 not provided for in the financial statements, were as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Authorised and contracted for	37,065	102,532
Authorised but not contracted for	<u>302,338</u>	<u>372,944</u>
	<u><u>339,403</u></u>	<u><u>475,476</u></u>

(b) **Financial guarantees issued**

As at 31 December 2022, the Company has issued the following guarantees:

- (i) Guarantees to a subsidiary, Lingbao Gold International, in respect of a loan granted to another subsidiary, Full Gold, of USD1,739,000 (RMB equivalent 12,111,000) (31 December 2021: USD1,426,000 (RMB equivalent 9,092,000));
- (ii) Guarantees to a bank in respect of a bank loan granted to a subsidiary, Shenzhen Jinda, of RMB40,000,000 (31 December 2021: RMB40,000,000); and
- (iii) Guarantees to certain banks in respect of bank loans granted to a subsidiary, Full Gold, of USD2,800,000 (RMB equivalent 19,501,000) (31 December 2021: USD5,500,000 (RMB equivalent 35,066,000)).

As at 31 December 2022, a subsidiary of the Group, Huatai, has issued a guarantee to the Company in respect of bank loans granted to the Company, of RMB140,000,000 (31 December 2021: RMB140,000,000).

Other than the covenants breached by a subsidiary named Full Gold, the management does not consider it probable that a claim will be made against the Group or the Company under any of the guarantees. The maximum liability of the Group or the Company at the end of the reporting period under the guarantees issued is the above outstanding loans granted to the subsidiaries of the Company.

Except for the above guarantees, the Group or the Company does not provide any guarantees which would expose the Group or the Company to credit risk.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS

In the Fiscal Year 2022, the Group produced approximately 24,353 kg (equivalent to approximately 782,967 ounces) of gold bullion, representing an increase of approximately 11,101 kg (equivalent to approximately 356,905 ounces) or 83.8% as compared with the previous year. The increase in the production volume of gold bullion was primarily due to (i) a year-on-year increase of approximately 25% in the overall production volume of the mining segment compared with the corresponding period of the previous year as a result of the Group's efforts to strengthen the production organization of mines, leading to further releasing the production potential and a steady and sustained improvement in operating conditions; and (ii) an increase in the production volume of gold bullion processed from compound gold purchased from external suppliers in the smelting segment to enhance the capital utilisation efficiency. Benefiting from the increase in the production volume of gold bullion, the Group's revenue increased by approximately 90.0% to approximately RMB4,795,847,000 as compared with that of the corresponding period of the previous year. As of the Fiscal Year 2022, the production volume for the year increased significantly through the Group's continued optimisation of the mine production system, enhancement of the production capacity of the mining segment, continuous improvement of the internal control system of the Group and strengthened production management. The net profit of the Group was approximately RMB230,270,000 (for the year ended 31 December 2021 ("Fiscal Year 2021"): net profit of RMB117,639,000). The basic earnings per share of the Company for the Fiscal Year 2022 was RMB27.8 cents (Fiscal Year 2021: RMB15.0 cents).

The Group's mineral resources are mainly scattered in the regions of Henan, Xinjiang, Inner Mongolia, Jiangxi and Gansu of the People's Republic of China (the "PRC") and Kyrgyz Republic ("KR") with 35 mining and exploration rights as at 31 December 2022, covering 240.75 square kilometers. The total gold reserves and resources as at 31 December 2022 were approximately 135.079 tonnes (4,342,736 ounces).

1. MINING SEGMENT

Revenue and production

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

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

		2022		2021	
	Unit	<i>Approximate production volume</i>	<i>Approximate sales volume</i>	<i>Approximate production volume</i>	<i>Approximate sales volume</i>
Gold concentrates (contained gold)	kg	4,582	4,597	3,250	3,060
Compound gold	kg	839	878	1,088	1,098
Total	kg	5,421	5,475	4,338	4,158
Total	Ounce	174,289	176,025	139,470	133,683

The total revenue of the mining segment of the Group for the Fiscal Year 2022 was approximately RMB1,936,833,000, representing an increase of approximately RMB456,972,000 or 30.9% from approximately RMB1,479,861,000 in the previous year. Such increase benefited from a year-on-year increase in the production and sales volume of various mines to varying degrees compared to previous year due to the Group's efforts to strengthen internal control management. Among them, revenue from Mining — PRC was approximately RMB1,769,349,000 (Fiscal Year 2021: RMB1,419,094,000), and revenue from Mining — KR was approximately RMB167,484,000 (Fiscal Year 2021: RMB60,767,000). In the Fiscal Year 2022, revenue of gold mines in Henan, Xinjiang, KR and Inner Mongolia represented approximately 73.7%, 16.1%, 8.6% and 1.6% of the total revenue of the mining segment, respectively. The production volume of compound gold in the mining segment decreased by approximately 249 kg to approximately 839 kg while the production volume of the gold concentrates increased by approximately 1,332 kg to approximately 4,582 kg.

Segment results

The Group's total profit of the mining segment for the Fiscal Year 2022 was approximately RMB511,646,000, representing an increase of approximately 6.1% as compared with that in the Fiscal Year 2021, among which, the profit from Mining — PRC was approximately RMB516,640,000 (Fiscal Year 2021: RMB521,676,000), and the loss from Mining — KR was approximately RMB4,994,000 (Fiscal Year 2021: loss of RMB39,424,000). The segment result to segment revenue ratio of the Group's mining business for the Fiscal Year 2022 was approximately 26.4%, as compared with approximately 32.6% for Fiscal Year 2021.

In the Fiscal Year 2022, the revenue from the Mining — PRC segment increased by approximately 24.7% as compared with that in the Fiscal Year 2021, mainly benefiting from the Group's efforts to strengthen the management of mines by enabling major mines to organize production and further release the production potential despite the impact of the pandemic. The Group completed the production of 5,421 kg of gold concentrates (contained gold) and compound gold throughout the year, representing an increase of 1,083 kg and a year-on-year increase of 25.0%. The Group deepened the reform of management mechanism, and brought the advantages of independent operation from Nanshan branch into full play to adjust the operation mode of Lingjin One Mine, while strengthening the production organization of mines to further release production potential, resulting in an increase in annual production as compared with the Fiscal Year 2021. With outstanding production quality and production efficiency control, promotion of exploration and mining technology, improvement of hoisting capability, and processing plant expansion project, Tongbai Xingyuan Mining Company Limited (“**Xingyuan**”) recorded a significant increase in its production as compared to the Fiscal Year 2021, reaching the highest level in the past ten years.

In addition, thanks to the steady optimization of mineral separation indicators of Full Gold Mining Limited Liability Company (“**Full Gold**”) through the research and development of the mineral separation process and technical breakthroughs, the Mining — KR segment recorded a stable increase in its revenue. As a result, the loss for the Fiscal Year 2022 was reduced from approximately RMB39,424,000 in the Fiscal Year 2021 to approximately RMB4,994,000.

Based on the above, there was an improvement in the mining and mineral separation efficiency of the Group's mining segment as compared with that of the Fiscal Year 2021, resulting in an overall increase in production and revenue.

2. SMELTING SEGMENT

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

Products	Unit	2022		2021	
		<i>Approximate production volume</i>	<i>Approximate sales volume</i>	<i>Approximate production volume</i>	<i>Approximate sales volume</i>
Gold bullion (processed from gold concentrates)	kg	11,641	12,139	9,375	9,616
	ounce	374,267	390,278	301,387	309,157
Gold bullion (processed from compound gold)	kg	12,712	12,412	3,877	3,478
	ounce	408,700	399,055	124,660	111,822
Silver	kg	16,781	16,900	13,426	14,600
	ounce	539,521	543,348	431,643	469,388
Copper products	tonne	4,255	4,011	3,308	3,561
Sulphuric acid	tonne	107,091	119,081	95,526	92,344

Sales and production

The Group's total revenue in the smelting segment for the Fiscal Year 2022 was approximately RMB10,125,830,000, representing an increase of approximately 94.1% from approximately RMB5,217,835,000 in the previous year.

The increase in the total revenue of the smelting segment for the Fiscal Year 2022 was mainly due to an increase in the production and sales volume of gold bullion as a result of the Group's efforts in the improvement in the capital utilization efficiency and increased procurement of raw materials and compound gold.

Segment results

In the Fiscal Year 2022, the Group improved its profitability and successfully turned a loss into a profit through its efforts in improving capital utilization efficiency, increasing raw material procurement, optimizing production processes, staggering the use of electricity, making minor changes and reforms, strictly implementing the cost reduction and efficiency enhancement system, tightening control over internal procurement, and improving the recovery rate with additional tailings disposal facilities. The smelting segment recorded a profit of approximately RMB22,812,000 for the Fiscal Year 2022 (Fiscal Year 2021: loss of approximately RMB7,069,000). During the Fiscal Year 2022, the Group continued to strictly implement the cost reduction and efficiency enhancement system. Compared with the same period of the previous year, the Group organized the implementation of the technical transformation of the treatment of dusty flue gas and nitrogen oxides in refined metallurgy, optimized the production process and shortened the electrolysis cycle from over 30 hours to the current 12 hours, which improved the production efficiency and capital utilization efficiency. By implementing the transformation of superfine mill and introducing Aisha mill, the Group improved the recovery rate and carried out the technical reform management of auxiliary material consumption to effectively reduce the consumption of auxiliary materials in the production process and realized cost reduction and efficiency enhancement.

Work Planning and Outlook for 2023

Looking into 2023, the Company will promote its strategic transformation and upgrading and implement its extensive reforms. According to our overall work principle for 2023, the Company will strengthen our basic management with reference to top domestic enterprises by focusing on the strategy of “becoming a large gold production powerhouse”, while continuing to improve the development quality and business performance by facilitating technological innovation and unleashing the momentum from reforms.

We will persist in the strategy-oriented approach, and reconsider its future development strategy by further defining the development orientation, vision and objective, and corporate culture and values of the Group in a bid to build consensus in concerted efforts. We will strengthen our efforts to explore and integrate resources and will accelerate our work progress in mineral prospecting and reserve expansion for key prospecting projects. We are required to focus organizing and managing production activities at the mines to enhance production efficiency by improving the mining volume and ore quality. Besides accelerating the progress of key projects for the mines, we shall continue to optimize the production systems of underground mines. We will also speed up the construction of technological innovation platforms, and pursue technological breakthrough and innovation for the whole chain of mining, processing and smelting. In addition, we will enhance risk control and prevention by tightening internal control and compliance management.

Great endeavors require joint efforts and important missions require dedications from all. We must seize development opportunities in a concerted effort, and dedicate ourselves to pursuing pragmatism when turning our plans and strategies into concrete actions, which will help advance Lingbao Gold towards becoming a world-renowned and domestically renowned large-scale mining group.

FINANCIAL INFORMATION

1. Operating Results

Revenue

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

	2022			2021		
	Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)	Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)
Gold bullion	9,565,030	24,499 kg	390,425	4,913,037	13,094kg	375,215
Silver	69,606	16,838 kg	4,134	67,211	14,600kg	4,603
Copper products	230,659	4,011 tonne	57,507	209,921	3,561 tonne	58,950
Sulphuric acid	38,549	119,081 tonne	324	27,481	92,344 tonne	297
Gold concentrates	232,145	608 kg	381,817	130,227	356kg	365,806
Others	48,875	—	—	—	—	—
Revenue before tax	10,184,864			5,347,877		
Less: Sales taxes	(58,406)			(17,266)		
	<u>10,126,458</u>			<u>5,330,611</u>		

The Group's revenue for the Fiscal Year 2022 was approximately RMB10,126,458,000, representing an increase of approximately 90.0% as compared with the previous year, primarily due to an overall increase in the revenue benefitting from an increase in the production volume of the gold bullion.

Gross profit

The Group's gross profit for the Fiscal Year 2022 was RMB785,101,000 as compared with the gross profit of RMB587,810,000 in the previous year. The increase in the Group's gross profit was due to overall increase of sales volume.

Other net loss

The Group's other net loss for the Fiscal Year 2022 was approximately RMB48,561,000, representing an increase of approximately 17.8% as compared with approximately RMB41,212,000 in the previous year. The Group recognized a significant increase in net foreign exchange gain due to the significant appreciation of US dollar against RMB, which was offset by an increase in impairment losses of long-term assets, thus resulted in an increase in other net loss.

Other revenue

The Group's other revenue for the Fiscal Year 2022 was approximately RMB45,697,000, representing a decrease of approximately 15.1% as compared with approximately RMB53,796,000 in the previous year. The decrease in other revenue was mainly due to the decrease in government grants and scrap sales.

Profit attributable to the Company's equity shareholders

For the Fiscal Year 2022, the Company recorded a profit of approximately RMB240,222,000 attributable to equity shareholders of the Company (Fiscal Year 2021: RMB130,026,000). The basic and diluted earnings per share for the Fiscal Year 2022 was RMB27.8 cents (Fiscal Year 2021: RMB15.0 cents).

2. Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and cash equivalents and pledged deposits as at 31 December 2022 amounted to RMB1,598,910,000 (31 December 2021: RMB1,523,506,000).

The total equity of the Group as at 31 December 2022 amounted to RMB1,898,582,000 (31 December 2021: RMB1,748,196,000). As at 31 December 2022, the Group had current assets of RMB3,259,605,000 (31 December 2021: RMB3,235,866,000) and current liabilities of RMB4,498,321,000 (31 December 2021: RMB4,760,092,000). The current ratio was 72.5% (31 December 2021: 68.0%).

As at 31 December 2022, the Group had total outstanding bank and other borrowings of approximately RMB3,671,749,000 with interest rates ranging from 2.0% to 6.3% per annum (approximately RMB3,571,749,000 and approximately RMB100,000,000 repayable within one year and over one year but within two years, respectively). The gearing ratio as at 31 December 2022 was 53.2% (31 December 2021: 50.6%), which was calculated by total borrowings divided by total assets.

As at 31 December 2022, the Group had unutilised bank facilities related to unsecured bank loans facilities of RMB251,000,000. These facilities could be drawn down by the Group to finance its operation. Based on the past experience and the communication with banks, the Board believes that the Company has the ability to renew or secure banking facilities upon maturity.

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

- 1) increasing the production volume of the gold bullion and generate cash flows from operating activities by strengthening internal management and optimizing cost reduction and efficiency enhancement measures, and increasing the output of gold bullion processed from gold concentrates;
- 2) securing certain funding by enhancing the communication and promoting mutual trust between the Group and banks and other financial institutions as well as taking advantage of the government's relatively loose financing policies;
- 3) increasing supply chain financing by taking full advantage of the attribute of high liquidity of inventories in the gold mining industry;
- 4) increasing the liquidity and reducing short-term borrowings. The Group will arrange more secured long-term loan facilities at lower interest rates by the pledging of property, plant and equipment of the Group; and
- 5) obtaining financing upon the completion of subscription of the Company's shares (as described in the circular dated 4 January 2023). The net proceeds from the subscription will be used to meet the Group's production and working capital needs, which will enhance the liquidity of the Company and further lower its gearing ratio.

3. Security and guarantee

For details of securities and guarantees of the Group as at 31 December 2022, please refer to Note 11 "Bank and Other Borrowings" to these financial statements.

4. Connected Party Transactions

(1) Loan from a shareholder

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

On 24 February 2022, the Company and D&R Investment entered into a loan agreement and the unsecured loan of RMB30,000,000 was provided by D&R Investment, which is bearing interest per annum at 5.39% and with a maturity of one month. The loan of RMB30,000,000 was repaid in April 2022.

D&R Investment is a substantial shareholder of the Company holding 185,339,000 Domestic shares representing approximately 21.4% of the total number of issued shares of the Company as at 31 December 2022.

(2) Guarantee issued by a shareholder

During the year ended 31 December 2022, D&R Investment issued maximum guarantees amounting to RMB1,085,000,000 to several banks in respect of bank and other borrowings, bank acceptance bills and letter of credit of the Company (2021: RMB1,135,000,000).

In 2021, the Company and D&R Investment entered into an agreement for guarantee charge in relation to the above guarantees issued by D&R Investment. The guarantee charge was calculated based on the principals of unpledged bank and other borrowings with annual fee rate of 1%. For the bank and other borrowings pledged by deposits, inventories or long-term assets, no guarantee charge was occurred during the year ended 31 December 2022.

5. Material Acquisition or Disposal

Save as otherwise disclosed in this announcement, there were no material acquisitions or disposals subsequent to 31 December 2022 and up to the date of this announcement.

6. Market Risks

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

Gold price and other commodities price risk

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

Interest rate risk

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

Exchange rate risk

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

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

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

7. Contractual Obligations

As at 31 December 2022, the Group's total capital commitments in respect of the contracted costs and the authorised but not contracted costs which were not provided for in the financial statements were approximately RMB37,065,000 (31 December 2021: RMB102,532,000) and RMB302,338,000 (31 December 2021: RMB372,944,000), respectively.

8. Contingent Liabilities

As at 31 December 2022, the Group had no material contingent liabilities.

9. Capital Expenditure

For the Fiscal Year 2022, the Group's capital expenditure was approximately RMB228,775,000, representing a decrease of approximately 75% from approximately RMB902,853,000 for the previous year.

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

10. Employees

For the Fiscal Year 2022, the average number of employees of the Group was 4,176. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs. The gender and type of employees will be disclosed in detail in the annual report.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions as set out in the Corporate Governance Code (collectively the "Code") contained in Appendix 14 of the Listing Rules during the year ended 31 December 2022. None of the Directors is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the Code by the Company at any time during the year.

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

PURCHASE, SALES OR REDEMPTION OF SHARES OF THE COMPANY

For the Fiscal Year 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

DIVIDENDS

The Board does not recommend the payment of final dividend for the Fiscal Year 2022 (Fiscal Year 2021: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities by directors of the Company. Having made specific enquiries of all the Company’s directors, all directors of the Company have confirmed that they had fully complied with the required standard set out in the Model Code throughout the Fiscal Year 2022.

AUDIT COMMITTEE AND REVIEW OF RESULTS ANNOUNCEMENT FOR FISCAL YEAR 2022

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

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

THE SCOPE OF WORK OF KPMG

Financial figures in respect of the consolidated statement of financial position, consolidated statement of profit or loss, and the consolidated statement of profit or loss and other comprehensive income of the Group and related notes thereto for the year ended 31 December 2022 as set out in this announcement have been compared by the auditor of the Company, KPMG (Certified Public Accountants), with the amounts as contained in the audited consolidated financial statements of the Group for the year, and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on this announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement has been published on the website of The Hong Kong Exchanges and Clearing Limited (the “**HK Exchange**”), www.hkexnews.hk, and the website of the Company, www.irasia.com/listco/hk/lingbao. The 2022 Annual Report will be despatched to shareholders in due course and published on the websites of HK Exchange and the Company.

By order of the Board
Lingbao Gold Group Company Ltd.
Chen Jianzheng
Chairman

Lingbao City, Henan Province, the PRC

20 March 2023

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