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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 INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

The board of directors (the “Board”) of Lingbao Gold Group Company Ltd. (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017. The interim financial results have been reviewed by the Company’s Audit Committee. In addition, the Group’s external auditors have reviewed the interim financial report.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS – UNAUDITED

*For the six months ended 30 June 2017*

	<i>Note</i>	<b>Six months ended 30 June 2017 RMB'000</b>	Six months ended 30 June 2016 RMB'000
<b>Revenue</b>	3, 4	<b>2,309,919</b>	2,951,222
Cost of sales		<u>(1,970,951)</u>	<u>(2,616,468)</u>
<b>Gross profit</b>		<b>338,968</b>	334,754
Other revenue		<b>25,064</b>	15,452
Other net loss	5(b)	<b>(13,208)</b>	(137,578)
Selling and distribution expenses		<b>(30,609)</b>	(15,649)
Administrative expenses and other operating expenses		<u><b>(183,004)</b></u>	<u>(197,209)</u>
<b>Profit/(loss) from operations</b>		<b>137,211</b>	(230)
Finance costs	5(a)	<u><b>(106,907)</b></u>	<u>(121,075)</u>
<b>Profit/(loss) before taxation</b>	5	<b>30,304</b>	(121,305)
Income tax	6	<u><b>(19,999)</b></u>	<u>11,171</u>
<b>Profit/(loss) for the period</b>		<u><b>10,305</b></u>	<u>(110,134)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>26,450</b>	(104,959)
Non-controlling interests		<u><b>(16,145)</b></u>	<u>(5,175)</u>
<b>Profit/(loss) for the period</b>		<u><b>10,305</b></u>	<u>(110,134)</u>
<b>Basic and diluted earnings/(loss) per share (RMB cents)</b>	7	<u><b>3.4</b></u>	<u>(13.6)</u>

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

*For the six months ended 30 June 2017*

	<b>Six months ended 30 June 2017 RMB'000</b>	<b>Six months ended 30 June 2016 RMB'000</b>
<b>Profit/(loss) for the period</b>	<b>10,305</b>	<b>(110,134)</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>11,811</u>	<u>(8,343)</u>
<b>Total comprehensive income for the period</b>	<b><u>22,116</u></b>	<b><u>(118,477)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>35,884</b>	<b>(111,639)</b>
Non-controlling interests	<b><u>(13,768)</u></b>	<b><u>(6,838)</u></b>
<b>Total comprehensive income for the period</b>	<b><u>22,116</u></b>	<b><u>(118,477)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 June 2017

		At <b>30 June</b> <b>2017</b>	At 31 December 2016
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		2,189,704	2,299,516
Construction in progress		326,470	309,125
Intangible assets		719,583	711,358
Goodwill		7,302	7,302
Lease prepayments		160,398	163,366
Interest in associates		21,531	8,600
Other financial assets		40,504	40,504
Non-current prepayments		176,599	168,988
Deferred tax assets		185,706	185,406
Other non-current assets		27,328	22,121
		3,855,125	3,916,286
		3,855,125	3,916,286
<b>Current assets</b>			
Inventories		1,200,661	1,149,214
Trade and other receivables, deposits and prepayments	9	1,218,080	1,085,212
Assets classified as held for sale		5,423	5,423
Current tax recoverable		11,945	10,805
Pledged deposits		292,573	158,274
Cash and cash equivalents		693,574	1,164,569
		3,422,256	3,573,497
		3,422,256	3,573,497
<b>Current liabilities</b>			
Bank and other borrowings		3,381,129	3,255,771
Trade and other payables	10	1,055,021	1,171,875
Loan from shareholders		13,800	23,800
Current tax payable		752	11,087
		4,450,702	4,462,533
		4,450,702	4,462,533
<b>Net current liabilities</b>		<b>(1,028,446)</b>	<b>(889,036)</b>
<b>Total assets less current liabilities</b>		<b>2,826,679</b>	<b>3,027,250</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED**  
**(Continued)**

At 30 June 2017

	<i>Note</i>	At 30 June 2017 <i>RMB'000</i>	At 31 December 2016 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Bank and other borrowings		<b>1,593,969</b>	1,817,738
Other payables	<i>10</i>	<b>155,078</b>	152,636
Deferred tax liabilities		<b>3,912</b>	5,272
		<u><b>1,752,959</b></u>	<u>1,975,646</u>
<b>NET ASSETS</b>		<u><b>1,073,720</b></u>	<u>1,051,604</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>154,050</b>	154,050
Reserves		<b>1,000,978</b>	965,094
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,155,028</b>	1,119,144
<b>Non-controlling interests</b>		<b>(81,308)</b>	(67,540)
<b>TOTAL EQUITY</b>		<u><b>1,073,720</b></u>	<u>1,051,604</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## 1 BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 August 2017.

As at 30 June 2017, the Group had net current liabilities of RMB1,028,446,000 (which included cash and cash equivalents of RMB693,574,000), total borrowings of RMB4,975,098,000 and capital commitments of RMB254,020,000. 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 30 June 2017, taking into account the Group’s cash flow projection, including the Group’s unutilised banking facilities, ability to renew or refinance the banking facilities upon maturity and the Group’s future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it 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 accordingly, the interim financial report has been prepared on a going concern basis.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (production processes, products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments. Operating segments with similar nature of the production process, products and services have been aggregated to form the following reportable segments.

Mining-PRC	–	Gold mining and mineral ores processing operations in the People’s Republic of China (the “PRC”).
Mining-KR	–	Gold mining and mineral ores processing operations in Kyrgyz Republic (“KR”).
Smelting	–	Gold and other metal smelting and refinery operations carried out in the PRC.
Copper processing	–	Copper processing operation carried out in the PRC.

### 3 SEGMENT REPORTING (Continued)

#### (a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Mining - PRC		Mining - KR		Smelting		Copper Processing		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000						
<i>For the six months ended 30 June</i>										
Revenue from external customers	74,618	56,930	9,722	-	1,364,914	2,433,354	867,338	465,905	2,316,592	2,956,189
Inter-segment revenue	209,884	220,987	10,513	-	47,646	183,129	-	-	268,043	404,116
Sales taxes and levies	(40)	(98)	-	-	(960)	(2,911)	(5,673)	(1,958)	(6,673)	(4,967)
<b>Reportable segment revenue</b>	<b>284,462</b>	<b>277,819</b>	<b>20,235</b>	<b>-</b>	<b>1,411,600</b>	<b>2,613,572</b>	<b>861,665</b>	<b>463,947</b>	<b>2,577,962</b>	<b>3,355,338</b>
<b>Reportable segment (loss)/profit</b>	<b>(17,271)</b>	<b>(12,553)</b>	<b>(46,495)</b>	<b>(5,429)</b>	<b>66,972</b>	<b>134,991</b>	<b>165,893</b>	<b>42,400</b>	<b>169,099</b>	<b>159,409</b>
(Provision)/reversal of impairment on:										
- trade and other receivables	(4)	(60)	-	-	-	(483)	2,455	(23,933)	2,451	(24,476)
- purchase deposits	-	-	-	-	7,050	(24,032)	-	-	7,050	(24,032)
- construction in progress	-	(4,021)	-	-	-	-	-	-	-	(4,021)
<i>As at 30 June/31 December</i>										
<b>Reportable segment assets</b>	<b>1,755,369</b>	<b>1,798,275</b>	<b>898,098</b>	<b>951,396</b>	<b>1,596,516</b>	<b>1,761,532</b>	<b>1,857,473</b>	<b>1,794,100</b>	<b>6,107,456</b>	<b>6,305,303</b>
<b>Reportable segment liabilities</b>	<b>1,385,520</b>	<b>874,583</b>	<b>1,388,661</b>	<b>1,385,528</b>	<b>1,376,765</b>	<b>1,588,507</b>	<b>1,560,683</b>	<b>1,342,179</b>	<b>5,711,629</b>	<b>5,190,797</b>

### 3 SEGMENT REPORTING (Continued)

#### (b) Reconciliations of reportable segment revenues, profit or loss

	Six months ended 30 June 2017 RMB'000	Six months ended 30 June 2016 RMB'000
<b>Revenue</b>		
Reportable segment revenue	2,577,962	3,355,338
Elimination of inter-segment revenue	(268,043)	(404,116)
	<u>2,309,919</u>	<u>2,951,222</u>
<b>Profit or loss</b>		
Reportable segment profit	169,099	159,409
Elimination of inter-segment profits	3,600	2,595
	<u>172,699</u>	<u>162,004</u>
Reportable segment profit derived from the Group's external customers	172,699	162,004
Other net loss	(13,208)	(137,578)
Finance costs	(106,907)	(121,075)
Unallocated head office and corporate expenses	(22,280)	(24,656)
	<u>(59,796)</u>	<u>(123,205)</u>
Consolidated profit/(loss) before taxation	<u>30,304</u>	<u>(121,305)</u>

### 4 REVENUE

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

Revenue represents the sales value of goods sold to customers, net of sales tax and value added tax. The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 June 2017 RMB'000	Six months ended 30 June 2016 RMB'000
Sales of:		
– gold	1,260,318	2,313,031
– other metals	1,053,867	639,093
– others	2,407	4,065
Less: Sales taxes and levies	(6,673)	(4,967)
	<u>2,309,919</u>	<u>2,951,222</u>

## 5 PROFIT/(LOSS) BEFORE TAXATION

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

	<b>Six months ended 30 June 2017 RMB'000</b>	Six months ended 30 June 2016 RMB'000
(a) Finance costs:		
Interest on bank loans	<b>100,343</b>	107,289
Interest on corporate debentures	–	12,741
Less: Interest expense capitalised into construction in progress	–	(1,172)
	<b>100,343</b>	118,858
Other finance costs	<b>6,564</b>	2,217
Total finance costs	<b>106,907</b>	121,075
(b) Other net loss:		
Net realised and unrealised losses on financial instruments at fair value	<b>10,070</b>	126,577
Others	<b>3,138</b>	11,001
Total other net loss	<b>13,208</b>	137,578
(c) Other items:		
Amortisation of lease prepayments	<b>2,968</b>	2,884
Amortisation of intangible assets	<b>6,950</b>	4,675
Total depreciation	<b>118,897</b>	99,046
Less: Depreciation capitalised into construction in progress	–	(215)
	<b>118,897</b>	98,831
(Reversal)/provision of impairment on:		
– trade and other receivables	<b>(2,451)</b>	24,476
– purchase deposits	<b>(7,050)</b>	24,032
– construction in progress	–	4,021
Operating lease charges in respect of properties	<b>1,077</b>	1,529
Environmental rehabilitation fee	<b>11,624</b>	11,808
Research and development expenses (other than depreciation)	<b>20,717</b>	10,242
Government grants	<b>(3,159)</b>	(3,450)
Bank interest income	<b>(5,787)</b>	(7,772)

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	<b>Six months ended 30 June 2017 RMB'000</b>	Six months ended 30 June 2016 RMB'000
Current tax – PRC income tax	<b>21,301</b>	8,651
Under/(over)-provision in respect of prior years	<b>358</b>	(428)
Deferred taxation	<b>(1,660)</b>	(19,394)
	<b><u>19,999</u></b>	<b><u>(11,171)</u></b>

- (a) 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, Lingbao Wason Copper-Foil Company Limited (“Wason Copper-Foil”) was accredited as a “High and New Technology Enterprise” (“HNTE”) in 2009. It was entitled to a preferential income tax rate of 15% for a period of three years from 2009 to 2011. Wason Copper-Foil renewed its HNTE qualification in 2012 and 2015, and therefore has been entitled to the preferential tax rate of 15% till 2017.

Another subsidiary, Lingbao Hongyu Electronics Company Limited (“Hongyu Electronics”), was accredited as a “High and New Technology Enterprise” (“HNTE”) in 2015 and was entitled to a preferential income tax rate of 15% for a period of three years from 2015 to 2017.

Under the CIT Law and its relevant regulation, qualified research and development expenses are subject to income tax deduction at 150% on the amount actually incurred.

- (b) Hong Kong profits tax rate for 2017 is 16.5% (2016: 16.5%). No provision for Hong Kong profits tax is made for the six months ended 30 June 2017 as the subsidiary located in Hong Kong did not earn any income which is subject to Hong Kong profits tax.
- (c) Kyrgyzstan corporate income tax rate in 2017 is 0% (2016: 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”.

## 7 EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company of RMB26,450,000 (six months ended 30 June 2016: loss of RMB104,959,000) and 770,249,091 ordinary shares in issue during the six months ended 30 June 2017 (six months ended 30 June 2016: 770,249,091 ordinary shares).

### (b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share for the six months ended 30 June 2017 and 2016 are the same as the basic earnings/(loss) per share as there are no dilutive potential ordinary shares during the periods.

## 8 DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the interim period

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB Nil).

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

No final dividend in respect of the previous financial year has been approved during the interim period (six months ended 30 June 2016: RMB Nil).

## 9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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 allowance for doubtful debts, is as follows:

		At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 3 months		423,587	472,066
Over 3 months but within 6 months		270,000	114,222
Over 6 months but within 1 year		24,005	18,448
Over 1 year		2,901	10,050
Trade debtors and bills receivable, net of allowance for doubtful debts	(a)	720,493	614,786
Other receivables, net of allowance for doubtful debts		122,619	112,567
Receivables		843,112	727,353
Purchase deposits, net of allowance for non-delivery	(b)	374,940	352,986
Financial assets at fair value through profit or loss		28	4,873
		<b>1,218,080</b>	<b>1,085,212</b>

## 9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

- (a) 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.

### Transfers of financial assets

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

As at 30 June 2017, the Group endorsed certain bank acceptance bills with a carrying amount of RMB85,739,000 (31 December 2016: RMB57,340,000) to suppliers for settling trade payables of the same amount on a full recourse basis. In the opinion of the directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, the full carrying amounts of these bills receivable and the trade payables are not derecognized.

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

As at 30 June 2017, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 30 June 2017, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to banks or suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB47,366,000 and RMB136,837,000 (31 December 2016: RMB65,695,000 and RMB40,926,000) respectively.

- (b) 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 directors of the Company consider that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.

## 10 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	<i>Note</i>	<b>At 30 June 2017 RMB'000</b>	At 31 December 2016 RMB'000
<b>Current</b>			
Within 3 months		<b>275,834</b>	318,557
Over 3 months but within 6 months		<b>20,152</b>	18,585
Over 6 months but within 1 year		<b>11,935</b>	10,056
Over 1 year but within 2 years		<b>9,229</b>	11,622
Over 2 years		<b>6,831</b>	10,884
<b>Total trade creditors</b>		<b>323,981</b>	369,704
Bills payable		<b>80,000</b>	80,000
Other payables and accruals		<b>534,323</b>	590,520
<b>Total creditors and bills payable</b>		<b>614,323</b>	670,520
Payable for mining rights		<b>84,511</b>	86,539
Dividend payable		<b>1,260</b>	1,260
Payable to non-controlling interests	<i>(b)</i>	<b>24,193</b>	43,808
Financial liabilities measured at amortised cost		<b>1,048,268</b>	1,171,831
Financial liabilities at fair value through profit or loss		<b>6,753</b>	44
		<b>1,055,021</b>	1,171,875
<b>Non-current</b>			
Decommissioning costs	<i>(c)</i>	<b>51,183</b>	51,192
Deferred income	<i>(a)</i>	<b>103,895</b>	101,444
		<b>155,078</b>	152,636

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

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

(c) The decommissioning costs relate to reclamation and closure costs relating to the Group's mine operations. The decommissioning costs are calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, discounted at 4.9%, which amounted to RMB 51,183,000 (31 December 2016: RMB 51,192,000) in total as at 30 June 2017.

## 11 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

### (a) Disposal of 60% equity interest in Wason Copper-Foil (the “Disposal”)

On 7 July 2017, the Company entered into an equity transfer agreement with Beijing Zhongxin Zehui Investment Company Limited (北京中鑫澤匯投資有限公司) (the “Purchaser”), pursuant to which the Company agreed to sell and the Purchaser agreed to acquire 60% equity interest in Wason Copper-Foil at a consideration of RMB637,240,000. Upon the completion of the Disposal, Wason Copper-Foil will cease to be a subsidiary of the Company.

Completion of the Disposal is conditional upon:

- (i) The passing of the necessary resolution(s) by the shareholders of the Company at the extraordinary general meeting to approve the equity transfer agreement by the Company and the transactions contemplated thereunder;
- (ii) Completion of the industrial and commercial registration of changes for the Disposal;
- (iii) The pledge of 100% equity interest in Wason Copper-Foil made by the Company to The Export-Import Bank of China having been discharged;
- (iv) The Company and the Purchaser confirming that the Disposal having been complied with the relevant laws, regulations and relevant requirements as set out in the articles of association of both the Company and the Purchaser upon signing the equity transfer agreement; and
- (v) All necessary approvals required under the laws, rules and in relation to the Disposal having been obtained.

As at the date of this report, the above conditions have not been fully met.

### (b) Acquisition of 28.5% equity interest in Lingbao City Jincheng Metallurgical Limited Liability Company (“Jincheng Metallurgical”)

On 20 July 2017, the Company entered into an investment framework agreement with Lingbao State-owned Assets in respect of the proposed acquisition of 28.5% equity interest in Lingbao City Jincheng Metallurgical Limited Liability Company (靈寶市金城冶金有限責任公司) through the process of bidding as required under the laws and regulations of the PRC. The consideration of the acquisition will be subject to the bidding result.

As at the date of this report, the bidding process has not been commenced.

## REVIEW OF BUSINESS AND PROSPECT

In the first half of 2017, Lingbao Gold Group Company Ltd. (“Lingbao Gold” or the “Company”) and its subsidiaries (together with the Company, the “Group”) produced approximately 4,560kg (equivalent to approximately 146,607 ounces) of gold, representing a decrease of approximately 4,410kg (equivalent to approximately 141,785 ounces) or approximately 49.2% as compared with the corresponding period of the previous year. The Group’s revenue for the six months ended 30 June 2017 was approximately RMB2,309,919,000, representing a decrease of approximately 21.7% as compared with the corresponding period of the previous year. For the six months ended 30 June 2017, the profit attributable to the equity shareholders of the Company was approximately RMB26,450,000 (six months ended 30 June 2016: loss attributable to the equity shareholders of the Company of RMB104,959,000). For the six months ended 30 June 2017, the basic earnings per share of the Company was RMB0.03 (six months ended 30 June 2016: basic loss per share of RMB0.14). In the first half of 2017, the French presidential election, the political events in Korean Peninsula and the Middle East triggered turmoil in international finance, which caused an accumulated increase of approximately 8% in gold price over the first half of the year. The Group recorded a profit mainly because (i) copper foil price and gold price increased compared with the corresponding period of 2016; and (ii) loss from changes to the fair value of financial instruments declined substantially to approximately RMB10,070,000 compared with the corresponding period of 2016 (six months ended 30 June 2016: RMB126,577,000).

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 51 mining and exploration rights as at 30 June 2017, covering 1,837.33 square kilometers. The total gold reserves and resources as at 30 June 2017 were approximately 48.56 tonnes (1,561,238 ounces) and 136.84 tonnes (4,399,502 ounces) respectively.

### 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:

	Unit	For the six months ended 30 June			
		2017	2016	2017	2016
		Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	<b>726</b>	<b>684</b>	780	755
Compound gold	kg	<b>411</b>	<b>385</b>	478	395
Total	kg	<b>1,137</b>	<b>1,069</b>	1,258	1,150
Total	ounce	<b>36,555</b>	<b>34,369</b>	40,446	36,973

The Group's total revenue from the mining segment for the first half of 2017 was approximately RMB304,697,000, representing an increase of approximately 9.7% from approximately RMB277,819,000 for the same period in 2016. During the first half of 2017, turnover in Henan, Xinjiang, Inner Mongolia and KR represented approximately 52.9%, 32.9%, 7.5% and 6.7% of the total turnover from the mining segment respectively. The production of compound gold decreased by approximately 67 kg to approximately 411 kg, while production of gold concentrates decreased by approximately 54 kg to approximately 726 kg.

### *Segment results*

The Group's total loss of the mining segment for the first half of 2017 was approximately RMB63,766,000, compared with loss of approximately RMB17,982,000 for the same period in 2016. The segment result to segment revenue ratio of the Group's mining segment for the first half of 2017 was approximately (20.9)%, compared with approximately (6.5)% in the corresponding period in 2016.

## **2. Smelting Segment**

Our existing smelting plant is situated in Henan Province, and is capable of processing gold, silver, copper 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:

		<b>For the six months ended 30 June</b>			
		<b>2017</b>		<b>2016</b>	
	Unit	<b>Approximate production volume</b>	<b>Approximate sales volume</b>	Approximate production volume	Approximate sales volume
Gold bullion	kg	<b>4,560</b>	<b>4,578</b>	8,970	9,100
	ounce	<b>146,607</b>	<b>147,186</b>	288,392	292,572
Silver	kg	<b>7,142</b>	<b>9,650</b>	21,533	23,559
	ounce	<b>229,621</b>	<b>310,255</b>	692,302	757,439
Electrolytic coppers	tonne	<b>3,493</b>	<b>2,975</b>	6,824	7,520
Sulphuric acid	tonne	<b>39,334</b>	<b>39,942</b>	91,569	94,111

### *Sales and production*

The Group's total revenue in the smelting segment for the first half of 2017 was approximately RMB1,411,600,000, representing a decrease of approximately 46.0% from approximately RMB2,613,572,000 for the same period of 2016. Such decrease during the reporting period was mainly attributable to the decrease in sales volume of gold bullion of approximately 49.7% over the same period of last year, resulted from the production suspension of the smelting plant.

Excluding the impact from the production suspension, the Group's smelting plants processed approximately 950 tonnes of gold concentrates per day, with an utilisation rate of approximately 82%. During the first half of 2017, the Group continued to maintain the recovery rates of gold, silver and copper at a high level of approximately 96.71%, 71.33% and 96.17% respectively.

### *Segment results*

The Group's total profit in the smelting segment for the first half of 2017 was approximately RMB66,972,000, compared with profit of approximately RMB134,991,000 for the same period in 2016. The segment results to segment revenue ratio of the Group's smelting business was approximately 4.7% for the first half of 2017, compared with approximately 5.2% for the same period in 2016.

During the first half of 2017, the Group recorded a decline in the revenue and profit of its smelting segment, mainly because the smelting plant suspended production for about three months. The smelting branch received an "Emergency Notice in relation to Immediate Suspension of Production of Enterprises Involving Emission of Heavy-metal Pollutants" (《關於對轄區內涉及重金屬污染物排放企業立即進行停產整治的緊急通知》) issued by Lingbao Municipal Environmental Protection Commission's Office (靈寶市環境保護委員會辦公室) on 25 January 2017. Due to the excessive emission of heavy metals to Hongnongjian River, Yangping River and Zaoxiang River, there is a serious threat to the water quality of the downstream Sanmenxia Reservoir. To quickly remove pollution, improve the water quality of the above rivers and ensure the safety of water environment, seven enterprises' production (including the smelting branch) were suspended. The smelting branch was actively engaged in treatment work concerning safety and environmental protection, striving to resolve the issues and seek early resumption of work and production. Having met the requirements on treating heavy-metal pollution from environmental protection authorities, the smelting plant has resumed its production since April 2017.

## CONSOLIDATED OPERATING RESULTS

### Revenue

The following table sets forth the analysis on the Group's sales by product category:

Product name	For the six months ended 30 June					
	2017			2016		
	Amount	Sales volume	Unit price	Amount	Sales volume	Unit price
	(RMB'000)		(RMB per kg/tonne/m <sup>2</sup> )	(RMB'000)		(RMB per kg/tonne/m <sup>2</sup> )
Gold bullion	1,260,318	4,578 kg	275,299	2,313,031	9,100 kg	254,179
Silver	32,931	9,650 kg	3,413	68,835	23,520 kg	2,927
Electrolytic coppers	69,467	1,784 tonnes	38,939	47,306	1,520 tonnes	31,122
Copper foils	859,113	11,502 tonnes	74,693	463,590	8,163 tonnes	56,792
Flexible copper clad laminate	8,225	77,600 m <sup>2</sup>	106	2,315	25,325 m <sup>2</sup>	91
Sulphuric acid	2,406	39,942 tonnes	60	4,066	94,111 tonnes	43
Gold concentrates	84,132	347 kg	242,455	57,046	259 kg	220,255
Revenue before tax	2,316,592			2,956,189		
Less: Sales taxes and levies	(6,673)			(4,967)		
	<b>2,309,919</b>			<b>2,951,222</b>		

The Group's revenue for the first half of 2017 was approximately RMB2,309,919,000, representing a decrease of approximately 21.7% as compared with the corresponding period of the previous year. Such decrease was mainly attributable to the decrease in the sales volume of gold bullion during the period, which resulted in the decrease in sales amount of gold bullion as compared to the corresponding period of the previous year.

In the first half of 2017, the Group's copper foil production volume amounted to approximately 11,432 tonnes, increasing by 2,849 tonnes or 33.2% as compared with the corresponding period of the previous year. Copper foil sales volume was approximately 11,502 tonnes, increasing by 3,339 tonnes or 40.9% as compared with the corresponding period of the previous year.

## **OUTLOOK**

In the second half of 2017, the Group will spare no effort in safety and environmental protection, organization of production, innovative management, mining exploration and reserve expansion. The Group will adhere to its targets, relieve stress, face difficulties with a positive and practical attitude. The Group aims to fully meet its operating goals set in the beginning of the year, and insists on turning losses to gains. In respect of safety and environmental protection, the Group will strengthen the personnel training, scientific input, improvement of production and operating environment, and continuous optimization of safety management, together with more stringent and practical measures to facilitate safe and environmentally friendly production on a sustained manner. In respect of production, the Group will improve its production technology and pursue higher efficiency in organization of production, refined management, onsite management and process management, and optimization of technical parameters. In addition, the Group will promote the “Five-rate” indicators for mines, and improve the refined management standard. In respect of mines, the Group will focus on its key engineering projects, such as developing the mining rights at Palladex in Kyrgyzstan, subsequent construction projects of Huatai’s 5# vertical shaft and Xingyuan’s 3# vertical shaft at Shenglao Village, as well as the Nanshan branch’s forecasting of metallogenic regularities of #706 ridge, to improve and ensure better resources. In respect of copper foil production, the Group will closely monitor on the global new energy industry development opportunities, and develop high-tech products such as high-end lithium foil and copper clad laminate.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

The Group generally finances its operations with internally generated funds, bank loans and loans from other financial institutions. The cash and cash equivalents balances as at 30 June 2017 amounted to RMB693,574,000 (31 December 2016: RMB1,164,569,000).

The total equity attributable to the equity shareholders of the Company as at 30 June 2017 amounted to RMB1,155,028,000 (31 December 2016: RMB1,119,144,000). As at 30 June 2017, the Group had current assets of RMB3,422,256,000 (31 December 2016: RMB3,573,497,000) and current liabilities of RMB4,450,702,000 (31 December 2016: RMB4,462,533,000). The current ratio was 0.77 (31 December 2016: 0.80).

As at 30 June 2017, the Group had total outstanding bank and other borrowings of approximately RMB4,975,098,000 (with interest rates ranging from 2.00% to 6.15% per annum), of which approximately RMB3,381,129,000 was repayable within one year, approximately RMB610,982,000 was repayable after one year but within two years, approximately RMB954,873,000 was repayable after two years but within five years, and approximately RMB28,114,000 was repayable after five years.

As at 30 June 2017, the Group had unutilised bank facilities of RMB2,518,164,000, which could be drawn down to finance its operation.

The gearing ratio as at 30 June 2017 was 68.4% (31 December 2016: 67.7%), which was calculated as total borrowings divided by total assets.

## Security

As at 30 June 2017, the Group's bank loans amounting to RMB118,891,000 (31 December 2016: RMB175,506,000) were secured by the mining right with a carrying amount of RMB76,433,000 (31 December 2016: RMB81,637,000), the property, plant and equipment with a carrying amount of RMB133,662,000 (31 December 2016: RMB146,591,000), and the equity interests in Full Gold Mining Limited Liability Company, the Group's subsidiary in KR.

As at 30 June 2017, the Group's bank loans amounting to RMB105,000,000 (31 December 2016: RMBNil) were secured by the bills receivables with a carrying amount of RMB105,642,000.

As at 30 June 2017, the Group's loan from a leasing company amounting to RMB370,000,000 was secured by the machinery and equipment with a carrying amount of RMB366,716,000 and the ordinary shares of Lingbao Wason Copper-Foil Company Ltd..

## Market Risks

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

### *Gold price and other commodities price risk*

The Group's revenue and profit for the period were affected by fluctuations in gold price and other commodities price, as the Group's products are sold at market prices and such fluctuations in prices are not controlled by the Group. Considerable fluctuations of gold price would lead to instability in the Group's operating results, especially in the event of a significant drop in gold price which would have a material adverse effect on the Group's operating results.

### *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 supporting general corporate purposes, including capital expenditure and working capital needs. The bank loans of the Group 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, which may cast financial impact on the Group.

### *Exchange rate risk*

The Group's transactions are mainly denominated in Renminbi. As such, fluctuations in exchange rates may affect international and domestic gold prices, and our operation results may be affected. In addition to the foregoing, the exchange rate risks to which the Group is exposed are mainly from certain bank deposits, bank loans and trade receivables relating to copper foils sales, which are denominated in HK dollars and US dollars. Fluctuations in exchange rates may cast financial impact on the Group.

### *Contractual obligations*

As at 30 July 2017, the total contracted capital commitments were approximately RMB11,649,000, representing a decrease of approximately RMB31,634,000 from approximately RMB43,283,000 as at 31 December 2016.

### *Capital expenditure*

Capital expenditure during the period was approximately RMB59,652,000, including those in relation to the acquisition of property, plant and equipment and construction in progress of approximately RMB40,579,000, and acquisition of intangible assets of approximately RMB19,073,000.

### *Contingent liabilities*

As at 30 June 2017, the Group had no material contingent liabilities.

### *Human resources*

For the six months ended 30 June 2017, the average number of employees of the Group was 6,105. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

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

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the period ended 30 June 2017.

## **INTERIM DIVIDEND**

The Board of directors does not recommend the payment of interim dividend.

## **CORPORATE GOVERNANCE**

The Company has complied with all the requirements under the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for securities transactions by the directors of the Company. Based on specific enquiry of the Company’s directors, the directors have complied with the required standard set out in the Model Code throughout the period under review.

## **AUDIT COMMITTEE**

The audit committee (“Audit Committee”) of the Company comprises four independent non-executive directors and one non-executive director, namely, Mr. Yang Dongsheng, Mr. Han Qinchun, Mr. Wang Jiheng, Mr. Wang Guanghua and Mr. Shi Yuchen. An Audit Committee meeting was held on 28 August 2017 to review the unaudited interim financial report for the six months ended 30 June 2017. KPMG, the Group’s external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2017 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement has been published on the website of The Hong Kong Exchanges and Clearing Limited (the “HK Exchange”), [www.hkexnews.hk](http://www.hkexnews.hk), and the website of the Company, [www.irasia.com/listco/hk/lingbao](http://www.irasia.com/listco/hk/lingbao). The 2017 Interim 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  
**Chen Jianzheng**  
*Chairman*

Lingbao City, Henan Province, the PRC  
28 August 2017

*As at the date of this announcement, the Board comprises five executive directors, namely Mr. Chen Jianzheng, Mr. Wang Leo, Ms. Zhou Xing, Mr. Zhao Kun, and Mr. Xing Jiangze; one non-executive director, namely Mr. Shi Yuchen; and four independent non-executive directors, namely Mr. Yang Dongsheng, Mr. Han Qinchun, Mr. Wang Jiheng and Mr. Wang Guanghua.*