Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

LINGJIN
灵 金

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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of Lingbao Gold Group Company Ltd. (the "**Company**") hereby announce the unaudited annual results ("**Unaudited Annual Results**") of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 ("**Fiscal Year 2019**"), together with the comparative figures for the year ended 31 December 2018 ("**Fiscal Year 2018**").

For the reasons explained in the section headed "**Review of Unaudited Annual Results**", the Unaudited Annual Results set forth in this announcement have not yet been agreed with the Company's auditors and the Unaudited Annual Results have been reviewed by the Company's audit committee ("**Audit Committee**").

The following is the Unaudited Annual Results of our Group as of and for the year ended 31 December 2019, together with a management's discussion and analysis of our Group's financial position and results of operations. The Unaudited Annual Results have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**2019** ***RMB'000*** **(Unaudited)**	2018 *Note* *RMB'000*
Continuing operations:			
Revenue	3	**5,884,470**	3,781,660
Cost of sales		**(5,524,328)**	(3,615,797)
Gross profit		**360,142**	165,863
Other revenue	4	**33,345**	23,143
Other net loss	5	**(110,369)**	(334,011)
Selling and distribution expenses		**(5,373)**	(6,125)
Administrative expenses and other operating expenses		**(298,513)**	(940,754)
Loss from operations		**(20,768)**	(1,091,884)
Finance costs		**(182,464)**	(256,277)
Loss before taxation		**(203,232)**	(1,348,161)
Income tax	6	**(48,609)**	169,236
Loss for the year from continuing operations		**(251,841)**	(1,178,925)
Discontinued operations:			
Profit for the year from discontinued operations		**—**	1,956,759
(Loss)/profit for the year		**(251,841)**	777,834

Note:

The Group has also initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

	Note	**2019** ***RMB'000*** **(Unaudited)**	2018 *Note* *RMB'000*
Attributable to:			
Equity shareholders of the Company			
— continuing operations		**(233,502)**	(1,160,046)
— discontinued operations		**—**	1,956,208
		(233,502)	796,162
Non-controlling interests			
— continuing operations		**(18,339)**	(18,879)
— discontinued operations		**—**	551
		(18,339)	(18,328)
(Loss)/profit for the year		**(251,841)**	777,834
Basic and diluted (loss)/earnings per share *(RMB cents)*	*8*		
— continuing operations		**(27.0)**	(135.7)
— discontinued operations		**—**	228.8
		(27.0)	93.1

Note:

The Group has also initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	**2019** ***RMB'000*** **(Unaudited)**	2018 *Note* *RMB'000*
(Loss)/profit for the year		**(251,841)**	777,834
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			
— continuing operations		**(9,713)**	(31,228)
Total comprehensive income for the year		**(261,554)**	746,606
Attributable to:			
Equity shareholders of the Company			
— continuing operations		**(241,263)**	(1,185,215)
— discontinued operations		**—**	1,956,208
		(241,263)	770,993
Non-controlling interests			
— continuing operations		**(20,291)**	(24,938)
— discontinued operations		**—**	551
		(20,291)	(24,387)
Total comprehensive income for the year		**(261,554)**	746,606

Note:

The Group has also initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**2019** ***RMB'000*** **(Unaudited)**	2018 *Note* *RMB'000*
Non-current assets			
Property, plant and equipment	*9*	**1,320,365**	1,325,917
Construction in progress		**534,101**	395,590
Intangible assets		**644,497**	630,205
Goodwill		**4,717**	4,717
Lease prepayments		**—**	122,737
Right-of-use assets		**133,756**	—
Interest in associates		**22,531**	22,531
Other financial assets		**4,520**	4,520
Investment deposits	*10*	**18,800**	84,600
Non-current prepayments		**2,353**	10,571
Deferred tax assets		**338,171**	347,025
Other non-current assets		**14,265**	27,347
		3,038,076	2,975,760
Current assets			
Inventories		**1,469,380**	1,029,544
Trade and other receivables, deposits and prepayments	*11*	**224,289**	2,833,085
Current tax recoverable		**11,043**	13,349
Pledged deposits		**872,092**	549,841
Cash and cash equivalents		**318,671**	811,237
		2,895,475	5,237,056
Current liabilities			
Bank and other borrowings	*12*	**3,011,262**	3,804,767
Trade and other payables	*13*	**802,435**	1,369,338
Contract liabilities		**16,684**	32,621
Lease liabilities		**3,255**	—
Current tax payable		**39,608**	131,475
		3,873,244	5,338,201
Net current liabilities		**(977,769)**	(101,145)
Total assets less current liabilities		**2,060,307**	2,874,615

Note:

The Group has also initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		2019	2018
			Note
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	
Non-current liabilities			
Bank and other borrowings	*12*	**406,015**	765,184
Other payables	*13*	**132,009**	166,169
Lease liabilities		**9,005**	—
Deferred tax liabilities		**10,256**	5,836
		557,285	937,189
NET ASSETS		**1,503,022**	1,937,426
CAPITAL AND RESERVES			
Share capital		**172,850**	172,850
Reserves		**1,479,486**	1,893,599
Total equity attributable to equity shareholders of the Company		**1,652,336**	2,066,449
Non-controlling interests		**(149,314)**	(129,023)
TOTAL EQUITY		**1,503,022**	1,937,426

Note:

The Group has also initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

As at 31 December 2019, the Group had net current liabilities of RMB978 million, total borrowings of RMB3,417 million and capital commitments of RMB280 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 2019, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities of RMB2,026 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 HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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 yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. Comparative information has not been restated and continues to be reported under HKAS 17.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Reclassification**	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Lease prepayments	122,737	—	(122,737)	—
Right-of-use assets	—	12,018	127,745	139,763
Total non-current assets	**2,975,760**	**12,018**	**5,008**	**2,992,786**
Trade and other receivables, deposits and prepayments	2,833,085	—	(5,008)	2,828,077
Totol current assets	**5,237,056**	**—**	**(5,008)**	**5,232,048**
Lease liabilities (current)	—	1,264	—	1,264
Total current liabilities	**5,338,201**	**1,264**	**—**	**5,339,465**
Net current liabilities	**(101,145)**	**(1,264)**	**(5,008)**	**(107,417)**
Total assets less current liabilities	**2,874,615**	**10,754**	**—**	**2,885,369**
Lease liabilities (non-current)	—	10,754	—	10,754
Total non-current liabilities	**937,189**	**10,754**	**—**	**947,943**
Net assets	**1,937,426**	**—**	**—**	**1,937,426**

3 REVENUE

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

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

(i) Disaggregation of Revenue

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

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
Continuing operations:		
— Sales of gold	**5,360,413**	2,985,892
— Sales of other metals	**461,670**	680,275
— Others	**63,399**	118,116
Less: Sales taxes and levies	**(1,012)**	(2,623)
	5,884,470	3,781,660

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

The Group has only one customer with whom transactions have exceeded 10% of the Group's revenues (2018: one). In 2019, revenues from sales of gold products to this customer amounted to approximately RMB5,102,970,000 (2018: RMB2,695,472,000) arose in the Henan Province, the PRC.

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

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

4 OTHER REVENUE

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Continuing operations:		
Interest income on financial assets measured at amortised cost	**23,854**	11,410
Government grants	**3,871**	5,529
Others	**5,620**	6,204
	33,345	23,143

5 OTHER NET LOSS

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Continuing operations:		
Net realised and unrealised loss on other financial instruments at fair value	**12,764**	426
Net unrealised loss on unlisted equities at fair value	**—**	9,125
Net loss/(income) on disposal of property, plant and equipment and intangible assets	**4,095**	(146)
Net foreign exchange (gain)/loss	**(2,161)**	4,155
Impairment losses of:	**—**	—
— property, plant and equipment	**26,291**	30,087
— intangible assets	**—**	21,551
— investment deposits	**61,553**	—
— non-current prepayment	**—**	174,580
Net loss on disposal of a subsidiary	**—**	89,718
Others	**7,827**	4,515
	110,369	334,011

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Continuing operations

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

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Current tax — PRC income tax		
Provision for the year	**35,886**	2,044
Under/(over)-provision in respect of prior years	**(551)**	1,028
	35,335	3,072
Deferred tax		
Origination and reversal of temporary differences	**13,274**	(172,308)
	48,609	(169,236)

(ii) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Note	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Loss before taxation		**(203,232)**	(1,348,161)
Notional tax on loss before taxation, calculated at the rates applicable to the jurisdictions concerned	*(i) (ii) (iii)*	**(41,295)**	(313,514)
Effect of non-deductible expenses		**2,322**	4,981
Utilisation of temporary differences not recognised in previous years		**(4,242)**	(3,454)
Tax losses and temporary differences not recognised	*(iv)*	**92,256**	24,109
Current year's tax losses of continuing operations utilised in discontinued operations		**—**	117,058
Under/(over)-provision in prior years		**(551)**	1,028
Others		**119**	556
Actual tax expense		**48,609**	(169,236)

Note:

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

(ii) Hong Kong profits tax rate for 2019 is 16.5% (2018: 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 2019 is 0% (2018: 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 continuing operations of the Group has not recognised deferred tax assets of RMB92,256,000 (2018: RMB24,109,000) in respect of unused tax losses of RMB221,740,000 (2018: RMB75,216,000) and temporary differences of RMB147,284,000 (2018: RMB21,218,000) for the year ended 31 December 2019.

7 DIVIDENDS

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

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Final dividend proposed after the end of the reporting period (2018: RMB0.20 per ordinary share)	—	172,850

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Final dividend in respect of the previous financial year, approved during the year, of RMB0.20 per ordinary share	**172,850**	—

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

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB233,502,000 (2018: earnings of RMB796,162,000) and the weighted average of 864,249,091 ordinary shares (2018: 854,720,324 ordinary shares) in issue during the year ended 31 December 2019, calculated as follows:

(i) Weighted average number of ordinary shares

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Issued ordinary shares at 1 January	**864,249,091**	770,249,091
Effect of new domestic shares issued on 7 February 2018	**—**	84,471,233
Weighted average number of ordinary shares	**864,249,091**	854,720,324

(ii) Consolidated (loss)/profit attributable to ordinary equity shareholders of the Company

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
(Loss)/profit attributable to equity shareholders of the Company		
— continuing operations	**(233,502)**	(1,160,046)
— discontinued operations	**—**	1,956,208
	(233,502)	796,162

(iii) (Loss)/earnings per share (RMB cents)

	2019 ***RMB cents*** **(Unaudited)**	2018 *RMB cents*
Basic (loss)/earnings per share		
— continuing operations	**(27.0)**	(135.7)
— discontinued operations	**—**	228.8
	(27.0)	93.1

(b) Diluted (loss)/earnings per share

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

9 PROPERTY, PLANT AND EQUIPMENT

Impairment loss of RMB26,291,000 was recognised in respect of a cash-generating unit ("**CGU**"), Lingbao Hongxin Mining Company Limited ("**Hongxin**"), which is under the mining — PRC reportable segment, during the year ended 31 December 2019. As there has been decreasing mineral reserves of Hongxin caused by deteriorating mining conditions in its area, the Group identified an impairment indicator of its property, plant and equipment, and performed an impairment assessment of the related assets based on their estimated recoverable amounts.

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

As a result of the assessment, the Group recognised an impairment loss of RMB26,291,000 on the property, plant and equipment to reduce the carrying amount of this CGU to its recoverable amount of RMB28,642,000. The impairment loss was recorded in "other net loss" (note 5) in the consolidated statement of profit or loss for the year ended 31 December 2019.

10 INVESTMENT DEPOSITS

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Investment deposits		
— Beijing Jiuyi *(note (a))*	**75,753**	80,000
— Henan Asset Management *(note (b))*	**94,000**	94,000
Less: Impairment losses	**(150,953)**	(89,400)
	18,800	84,600

Note:

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

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

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

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

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Trade receivables, net of loss allowance	**9,422**	10,376
Bills receivable	**66,717**	569,889
	76,139	580,265
Other receivables, net of loss allowance *(note (b))*	**59,729**	63,739
Amounts due from related parties	**20,277**	1,896,965
	80,006	1,960,704
Financial assets measured at amortised cost	**156,145**	2,540,969
Deposits and prepayments	**47,335**	56,606
Purchase deposits *(note (c))*	**807,332**	1,023,844
Less: Allowance for non-delivery	**(786,523)**	(788,334)
	20,809	235,510
Amounts due from Beijing Jiuyi *(note (d))*	**—**	—
	224,289	2,833,085

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.

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Within three months	**78,436**	122,515
Over three months but less than six months	**4,080**	156,650
Over six months but less than one year	**—**	300,000
Over one year	**3,900**	1,100
At 31 December	**86,416**	580,265

For sales of gold, the Group requests customers to pay cash in full immediately upon the delivery. For sales of other metallic products, trade and bills receivables are due within 30 days to 180 days from the date of billing.

(b) Other receivables, net of loss allowance

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

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Other receivables	**99,517**	80,387
Less: Allowance for expected credit losses	**(39,788)**	(16,648)
	59,729	63,739

During the year ended 31 December 2019, the Group recognised the loss allowance for expected credit losses of other receivables of RMB23,140,000 (31 December 2018: RMB7,172,000).

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

(c) Purchase deposits

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

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

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
At 1 January	**788,334**	131,576
Impairment loss (reversed)/recognised	**(1,811)**	656,758
At 31 December	**786,523**	788,334

During the year ended 31 December 2019, the Group reversed impairment losses of purchase deposits of RMB40,000,000 (31 December 2018: Nil) due to the receipt of mineral sand from two suppliers and impairment provisions of RMB38,189,000 (31 December 2018: RMB656,758,000) was made based on the Group's reassessment of recoverability of purchase deposits.

The management considered that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the remaining purchase deposits of RMB20,809,000 as at 31 December 2019 would be gradually recovered through future purchases of mineral sand from the respective suppliers.

(d) Amounts due from Beijing Jiuyi

	2019 *RMB'000* (Unaudited)	2018 *RMB'000*
Amounts due from Beijing Jiuyi	**30,800**	30,800
Less: Impairment losses	**(30,800)**	(30,800)
	—	—

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

12 BANK AND OTHER BORROWINGS

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

	At 31 December 2019 *RMB'000* (Unaudited)	At 31 December 2018 *RMB'000*
Short-term bank and other borrowings:		
— Bank loans	**2,698,378**	2,754,646
— Loans from leasing companies	**—**	66,590
— Add: Current portion of long-term bank and other borrowings	**312,884**	983,531
	3,011,262	3,804,767
Long-term bank and other borrowings:		
— Bank loans	**718,899**	1,683,744
— Loans from leasing companies	**—**	64,971
— Less: Current portion of long-term bank and other borrowings	**(312,884)**	(983,531)
	406,015	765,184
	3,417,277	4,569,951

At 31 December 2019, the bank and other borrowings were repayable as follows:

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Within one year or on demand	**3,011,262**	3,804,767
Over one year but within two years	**367,646**	369,793
Over two years but within five years	**38,369**	395,391
	406,015	765,184
	3,417,277	4,569,951

At 31 December 2019, the bank and other borrowings were secured as follows:

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Bank and other borrowings		
— Secured	**—**	765,825
— Guaranteed	**627,858**	715,950
— Unsecured	**2,789,419**	3,088,176
	3,417,277	4,569,951

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 2019, certain covenants of one bank were breached by the Company. The Company obtained waiver from this bank, confirming that they do not treat the Company has breached the relevant covenants under the existing loan agreement. This loan was due and repaid in February 2020.

13 TRADE AND OTHER PAYABLES

Current trade and other payables

	31 December 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000*
Bills payable	**—**	190,000
Trade payables	**274,831**	291,635
Other payables and accruals	**331,438**	317,814
Interest payables	**2,888**	11,526
Payable for mining rights	**84,935**	83,559
Deferred income	**80,416**	80,406
Payable to non-controlling interests	**23,021**	22,623
Payable to D&R Fund	**—**	15,000
Dividend payable	**4,758**	1,260
Amounts due to related parties	**—**	327,865
Financial liabilities at fair value through profit or loss	**148**	27,650
	802,435	1,369,338

Non-current other payables		
Decommissioning costs	**55,528**	52,625
Deferred income	**76,481**	78,544
Payable to D&R Fund	**—**	35,000
	132,009	166,169

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

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Within three months	**212,610**	243,378
Over three months but less than six months	**5,859**	7,481
Over six months but less than one year	**38,485**	18,512
Over one year but less than two years	**3,585**	15,774
Over two years	**14,292**	6,490
	274,831	291,635

14 CAPITAL COMMITMENTS

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

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000*
Authorised and contracted for	**25,542**	73,933
Authorised but not contracted for	**254,281**	493,407
	279,823	567,340

15 EVENTS AFTER THE REPORTING PERIOD

Due to the transportation control implemented and the restrictions in resuming work as a result of the outbreak of COVID-19 in early 2020, the production and operation activities of the Group, including purchase of raw materials, sales, transportation, and mining, are affected. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business

For the Fiscal Year 2019, the Group produced approximately 16,519 kg (equivalent to approximately 531,098 ounce) gold bullion, representing an increase of approximately 5,783 kg (equivalent to approximately 185,928 ounce) or 53.9% as compared with the previous year. The Group's revenue from continuing operations increased by 55.6% to approximately RMB5,884,470,000 in 2019. During the Fiscal Year 2019, the Company recorded an unaudited loss from the continuing operations of approximately RMB251,841,000, representing a decrease as compared to the loss from the continuing operations of the Group of approximately RMB1,178,925,000 for the Fiscal Year 2018.

The unaudited results of the Group for the Fiscal Year 2019 were relatively better than that of the Fiscal Year 2018, which were due to (i) the increase of 390 kg or 41.8% in production volume of compound gold in the mining segment in 2019; (ii) the production volume of gold bullion in the smelting segment of 16,519 kg in 2019, representing an increase of 5,783 kg as compared to that in 2018; (iii) the increase of RMB37,025/kg in the average selling prices of gold bullion of the Group in 2019, resulting in an increase of approximately 1.7% in the Group's overall gross profit margin as compared to that in 2018; and (iv) the decrease of approximately RMB73,813,000 in finance costs as compared to that in 2018 as a result of the decrease in the bank and other borrowings and interest rate in 2019.

The main reasons for the losses incurred by the Group during the Fiscal Year 2019 were as follows:

(i) In September 2018, the Lingbao City Administration of Work Safety (靈寶市安全生產監督管理局) took a special action on "non-rule violations" (打非治違) in the field of non-coal mine safety production, which also continued in 2019. As a result of the foregoing, Nanshan Branch and Hongxin under the Mining-PRC segment were affected in 2019 with their production activities basically halted. Nanshan Branch submitted application reports for resumption of production at Dongxi No.14 Mining Shaft (東西十四坑) and No.18 Mining Shaft (十八坑) to the Lingbao City Administration of Work Safety on 12 March and 15 April 2019, respectively, and Hongxin submitted application report for resumption of production to the Lingbao City Administration of Work Safety. However, pending completion of the approval and inspection by the relevant authorities, Nanshan Branch and Hongxin failed to resume their normal mining, production, and operation activities in 2019. Given the foregoing suspended production, Nanshan Branch and Hongxin's production volume of gold concentrates decreased by approximately 620 kilograms as compared to the production plan, resulting in a decrease in revenue of the Group of approximately RMB170,000,000 for the Fiscal Year 2019 as compared to the budget. Furthermore, the operating expenses and fixed costs continued to incur, including labor costs, depreciation of property, plant and equipment and loss arising from the related suspended production, etc. The above halt of Nanshan Branch and Hongxin resulted in losses of approximately RMB130,000,000 for the Group during the Fiscal Year 2019.

(ii) In 2019, the procurement of gold concentrates dropped from 250,000 tonnes as budgeted to actual volume of approximately 230,000 tonnes, representing a decrease of approximately 8.0%, while the anticipated output of gold bullion from gold concentrates in the smelting segment decreased from 9.8 tonnes to 8.3 tonnes, representing a decrease of approximately 18.1%. The decrease in the procurement of gold concentrates was mainly because the local government authorities of Henan Province and Sanmenxia City periodically issued notices on warning and emergency response of severely polluted weather ("**Notices**") and introduced mandatory sewage and emission reduction measures, which required relevant enterprises to reduce production by 10% to 30% within specified period. Therefore, the smelting plant of the Group carried out limited production in certain periods according to the Notices issued by the local government authorities, in order to comply with the environmental inspection requirements, which led to a decrease of accumulated 3,415 working hours in 2019. In addition, due to the special action on "non-rule violations" (打非治違), the normal supply of certain suppliers to the Group was affected, and the supply volume and ore grade of gold concentrates supplied to the Group was adversely affected especially in the first half of 2019. As a result, the productivity of the smelting plant had not been fully utilized in 2019, which had an adverse effect on the operating results of the Group amounting to approximately RMB40,000,000; and

(iii) Impairment loss amounted to approximately RMB115,231,000, including (i) an investment deposit with an original amount of RMB94,000,000, for which the Group, as the plaintiff, filed a litigation against Henan Asset Management Company Limited (河南資產管理有限公司), as the defendant, claiming to get full return of the Group's investment deposit. Due to the fact that the Group lost in the first trial and the judgment of the second trial is still in progress, the Group additionally made the impairment loss of RMB65,800,000 for the Fiscal Year 2019 (2018: impairment loss of RMB9,400,000) based on current progress of the case and the legal opinion from our PRC lawyer; (ii) an impairment loss on certain property, plant and equipment of approximately RMB26,291,000 made by the Group due to the under-performance of production and operation of Hongxin, a subsidiary under the mining-PRC segment; and (iii) an impairment loss of approximately RMB23,140,000 made by the Group in respect of the expected credit losses on certain other receivables.

In 2018, the Group completed a very substantial disposal transaction, by which the Group disposed of the copper foil business. In 2019, the Group for the first time focused on our gold operation following the disposal of the copper foil business. The Group maintained its business stability with improvement, signifying a positive momentum. In 2019, the Group's major operation continued to scale up. Despite certain mining units were ordered for suspension of production for rectification, the majority of the production units complied with the environmental production requirements and successfully renewed or obtained the relevant license for production and operation. By fully utilizing the cash flow advantages arising from the disposal of the copper foil business, our gold production output stabilized with improvement. In this regard, the Group's overall development trend remains stable and positive.

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 inter-segment sales within the Group.

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

		2019		2018	
	Unit	***Approximate production volume***	***Approximate sales volume***	*Approximate production volume*	*Approximate sales volume*
Gold concentrates (contained gold)	kg	**814**	**760**	814	932
Compound gold	kg	**1,322**	**1,242**	932	852
Total	kg	**2,136**	**2,002**	1,746	1,784
Total	ounce	**68,674**	**64,366**	56,135	57,357

The total revenue of the mining segment of the Group for Fiscal Year 2019 was approximately RMB584,043,000, representing an increase of approximately 10.41% from approximately RMB528,963,000 in 2018. During the year, revenue of gold mines in Henan, Xinjiang, Inner Mongolia and Kyrgyzstan represented approximately 23.2%, 49.2%, 5.8% and 21.8% of the total revenue of the mining segment, respectively. The production volume of compound gold of the Group increased by approximately 390 kg to approximately 1,322 kg while the production volume of the gold concentrates was basically the same as the previous year.

Segment results

The total profit of the Group's mining segment for the Fiscal Year 2019 was approximately RMB59,280,000, as compared to total profit of approximately RMB2,442,000 for the Fiscal Year 2018. The segment results to segment revenue ratio of the Group's mining segment for Fiscal Year 2019 was approximately 10.2%, as compared to approximately 0.5% for Fiscal Year 2018.

In 2019, on the one hand, the inability of the mining segment (in Mainland China) for mining and mineral separation due to environmental and safety production policies reduced as compared with previous year; on the other hand, the smooth development in the construction of mining shafts and auxiliary facilities of the subsidiaries of the Group's mining segment further improved the operating performance of the subsidiaries under the mining segment. In the meantime, in 2019, Full Gold Mining Limited Liability Company ("**Full Gold**"), a subsidiary under the mining-Kyrgyz segment, continued to improve its production process as the result of the improvement of the surrounding environment, standardization of its internal management, and strengthening of cost control and has achieved continuous and stable production since the commence of production in August 2018. Following negotiations with the local authorities on the power station transformation, Full Gold has upgraded the winter heating facility and extended the construction hours in 2019. Under the combined impacts above, the mining and mineral separation efficiency of the Group's mining segment were improved in 2019.

In early 2019, the Group entered into an entrustment operation agreement (the "**Agreement**") with a third party Hubei Haotuo Mining Engineering Co., Ltd. (湖北浩拓礦山工程有限公司) ("**Hubei Haotuo**") through Lingbao Dexin Mining Company Limited ("**Dexin Mining**", a subsidiary co-invested and established with Hubei Haotuo), pursuant to which Hubei Haotuo is in charge of daily operation of two mining rights together with the land use right and property, plant and equipment related to these mining rights ("**Mines**") of Nanshan Branch. According to the Agreement, Hubei Haotuo shall take responsibility for daily operation of the abovementioned Mines during the period of entrustment operation cover the related operating costs, and be entitled to all revenue arising from the Mines. The Group shall assist Hubei Haotuo in completing necessary administrative formalities, like production permits, and be entitled to annual fixed income according to the Agreement. However, due to the special action on "non-rule violations" (打非治違) as mentioned above, production and operation activities of the Mines halted in early 2019. In the second half year of 2019, the Mineral Resources Department of Henan Province and Lingbao Government subsequently issued the notice of resource consolidation aimed at geological and environmental treatment at mines, as well as resource integration, wherein local sizeable enterprises of major mines are required to carry out resource consolidation and uniform management. As a result, the production resumption and inspection for the Mines were unable to proceed as scheduled. Throughout 2019, the Group had been maintaining close communications with Hubei Haotuo and local government authorities. Due to the suspension of the

Mines in 2019, the Group and Hubei Haotuo commenced negotiations to seek solutions at the end of 2019. Following communications and negotiations, the Group and Hubei Haotuo entered into the Termination Agreement dated 27 March 2020 for the purpose of terminating the Agreement, pursuant to which it is confirmed that both parties hereto agree to terminate the Agreement as no actual performance has been delivered with effect from the date of the Agreement. In the meantime, the Group would refund Hubei Haotuo all of the advance payment during the period of entrustment operation and certain finance costs arising from the advance payment. All operating costs and loss arising from the suspended production related to the Mines during 2019 would be borne by the Group. As at 31 December 2019, the payable due to Hubei Haotuo amounted to approximately RMB56,000,000, which was presented as "Trade and other payables" in the consolidated statement of financial position for the year ended 31 December 2019.

2. Smelting Segment

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

		2019		2018	
Products	*Unit*	***Approximate production volume***	***Approximate sales volume***	*Approximate production volume*	*Approximate sales volume*
Gold bullion	kg	**16,519**	**16,469**	10,736	10,790
	ounce	**531,098**	**529,490**	345,170	346,906
Silver	kg	**23,618**	**25,471**	19,543	19,494
	ounce	**759,336**	**818,911**	628,322	626,747
Copper products	tonne	**9,107**	**8,959**	9,302	19,702
Sulphuric acid	tonne	**78,392**	**81,584**	86,947	85,367

Sales and production

The Group's total revenue from the smelting segment for the Fiscal Year 2019 was approximately RMB5,617,759,000, representing an increase of approximately 45% from approximately RMB3,875,208,000 for the Fiscal Year 2018.

The daily processing capacity of gold concentrates of the Group was approximately 611 tonnes, at a production utilisation rate of approximately 55.5%. As compared with the previous year, the Group's production volume of gold bullion and silver increased by approximately 53.9% and 20.9%, respectively, while the production volume of copper and sulphuric acid decreased by approximately 2.1% and 9.8%, respectively. During the Fiscal Year 2019, the gold recovery rate was approximately 96.5%, the silver recovery rate was approximately 78.4% and the copper recovery rate was approximately 96.8%. The recovery rates of the Group remained at a relatively high level.

Segment results

The total profit of the Group's smelting segment for the Fiscal Year 2019 was approximately RMB137,041,000, and the Fiscal Year 2018 recognized a total loss of approximately RMB705,578,000. The segment results to segment revenue ratio of our smelting business for the Fiscal Year 2019 was approximately 2.4%, as compared to approximately (18.2)% for the Fiscal Year 2018.

The results of smelting segment of the Group for the Fiscal Year 2019 were relatively better than the previous year, mainly due to the facts that:

(i) the improvement in environmental protection and safety production of the Group's smelting plant has been completed substantially. Therefore, during 2019, the smelting plant did not experience long-term shutdowns like 2018 (two consecutive months shutdowns in 2018);

(ii) in 2019, the smelting segment increased the purchase of compound gold for production of gold bullion, and the significantly increasing gold price in the market resulted in a significant increase in revenue as compared to that in the previous year; and

(iii) in response to the Group's cost reduction and efficiency improvement policy, the smelting segment increased the ore grade and the recovery rate in 2019, saving certain unnecessary costs and further improving the operating results of the smelting segment.

Nevertheless, the operating results of the Group was still adversely affected by the failure to fully utilize the productivity of smelting segment mainly caused by the mandatory sewage and emission reduction measures introduced by the local government authorities.

Prospect Planning and Outlook

In 2020, besides the impacts caused by the COVID-19 outbreak, the Group continues to face various challenges, including the adequacy of resources, technological innovation, safety and environmental protection, purchase of raw materials, and capital management. Despite the foregoing, the Group will further optimize and expand its mining operation, and overcome obstacles to become a sophisticated smelting powerhouse. Looking into 2020, the Group will mainly focus on the following aspects:

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

Mining represents the engine of our development, and the Group is therefore required to take mineral exploration and reserve as the first priority mission for planning. First, we shall coordinate and proceed with the mineral exploration management. Second, we shall increase our efforts to provide funding support. Third, we shall facilitate the key mineral exploration, while striving to ensure the quality of the mineral exploration projects. Fourth, we shall continue to secure mines and mining concessions in a bid to build an alternate base of resources. Fifth, we shall actively carry out the development strategy of "going global" by increasing our efforts to investigate into mines in the domestic market and countries along the Belt and Road Initiative, as well as complete the mergers and acquisitions. In doing so, we will safeguard the overall level of resources for the Group.

(II) to safeguard the momentum of improving production capacity and performance by carrying out policies specifically aimed at production and operation management

The Group shall strengthen the management of its production units by specifically pursuing the "quality and efficiency" principle. In addition, the Group shall streamline management, lower costs, and enhance efficiency. Furthermore, we shall pursue precise control over environmental protection and emission limitation to achieve a higher operating efficient rate that will result in a higher comprehensive recovery rate of gold, silver, and copper. On the other hand, the Group shall minimize its inventory risk, while effectively marketing our products.

(III) to attain the new advantage of high quality development by continuing with our commitments to scientific innovation

The Group shall improve its research on mineral exploration techniques for mining units, which are aimed at improving the mined ore grade and lowering the dissipation and dilution rates. In addition, the Group shall further redouble its efforts to research the comprehensive development and utilization of gold ore and concentrate resources that are difficult to process so that our processing recovery rate can be improved while the operating costs are reduced. Furthermore, the Group will pursue the in-depth integration of big data, internet, mechanization, automation, digitization, and smartization into the whole processing chain that covers ore exploration, processing, and smelting of gold production so that the obsolete production capacity can be phased out.

(IV) to provide new security for business development by upholding the bottom lines of safety and environmental protection

In line with the increasingly tightened safety and environmental policies introduced by the government, the Group shall pursue the philosophy of legal and compliance operation by further clarifying the responsibilities of the competent persons, as well as strengthening the accountability mechanism. In the meantime, the Group shall double down its endeavor to phase out obsolete equipment and promote the use of advanced equipment.

(V) to build a new system for operation and control by introducing multi-pronged measures to corporate governance

The Group will continue to optimize its governance and control system by establishing the meeting and council mechanism, problem-resolving mechanism, procedures for establishing communications between the senior management and the Company, the mechanism for information collection and feedback and work supervision, which will strengthen our production control and achieve a significant improvement in gold production.

(VI) to increase our purchase of raw materials

We shall strengthen and manage the purchase of raw materials by pursuing the centralized bulk procurement to lower purchase costs.

(VII) to minimize liquidity risk

In the coming year, in order to minimize the liquidity risk, the Group will adjust its financing structure, including increasing the proportion of medium-to-long term loans with lower financing costs, increasing the proportion of net assets, optimizing the liquidity debt structure, and reducing financing costs.

FINANCIAL INFORMATION

1. Operating Results

Revenue — Continuing operations

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

	2019			2018		
	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	**5,102,970**	**16,469 kgs**	**309,853**	2,943,819	10,790 kgs	272,828
Silver	**86,969**	**25,471 kgs**	**3,414**	59,418	19,423 kgs	3,059
Copper cathode	**374,701**	**8,959 tonnes**	**41,825**	620,857	14,167 tonnes	43,824
Sulphuric acid	**5,707**	**81,584 tonnes**	**70**	14,071	85,367 tonnes	165
Gold concentrates	**315,135**	**1,768 kgs**	**178,244**	146,118	1,378 kgs	106,036
Revenue before tax	**5,885,482**			3,784,283		
Less: Sales tax	**1,012**			2,623		
	5,884,470			3,781,660		

The Group's revenue for the Fiscal Year 2019 was approximately RMB5,884,470,000, representing an increase of approximately 55.6% as compared with the previous year, of which the revenue of gold bullion accounted for 86.7% of our total revenue. Such increase was mainly attributable to the increase in sales volume of gold bullion by approximately 52.6% during the Fiscal Year 2019.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for the Fiscal Year 2019 were RMB360,142,000 and 6.1%, respectively, and the gross profit and gross profit margin for 2018 were RMB165,863,000 and 4.4%, respectively. The Group's overall gross margin increased, mainly because the price of gold in 2019 rose significantly and resulted in an increase from 3.4% to 6.4% of the gross margin of gold bullion that has the highest percentage of sales.

Other revenue

The Group's other revenue for the Fiscal Year 2019 was approximately RMB33,345,000, representing an increase of approximately 44.1% as compared with approximately RMB23,143,000 for the Fiscal Year 2018.

Other net loss

The Group's other net loss for the Fiscal Year 2019 amounted to approximately RMB110,369,000, representing a decrease of approximately 67.0% from other net loss of approximately RMB334,011,000 for the Fiscal Year 2018. The decrease in other net loss was mainly due to the Group recorded an impairment losses of approximately RMB174,580,000 in 2018 in respect of the prepayment for taxes owing to uncertainty in utilising the tax prepayments in future years, while no such impairment provision for tax prepayments was made during the Fiscal Year 2019.

Other net loss in 2019 was mainly due to (i) impairment loss of property, plant and equipment of approximately RMB26,291,000 due to the under-performance of production and operation of Hongxin, a subsidiary under the mining-PRC segment; (ii) an investment deposit with an original amount of RMB94,000,000, for which the Group, as the plaintiff, filed a litigation against Henan Asset Management Company Limited (河南資產管理有限公司), as the defendant, in June 2019, claiming the defendant to fully return the above investment deposit. In November 2019, the Sanmenxia Intermediate People's Court of Henan Province judged that the Group lost in the first trial. The Group appealed to the Higher People's Court of Henan Province subsequently in December. As of the date of this announcement, the judgment of the second trial has not been announced. Based on the current progress of the case and the legal opinion from our PRC lawyers, the Group additionally made the impairment loss of RMB65,800,000 for the Fiscal Year 2019 (2018: impairment loss of RMB9,400,000) after taking into account the uncertainty of recoverability of such investment deposit in the future. As at 31 December 2019, accumulated impairment loss amounted to 80% of this investment deposit was made.

Selling and distribution expenses

The Group's selling and distribution expenses for the Fiscal Year 2019 were approximately RMB5,373,000, representing a decrease of approximately 12.3% as compared with the previous year.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expense for the Fiscal Year 2019 amounted to approximately RMB298,513,000, representing a decrease of approximately 68.3% from approximately RMB940,754,000 for the Fiscal Year 2018. The decrease in administrative expenses and other operating expenses was due to the impairment loss of approximately RMB656,758,000 owing to the significant uncertainties in the recoverability of certain purchase deposits as a result of the full suspension of production and financial difficulties of some suppliers of the Group in 2018, while no significant provision for the purchase deposits was made in 2019.

Finance costs

The Group's finance costs for the Fiscal Year 2019 were approximately RMB182,464,000, representing a decrease of approximately 28.8% as compared with approximately RMB256,277,000 for the Fiscal Year 2018. Finance costs decreased mainly because the interest expense incurred from bank borrowings decreased as a result of the decrease in average balance of bank borrowings for 2019.

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

For the Fiscal Year 2019, the Company recorded a loss of approximately RMB233,502,000 from continuing operations attributable to equity shareholders of the Company (for the Fiscal Year 2018, the Company recorded a profit of approximately RMB796,162,000 from continuing operations and discontinued operations attributable to equity shareholders of the Company). The basic and diluted loss per share for the Fiscal Year 2019 was RMB(27.0) cents (for the Fiscal Year 2018, the basic and diluted earnings per share was RMB93.1 cents).

2. Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 31 December 2019 amounted to RMB1,190,763,000 (31 December 2018: RMB1,361,078,000).

The total equity of the Group as at 31 December 2019 amounted to RMB1,503,022,000 (31 December 2018: RMB1,937,426,000). As at 31 December 2019, the Group had current assets of RMB2,895,475,000 (31 December 2018: RMB5,237,056,000) and current liabilities of RMB3,873,244,000 (31 December 2018: RMB5,338,201,000). The current ratio was 0.75 (31 December 2018: 0.98).

As at 31 December 2019, the Group had total outstanding bank and other borrowings of approximately RMB3,417,277,000 with interest rates ranging from 2.2% to 5.7% per annum, of which approximately RMB3,011,262,000 was repayable within one year, approximately RMB367,646,000 was repayable after one year but within two years, and approximately RMB38,369,000 was repayable after two years. The gearing ratio as at 31 December 2019 was 57.6% (31 December 2018: 55.6%), which was calculated by total borrowings divided by total assets.

As at 31 December 2019, the Group had unutilised bank facilities of RMB2,026,000,000 which could be drawn down by the Group to finance its operation.

3. Security

As at 31 December 2019, the Group or the Company did not provide any guarantees which would expose the Group or the Company to credit risk (2018: USD20,000,000 (equivalent to RMB137,264,000)).

4. Material Acquisition or Disposal

There was no material acquisition or disposal during the year.

5. Market Risks

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

Gold price and other commodities price risk

The Group's turnover and profit for the year were affected by fluctuations in the gold prices and other commodities price as all 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

The Group is exposed to risks associated with the fluctuation in interest rates on our debt obligations. The Group undertakes debt obligations to support capital expenditure and general 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 operation results may be affected. Renminbi is not freely convertible and the currency would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi.

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

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

6. Contractual Obligations

As at 31 December 2019, the Group's total capital commitments in respect of the contracted construction costs and the authorised but not contracted construction costs which were not provided for in the financial statements were approximately RMB25,542,000 (31 December 2018: RMB73,933,000) and RMB254,281,000 (31 December 2018: RMB493,407,000), respectively, representing a decrease of approximately RMB48,391,000 and RMB239,126,000, respectively.

7. Contingent Liabilities

As at 31 December 2019, the Group had no material contingent liabilities.

8. Capital Expenditure

For the Fiscal Year 2019, the Group's capital expenditure was approximately RMB302,400,000, representing a decrease of approximately 19.4% from approximately RMB375,021,000 for 2018.

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

9. Employees

For the Fiscal Year 2019, the average number of employees of the Group was 4,152. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Listing Rules. Save as disclosed below, none of the Directors is aware of any information which would reasonably indicate that the Company has not, during the 12 months ended 31 December 2019, complied with all applicable code provisions of the Code.

Code A.2.1 of the Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Chen Jianzheng is the chairman and the chief executive office of the Company. The Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer on the same person can facilitate execution of the Group's business strategies and boost effectiveness of its operation.

Code A.2.7 provides that the chairman should at least annually hold one meeting with the non-executive directors (including independent non-executive directors) without the executive directors present. During the Fiscal Year 2019, all meetings were held with the executive directors' presence. However, the chairman has delegated the secretary to the Board to gather any concerns and/or questions that the non-executive directors and the independent non-executive directors might have and to report to him so that the chairman will arrange a meeting with them.

PURCHASE, SALES OR REDEMPTION OF SHARES OF THE COMPANY

For the Fiscal Year 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

DIVIDENDS

The Board of directors does not recommend the payment of final dividend for the Fiscal Year 2019 (2018: RMB0.20 per share (tax inclusive)).

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 and supervisors. Having made specific enquiries of all the Company's directors, all directors and supervisors of the Company have confirmed that they had fully complied with the required standard set out in the Model Code throughout the Fiscal Year 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Audit Committee currently consists of five non-executive Directors, four of whom are independent non-executive Directors. The members currently are Mr. Shi Yuchen, Mr. Han Qinchun, Mr. Wang Jiheng, Mr. Wang Guanghua and Mr. Yang Dongsheng, an independent non-executive director and the Chairman of the Audit Committee.

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to postponement of auditor's field works resulting from the COVID-19 outbreak in the PRC. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and also has discussed auditing, internal controls and financial reporting matters including the review of the unaudited annual results of the Group for the year ended 31 December 2019.

In order to keep the shareholders of the Company (the "**Shareholders**") and potential investors of the Company informed of the Group's business operation and financial position, the Board has set forth in this announcement the unaudited annual results as extracted from the latest unaudited management accounts of the Group for the Fiscal Year 2019. The Directors confirmed that the unaudited annual results were prepared on the same basis as used in the audited consolidated financial statements of the Group for the Fiscal Year 2018.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 and the material differences (if any) as compared with the unaudited annual results contained herein, and (ii) the proposed date on which the forthcoming annual general meeting will be held. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company currently expects the auditing process will be completed and the audited annual results will be announced on or before 30 April 2020.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Chen Jianzheng, Mr. Xing Jiangze, Ms. Zhou Xing, Mr. Wang Leo and Mr. Zeng Xiangxin; two non-executive directors, namely Mr. Shi Yuchen and Mr. Zhang Feihu; and four independent non-executive directors, namely Mr. Yang Dongsheng, Mr. Han Qinchun, Mr. Wang Jiheng and Mr. Wang Guanghua.