LINGJIN
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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)

2019
Interim Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Jianzheng *(Chairman)*
Mr. Xing Jiangze
Ms. Zhou Xing
Mr. Zhao Kun *(resigned on 23 July 2019)*
Mr. Wang Leo

Non-executive Directors

Mr. Shi Yuchen
Mr. Zhang Feihu *(appointed on 12 April 2019)*

Independent Non-executive Directors

Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua

SUPERVISORS

Mr. Jian Zhanxun *(Chairman)*
Mr. Yang Shilei
Mr. Guo Xurang
Mr. Zhao Bingbing

AUDIT COMMITTEE

Mr. Yang Dongsheng *(Chairman)*
Mr. Shi Yuchen
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua

NOMINATION COMMITTEE

Mr. Wang Guanghua *(Chairman)*
Mr. Xing Jiangze
Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Jiheng

STRATEGIC COMMITTEE

Mr. Chen Jianzheng *(Chairman)*
Ms. Zhou Xing
Mr. Wang Leo
Mr. Yang Dongsheng
Mr. Han Qinchun

REMUNERATION AND REVIEW COMMITTEE

Mr. Wang Jiheng *(Chairman)*
Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Guanghua

COMPANY SECRETARY

Mr. Chui Man Lung Everett
(appointed on 8 May 2019)

AUTHORISED REPRESENTATIVES

Mr. Chen Jianzheng
Mr. Chui Man Lung Everett

INTERNATIONAL AUDITOR

KPMG

PRC AUDITOR

KPMG Huazhen LLP

LEGAL ADVISER

Hong Kong law

Baker & Mckenzie

PRC law

King & Wood Mallsons

PRINCIPAL BANKERS

Bank of China, Lingbao City Branch
Agricultural Bank of China, Lingbao City Branch
China Construction Bank, Lingbao City Branch
Industrial and Commercial Bank of China, Lingbao City Branch
Industrial Bank of China, Zhengzhou Branch
Bank of Communications of China, Zhengzhou Branch
China Development Bank
Zhongyuan Bank, Sanmenxia Branch

SHARE REGISTRAR AND TRANSFER OFFICE FOR H SHARES

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

REGISTERED OFFICE OF THE COMPANY

Hangu Road and
Jingshan Road Intersection
Lingbao City
Henan Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1902, 19th Floor
China Evergrande Centre
38 Gloucester Road
Wanchai, Hong Kong

INVESTOR RELATIONS CONTACT

Mr. Xing Jiangze (PRC Office)
Hangu Road and
Jingshan Road Intersection
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Henan Province
The People's Republic of China
(Postcode: 472500)
Tel: (86–398) 8862–218
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Mr. Chui Man Lung Everett (Hong Kong Office)
Room 1902, 19th Floor
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38 Gloucester Road
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Email: lbgold@lbgold.com

STOCK INFORMATION

Stock Code	:	3330
Listing Date	:	12 January 2006
Issued Shares	:	297,274,000 shares (H Shares)
		566,975,091 shares (Domestic shares)
Nominal Value	:	RMB0.20 per share
Stock Name	:	Lingbao Gold
Website	:	www.lbgold.com
Investors' Website	:	www.irasia.com/listco/hk/lingbao

REVIEW OF BUSINESS AND PROSPECT

In the first half of 2019, Lingbao Gold Group Company Ltd. ("Lingbao Gold" or the "Company") and its subsidiaries (together with the Company, the "Group") produced approximately 8,165 kg (equivalent to approximately 262,510 ounces) of gold, representing an increase of approximately 1,721 kg (equivalent to approximately 55,331 ounces) or approximately 26.7% as compared with the corresponding period of the previous year. The Group's revenue from continuing operations for the six months ended 30 June 2019 was approximately RMB2,560,568,000, representing an increase of approximately 23.5% as compared with the corresponding period of the previous year. For the six months ended 30 June 2019, the loss from continuing operations of the Group was approximately RMB91,343,000 (six months ended 30 June 2018: loss from continuing operations of the Group of RMB167,367,000 (restated*)). For the six months ended 30 June 2019, the basic loss per share from continuing operations of the Company was RMB0.10 (six months ended 30 June 2018: basic loss per share from continuing operations of RMB0.19 (restated*)). For the first half of 2019, the Group's loss was mainly attributable to (i) the instability in the supply of raw materials to the Group as a result of continuously strict policies of production safety and environmental inspection since the second half of 2018; and (ii) certain mining subsidiaries of the Group incurred losses due to policy-induced production suspension. Loss for the first half of 2019 decreased as compared to that for the first half of 2018 (restated*), mainly attributable to the increase in production and sales volumes of the Group, the steady increase in selling prices, and the Group's enhanced management through cost reduction and efficiency improvement measures.

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 42 mining and exploration rights as at 30 June 2019, covering 562.86 square kilometers. The total gold reserves and resources as at 30 June 2019 were approximately 47.70 tonnes (1,533,588 ounces) and 98.20 tonnes (3,157,197 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:

		For the six months ended 30 June			
		2019		2018	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	**335**	**298**	207	310
Compound gold	kg	**763**	**656**	330	316
Total	kg	**1,098**	**954**	537	626
Total	ounce	**35,301**	**30,672**	17,265	20,126

* *note:* The Group completed the disposal of its entire equity interests in Lingbao Wason Copper-Foil Company Ltd. ("Wason Copper-Foil") and its subsidiaries (collectively, the "Disposal Group") on 31 December 2018. Comparative figures are restated to present a single amount in the consolidated statement of profit or loss in respect of the Disposal Group's profit for the six months ended 30 June 2018. For details, please refer to the interim financial statements.

The Group's total revenue from the mining segment for the first half of 2019 was approximately RMB273,862,000, representing an increase of approximately 27.0% from approximately RMB215,675,000 for the same period in 2018, among which, revenue from Mining — PRC was approximately RMB261,548,000 (six months ended 30 June 2018: RMB183,990,000), and revenue from Mining — KR was approximately RMB12,314,000 (six months ended 30 June 2018: RMB31,685,000). During the first half of 2019, turnover in Henan, Xinjiang, Inner Mongolia and KR represented approximately 27.4%, 61.9%, 6.2% and 4.5% of the total turnover from the mining segment respectively. The production of compound gold increased by approximately 433 kg to approximately 763 kg, while production of gold concentrates increased by approximately 128 kg to approximately 335 kg.

Segment results

The Group's total profit of the mining segment for the first half of 2019 was approximately RMB53,181,000, compared with loss of approximately RMB35,727,000 for the same period in 2018, among which, the profit from Mining — PRC was approximately RMB66,544,000 (six months ended 30 June 2018: a loss of approximately RMB13,096,000), and loss from mining — KR was approximately RMB13,363,000 (six months ended 30 June 2018: a loss of approximately RMB22,631,000). The segment result to segment revenue ratio of the Group's mining segment for the first half of 2019 was approximately 19.4%, compared with approximately (16.6)% in the corresponding period in 2018.

The increase in the production volume at the mining segment was mainly due to the reason that Full Gold Mining Limited Liability Company, a subsidiary of the Group, resumed production activities from June 2018, and Habahe Huatai Gold Limited Liability Company improved its production capacity following equipment upgrading in the first half of 2019. Furthermore, the average selling prices of gold concentrates and compound gold increased as compared to that for the corresponding period of last year. With all of the facts mentioned above, the Group's mining segment reported a profit for the first half of 2019.

2. Smelting Segment

The Group's 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:

		For the six months ended 30 June			
		2019		2018	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold bullion	kg	8,165	7,800	6,444	5,691
	ounce	262,510	250,775	207,179	182,970
Silver	kg	11,828	11,886	11,200	13,007
	ounce	380,278	382,143	360,088	418,185
Electrolytic coppers	tonne	4,509	3,660	5,557	11,179
Sulphuric acid	tonne	38,282	39,782	51,464	53,327

Sales and production

The Group's total revenue in the smelting segment for the first half of 2019 was approximately RMB2,450,063,000, representing an increase of approximately 17.0% from approximately RMB2,093,540,000 for the same period of 2018. During the reporting period, increase in total revenue was mainly attributable to the commencement of the compound gold refinery operation and the increase in market prices of gold products.

For the first half of 2019, the Group's smelting segment increased its gold bullion production by 3,966 kilograms due to commencement of the compound gold refinery operation. While affected by the unstable supply of raw materials, the Group's smelting segment reported that the daily processing capacity was approximately 615 tonnes of gold concentrates, resulting in a decrease of 2,245 kilograms in gold bullion production. As a result, the production volume of gold bullion decreased by 1,721 kilograms in the first half of 2019. For the first half of 2019, the Group's smelting segment reported a production utilization rate of approximately 47.3%. During the first half of 2019, the gold recovery rate was approximately 96.3%, the silver recovery rate was approximately 75.6% and the copper recovery rate was approximately 96.9%. The recovery rates of the Group remained at a relatively high level.

Segment results

The Group's total profit of the smelting segment for the first half of 2019 was approximately RMB27,403,000, compared with loss of approximately RMB3,784,000 for the same period in 2018. The segment results to segment revenue ratio of the Group's smelting business was approximately 1.1% for the first half of 2019, compared with approximately (0.2)% for the same period in 2018.

The turnaround of the smelting segment was mainly due to the reasons that no production suspension happened in the first half of 2019 and the steady increase in market price of gold.

CONSOLIDATED OPERATING RESULTS — CONTINUING OPERATIONS

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 2019 Amount (RMB'000)	Sales volume	Unit price (RMB per kg/ tonne)	2018 (Restated) Amount (RMB'000)	Sales volume	Unit price (RMB per kg/ tonne)
Gold bullion	**2,255,743**	**7,800 kg**	**289,198**	1,551,786	5,691 kg	272,674
Silver	**36,503**	**11,886 kg**	**3,071**	40,545	13,007 kg	3,117
Electrolytic coppers	**154,658**	**3,660 tonnes**	**42,256**	455,882	10,285 tonnes	44,325
Sulphuric acid	**3,665**	**39,782 tonnes**	**92**	7,604	53,327 tonnes	143
Gold concentrates	**4,050**	**16 kg**	**253,125**	1,894	8 kg	236,750
Others	**106,491**			18,156		
Revenue before tax	**2,561,110**			2,075,867		
Less: Sales taxes and levies	**(542)**			(2,021)		
	2,560,568			2,073,846		

The Group's revenue for the first half of 2019 was approximately RMB2,560,568,000, representing an increase of approximately 23.5% as compared with the corresponding period of last year, which was mainly due to the increase in the sales volume and market price of gold during the period.

OUTLOOK

Affected by the continuously strict policies on safety production and environmental inspection from the second half of 2018, the supply of raw materials to the Group was not stable. The Group anticipates that the estimated production volume will continue to be affected during the second half of 2019. In the second half of 2019, the Group will focus on enforcing the exploration and mining work of various mine, accelerating the construction work of major projects, and strictly controlling the cost. The Group will perform work based on the purpose to increase the economic benefits. Meanwhile, the Group will continue to expand its compound gold refinery as well as the gold smelting and processing business. With the efforts of the Group, the Group will strive to achieve the estimated production and selling volume in 2019 as set out in the circular of the Company dated 31 August 2018 in connection with the very substantial disposal and connected transaction in relation to the disposal of 100% equity interest in a wholly-owned subsidiary. At present, the market price of gold has increased to the higher level in the past 7 years, bringing a better market opportunity for the Group to expand the production of gold. The Group will further enhancing cost reduction and efficiency management, expand production to get better economic benefits.

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 2019 amounted to RMB369,658,000 (31 December 2018: RMB811,237,000).

The total equity attributable to the equity shareholders of the Company as at 30 June 2019 amounted to RMB1,809,509,000 (31 December 2018: RMB2,066,449,000). As at 30 June 2019, the Group had current assets of RMB3,412,638,000 (31 December 2018: RMB5,237,056,000) and current liabilities of RMB4,012,220,000 (31 December 2018: RMB5,338,201,000). The current ratio was 0.85 (31 December 2018: 0.98).

As at 30 June 2019, the Group had total outstanding bank and other borrowings of approximately RMB3,725,711,000 (with interest rates ranging from 2.2% to 6.9% per annum), of which approximately RMB3,112,601,000 was repayable within one year, approximately RMB613,110,000 was repayable after one year but within two years.

Certain of the Group's bank loan facilities are 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 under such facilities would become payable on demand. As at 30 June 2019, certain covenants of two banks were breached by the Group. The Group obtained waiver letters from the two banks, confirming that they do not treat the Company has breached the relevant covenants under the existing loan agreements.

As at 30 June 2019, the Group had unutilised banking facilities of RMB1,541,700,000, which could be drawn down to finance its operation.

The gearing ratio as at 30 June 2019 was 57.6% (31 December 2018: 55.6%), which was calculated as total borrowings divided by total assets.

As at 30 June 2019, amount due from a related party, Wason Copper-Foil, was RMB570,793,000. It represented the retained profits of Wason Copper-Foil attributable to the Company of RMB467,898,000 and other receivables from Wason Copper-Foil of RMB102,895,000, of which RMB100,000,000 was settled in August 2019.

Pursuant to the supplemental agreement with Shenzhen Londian and Wason Copper-Foil on 31 December 2018, the retained profits of Wason Copper-Foil incurred prior to 31 December 2018 (inclusive) shall be attributable to the Company whilst the retained profits of Wason Copper-Foil incurred thereafter shall be attributable to Shenzhen Londian, and Wason Copper-Foil were required to settle the payment of retained profits attributable to the Company before the end of April 2019.

Pursuant to the agreement dated on 3 April 2019, it was agreed between the Company and Wason Copper-Foil that retained profits attributable to the Company will be paid by Wason Copper-Foil by instalments before 31 December 2019.

Security

At 30 June 2019, bank loans of the Group amounting to RMB1,176,022,000 (31 December 2018: RMB634,264,000) were secured by pledged deposits with carrying amount of RMB807,500,000 (31 December 2018: RMB409,861,000).

At 30 June 2019, bank loans of the Group amounting to RMB613,110,000 (31 December 2018: RMB610,404,000) were guaranteed by Lingbao State-owned Assets Operation Company Limited ("Lingbao State-owned Assets"), a shareholder of the Group. During the six months ended 30 June 2019, the Group repaid bank loans guaranteed by Wason Copper-Foil, which amounted to RMB105,546,000 as at 31 December 2018.

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 were 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 debt obligations. The Group undertakes debt obligations to support 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 pursuant to changes of relevant regulations of the People's Bank of China, which may have 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, trade and other payables, which are denominated in foreign currencies. The currency risk is primarily US dollars. Fluctuations in exchange rates may have financial impact on the Group.

Contractual obligations

As at 30 June 2019, the total contracted capital commitments were approximately RMB73,360,000, representing a decrease of approximately RMB573,000 from approximately RMB73,933,000 as at 31 December 2018.

Capital expenditure

Capital expenditure during the period was approximately RMB150,134,000, including those in relation to the acquisition of property, plant and equipment and construction in progress of approximately RMB149,233,000, acquisition of intangible assets of approximately RMB901,000.

Contingent liabilities

As at 30 June 2019, the Company had the following guarantees issued in favor of banks for banking facilities granted to Wason Copper-Foil:

(i) guarantees amounting to RMB45,000,000 (31 December 2018: RMB170,000,000) to certain banks in respect of loans granted to Wason Copper-Foil, which was released in July 2019; and

(ii) guarantees amounting to RMB238,000,000 (31 December 2018: RMB438,000,000) to certain banks in respect of letter of credit and bills of Wason Copper-Foil, of which RMB138,000,000 was released in August 2019.

In the course of the review of the Group's interim results, a guarantee arrangement by the Group was identified during the search on credit report of enterprises. The management, after due inquiries into the bank, learned that the connected party of the Company, Wason Copper-Foil, made two early repayments to the guarantee arrangements made on 7 and 8 June 2018 which were guaranteed by the Company. Major details were disclosed in the announcement of the Company dated 2 January 2019. According to the supplemental agreement (hereinafter referred to as the "Supplemental Agreement") dated 31 December 2018 between the Company and Wason Copper-Foil, the effective period of the Company's guarantee for these guarantee arrangements should terminate on 7 and 8 June 2019. Wason Copper-Foil, without informing the Company and obtaining the Company's consent, had drawn bank acceptance facilities amounting to RMB200 million for a term of 6 months ending on 5 December 2019. As this action took place within the guarantee term, the bank approved this arrangement. As a result of the action taken by Wason Copper-Foil, the Group is obliged to provide guarantees on the amount of RMB100 million until 5 December 2019 or early repayment by Wason Copper-Foil.

As explicitly stated in the Supplemental Agreement, the Group will no longer provide any new guarantee in favor of Wason Copper-Foil with effect from 31 December 2018, and this new guarantee arrangement was made without informing the Company and obtaining the Company's consent. The Company strongly disagrees and rejects that such guarantee arrangement will have any binding effect on the Company. As this comes to the knowledge of the Company, the Company immediately contacted the bank and Wason Copper-Foil and requested them to terminate the guarantee or change the guarantor. As these bank acceptance bills have been circulated in the market, the bank could not cancel the guarantee arrangement. To minimize the Group's guarantee risks and to safeguard its credit compliance, the Company requested Wason Copper-Foil to provide counter guarantee by means of Wason Copper-Foil's credit and its current assets of approximately RMB200 million. The Counter Guarantee Agreement was approved on the 22nd meeting of the sixth board on 30 August 2019 and duly signed. The management of the Company will continue its negotiations with the bank aiming at to terminate the guarantee as soon as possible. The Company also reserves the rights to pursue legal actions and is seeking legal opinion in this regard.

Based on the above facts, the Directors of the Company consider there is no significant contingent liability resulted from the above guarantees issued to Wason Copper-Foil as at 30 June 2019.

Except those disclosed above, as at 30 June 2019, the Group had no material contingent liabilities.

Human resources

For the six months ended 30 June 2019, the average number of employees of the Group was 3,882. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

SHARE CAPITAL

As at 30 June 2019, there was a total of share capital of 864,249,091 shares of the Company which includes:

	Number of shares	Approximate percentage of total share capital
Domestic share	566,975,091	65.60%
H Shares	297,274,000	34.40%
Total	864,249,091	100.00%

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the period ended 30 June 2019.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

The Directors, Supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance ("SFO") as at 30 June 2019 that are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register required to be kept under section 352 of the SFO; or (iii) required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code for Securities Transactions by Directors of listed issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rule").

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2019, as far as the Directors are aware of, the following persons, other than the Directors, Supervisors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Number of domestic shares	Nature of interest	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total issued share capital
D&R Asset Management Group Company Limited	185,339,000	Beneficial owner	32.69%	21.45%
Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司)	73,540,620	Beneficial owner	12.97%	8.50%
Shanghai Zhengxi Investment Management Partnership (Limited Partnership)	57,000,000	Beneficial owner	10.05%	6.60%

Save as disclosed above, as at 30 June 2019, the Company had not been notified of any other persons who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

CHANGE IN INFORMATION OF DIRECTORS AND SUPERVISORS

The change of Director's and supervisor's information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules is set out below:

- Mr. Zhao Kun resigned as executive Director of the Company with effect from 23 July 2019;
- Mr. Zhang Feihu has been appointed as a non-executive Director of the Company with effect from 12 April 2019;
- Mr. Wang Guodong resigned as a chairman of the supervisory committee and an employee representative supervisor of the Company with effect from 11 March 2019;
- Mr. Jiao Xiaoxiao resigned as an employee representative supervisor of the Company with effect from 11 March 2019;
- Mr. Jian Zhanxun has been appointed as a chairman of the supervisory committee and an employee representative supervisor of the Company with effect from 11 March 2019; and
- Mr. Yang Shilei has been appointed as an employee representative supervisor of the Company with effect from 11 March 2019.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend.

CORPORATE GOVERNANCE

The Company has complied with all the corporate governance codes (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period, save for the following:

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be segregated and should not be performed by the same individual. Mr. Chen Jianzheng is the chairman and chief executive officer of the Company, thus deviated from the Code Provision A.2.1. Mr. Chen Jianzheng has considerable industry experience and the Board is of the view 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.

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 30 August 2019 to review the unaudited interim financial report for six months ended 30 June 2019. KPMG, the Group's external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2019 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.

EVENTS AFTER THE REPORTING PERIOD

As of the date of this interim report, the Group has no significant events after the reporting period required to be disclosed.

By order of the Board

Chen Jianzheng
Chairman

Lingbao City, Henan Province, The PRC
30 August 2019

INDEPENDENT AUDITOR'S REPORT

KPMG

Review report to the board of Directors of
Lingbao Gold Group Company Ltd.
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 15 to 56 which comprises the consolidated statement of financial position of Lingbao Gold Group Company Ltd. (the "Company") as of 30 June 2019 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019 — unaudited (Expressed in Renminbi Yuan)

	Note	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 (Restated) (note) RMB'000
Continuing operations:			
Revenue	*4*	**2,560,568**	2,073,846
Cost of sales		**(2,430,198)**	(2,012,197)
Gross profit		**130,370**	61,649
Other revenue		**23,894**	10,433
Other net loss	*5(b)*	**(9,921)**	(13,244)
Selling and distribution expenses		**(2,909)**	(4,208)
Administrative expenses and other operating expenses		**(116,634)**	(139,328)
Profit/(loss) from operations		**24,800**	(84,698)
Finance costs	*5(a)*	**(82,184)**	(88,466)
Loss before taxation	*5*	**(57,384)**	(173,164)
Income tax	*6*	**(33,959)**	5,797
Loss for the period from continuing operations		**(91,343)**	(167,367)
Discontinued operations:			
Profit for the period from discontinued operations	*7*	**—**	89,556
Loss for the period		**(91,343)**	(77,811)

	Note	**Six months ended 30 June 2019 RMB'000**	Six months ended 30 June 2018 (Restated) (note) RMB'000
Attributable to:			
Equity shareholders of the Company			
— continuing operations		**(83,478)**	(157,286)
— discontinued operations		**—**	89,742
		(83,478)	(67,544)
Non-controlling interests			
— continuing operations		**(7,865)**	(10,081)
— discontinued operations		**—**	(186)
		(7,865)	(10,267)
Loss for the period		**(91,343)**	(77,811)
Basic and diluted (loss)/earnings per share (RMB cents)	*8*		
— continuing operations		**(9.7)**	(18.6)
— discontinued operations		**—**	10.6
		(9.7)	(8.0)

Note:

The Group completed the disposal of its entire equity interests in the Disposal Group on 31 December 2018. Comparative figures are restated to present a single amount in the consolidated statement of profit or loss in respect of the Disposal Group's profit for the six months ended 30 June 2018, details of which are set out in note 7.

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.

The notes on pages 23 to 56 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 — unaudited (Expressed in Renminbi Yuan)

	Note	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 (Restated) (note) RMB'000
Loss for the period		**(91,343)**	(77,811)
Other comprehensive income for the period (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		**(827)**	(7,595)
Total comprehensive income for the period		**(92,170)**	(85,406)
Attributable to:			
Equity shareholders of the Company			
— continuing operations		**(84,090)**	(163,424)
— discontinued operations		**—**	89,742
		(84,090)	(73,682)
Non-controlling interests			
— continuing operations		**(8,080)**	(11,538)
— discontinued operations		**—**	(186)
		(8,080)	(11,724)
Total comprehensive income for the period		**(92,170)**	(85,406)

Note:

The Group completed the disposal of its entire equity interests in the Disposal Group on 31 December 2018. Comparative figures are restated to present a single amount in the consolidated statement of profit or loss in respect of the Disposal Group's profit for the six months ended 30 June 2018, details of which are set out in note 7.

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

The notes on pages 23 to 56 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 — unaudited (Expressed in Renminbi Yuan)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (note) RMB'000
Non-current assets			
Property, plant and equipment	*9*	**1,353,002**	1,325,917
Construction in progress	*9*	**457,960**	395,590
Intangible assets	*10*	**623,761**	630,205
Goodwill		**4,717**	4,717
Lease prepayments	*2*	**—**	122,737
Right-of-use assets	*2*	**136,640**	—
Interest in associates		**22,531**	22,531
Other financial assets		**4,520**	4,520
Investment deposits		**84,600**	84,600
Non-current prepayments		**10,852**	10,571
Deferred tax assets		**343,798**	347,025
Other non-current assets		**14,266**	27,347
		3,056,647	2,975,760
Current assets			
Inventories	*11*	**1,146,290**	1,029,544
Trade and other receivables, deposits and prepayments	*12*	**1,053,548**	2,833,085
Current tax recoverable		**10,178**	13,349
Pledged deposits		**832,964**	549,841
Cash and cash equivalents	*13*	**369,658**	811,237
		3,412,638	5,237,056
Current liabilities			
Bank and other borrowings	*14*	**3,112,601**	3,804,767
Trade and other payables	*15*	**824,580**	1,369,338
Contract liabilities		**11,449**	32,621
Lease liabilities	*2*	**1,677**	—
Current tax payable		**61,913**	131,475
		4,012,220	5,338,201
Net current liabilities		**(599,582)**	(101,145)
Total assets less current liabilities		**2,457,065**	2,874,615

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (note) RMB'000
Non-current liabilities			
Bank and other borrowings	*14*	**613,110**	765,184
Other payables	*15*	**155,995**	166,169
Lease liabilities	*2*	**10,221**	—
Deferred tax liabilities		**5,333**	5,836
		784,659	937,189
NET ASSETS		**1,672,406**	1,937,426
CAPITAL AND RESERVES	*16*		
Share capital		**172,850**	172,850
Reserves		**1,636,659**	1,893,599
Total equity attributable to equity shareholders of the Company		**1,809,509**	2,066,449
Non-controlling interests		**(137,103)**	(129,023)
TOTAL EQUITY		**1,672,406**	1,937,426

Note:

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

Approved and authorised for issue by the Board of Directors on 30 August 2019.

Chen Jianzheng
Executive director and Chairman

Xing Jiangze
Executive director

The notes on pages 23 to 56 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 — unaudited (Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	PRC statutory reserves RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	154,050	827,931	160,878	(5,110)	(858)	89,381	1,226,272	159,431	1,385,703
Changes in equity for the six months ended 30 June 2018:									
Loss for the period	–	–	–	–	–	(67,544)	(67,544)	(10,267)	(77,811)
Other comprehensive income	–	–	–	(6,138)	–	–	(6,138)	(1,457)	(7,595)
Total comprehensive income for the period	–	–	–	(6,138)	–	(67,544)	(73,682)	(11,724)	(85,406)
Issue of new domestic shares *(note 16(a))*	18,800	63,995	–	–	–	–	82,795	–	82,795
Appropriation of safety production fund *(note 16(c))*	–	–	14,065	–	–	(14,065)	–	–	–
Utilisation of safety production fund *(note 16(c))*	–	–	(14,065)	–	–	14,065	–	–	–
Balance at 30 June 2018 and 1 July 2018	172,850	891,926	160,878	(11,248)	(858)	21,837	1,235,385	147,707	1,383,092
Changes in equity for the six months ended 31 December 2018:									
Profit/(loss) for the period	–	–	–	–	–	863,706	863,706	(8,061)	855,645
Other comprehensive income	–	–	–	(19,031)	–	–	(19,031)	(4,602)	(23,633)
Total comprehensive income for the period	–	–	–	(19,031)	–	863,706	844,675	(12,663)	832,012
Acquisition of non-controlling interests	–	–	–	–	–	(13,014)	(13,014)	(198,036)	(211,050)
Disposal of discontinued operations *(note 7)*	–	–	–	–	–	–	–	(50,164)	(50,164)
Disposal of a subsidiary	–	–	–	(597)	–	–	(597)	(15,867)	(16,464)
Appropriation of safety production funds *(note 16(c))*	–	–	28,559	–	–	(28,559)	–	–	–
Utilisation of safety production funds *(note 16(c))*	–	–	(28,559)	–	–	28,559	–	–	–
Balance at 31 December 2018 (note)	172,850	891,926	160,878	(30,876)	(858)	872,529	2,066,449	(129,023)	1,937,426
Balance at 1 January 2019	**172,850**	**891,926**	**160,878**	**(30,876)**	**(858)**	**872,529**	**2,066,449**	**(129,023)**	**1,937,426**
Changes in equity for the six months ended 30 June 2019:									
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(83,478)**	**(83,478)**	**(7,865)**	**(91,343)**
Other comprehensive income	**–**	**–**	**–**	**(612)**	**–**	**–**	**(612)**	**(215)**	**(827)**
Total comprehensive income for the period	**–**	**–**	**–**	**(612)**	**–**	**(83,478)**	**(84,090)**	**(8,080)**	**(92,170)**
Dividends approved in respect of the previous year *(note 16(b))*	**–**	**–**	**–**	**–**	**–**	**(172,850)**	**(172,850)**	**–**	**(172,850)**
Appropriation of safety production fund *(note 16(c))*	**–**	**–**	**14,483**	**–**	**–**	**(14,483)**	**–**	**–**	**–**
Utilisation of safety production fund *(note 16(c))*	**–**	**–**	**(14,483)**	**–**	**–**	**14,483**	**–**	**–**	**–**
Balance at 30 June 2019	**172,850**	**891,926**	**160,878**	**(31,488)**	**(858)**	**616,201**	**1,809,509**	**(137,103)**	**1,672,406**

Note:

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

The notes on pages 23 to 56 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 — unaudited (Expressed in Renminbi Yuan)

	Note	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 (note) RMB'000
Operating activities			
Cash used in operations		**(142,882)**	(89,700)
PRC income tax paid		**(97,626)**	(26,105)
Net cash used in operating activities		**(240,508)**	(115,805)
Investing activities			
Payment for construction in progress		**(89,444)**	(254,834)
Proceeds from disposal of discontinued operations		**1,029,666**	—
Payment for purchase of property, plant and equipment		**(77,214)**	(22,656)
Payment for investment deposits		**—**	(94,000)
Advance to related parties		**(31,614)**	—
Other cash flows arising from investing activities		**2,899**	(40,808)
Net cash generated from/(used in) investing activities		**834,293**	(412,298)
Financing activities			
Proceeds from bank and other borrowings		**1,491,378**	2,548,180
Repayment of bank and other borrowings		**(2,038,333)**	(1,881,285)
Repayment of loans from shareholders		**—**	(13,800)
Net proceeds from the issuance of new domestic shares		**—**	82,795
Pledged deposits placed for borrowings		**(397,638)**	(392,773)
Capital element of lease rentals paid		**(120)**	—
Interest element of lease rentals paid		**(240)**	—
Other cash flows arising from financing activities		**(90,443)**	(149,953)
Net cash (used in)/generated from financing activities		**(1,035,396)**	193,164
Net decrease in cash and cash equivalents		**(441,611)**	(334,939)
Cash and cash equivalents at 1 January	*13*	**811,237**	455,427
Effect of foreign exchange rate changes		**32**	429
Cash and cash equivalents at 30 June	*13*	**369,658**	120,917

Note:

The Group completed the disposal of its entire equity interests in the Disposal Group on 31 December 2018. Analysis of the cash flows of discontinued operations that are included in the condensed consolidated cash flow statement for the six months ended 30 June 2018 are set out in note 7(b).

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

The notes on pages 23 to 56 form part of this interim financial report.

1 BASIS OF PREPARATION

This 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, 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 30 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Lingbao Gold Group Company Ltd. (the "Company") and its subsidiaries (together "the Group") since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 June 2019, the Group had net current liabilities of RMB600 million, total borrowings of RMB3,726 million and capital commitments of RMB507 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 30 June 2019, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities of RMB1,542 million, ability to renew or refinance the banking facilities upon maturity, 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. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 14.

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 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.

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 and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17. The Group has performed an assessment on the impact of the adoption of HKFRS 16 and concluded that no adjustment to the opening balance of equity at 1 January 2019 was recognised.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 18(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value;
- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out a number of items of property, plant and equipment, construction in progress and intangible assets as the lessor of operating leases. The accounting policies applicable to the group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.9%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(c) Transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 18(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	At 1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	18,643
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(2,283)
	16,360
Less: total future interest expenses	(4,342)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	12,018
Total lease liabilities recognised at 1 January 2019	12,018

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(c) Transitional impact (continued)

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 RMB'000	Capitalisation of operating lease contracts RMB'000	Reclassification RMB'000	**Carrying amount at 1 January 2019 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**
Total 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 assets	**(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**

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(c) Transitional impact (continued)

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Other properties leased for own use, carried at depreciated cost	11,791	12,418
Land use rights, carried at depreciated cost	124,849	127,345
	136,640	139,763

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	1,677	2,240	1,264	1,440
After 1 year but within 2 years	1,052	1,840	908	1,840
After 2 years but within 5 years	3,738	5,520	3,563	5,520
After 5 years	5,431	6,748	6,283	7,560
	10,221	14,108	10,754	14,920
	11,898	16,348	12,018	16,360
Less: total future interest expenses		(4,450)		(4,342)
Present value of lease liabilities		11,898		12,018

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

	2019				2018
	Amounts reported under HKFRS 16 (A) RMB'000	Add back: HKFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Financial result for the six months ended 30 June 2019 from continuing operations impacted by the adoption of HKFRS 16:					
Profit/(loss) from operations	24,800	627	(920)	24,507	(84,698)
Finance costs	(82,184)	240	–	(81,944)	(88,466)
Loss before taxation	(57,384)	867	(920)	(57,437)	(173,164)
Loss for the period	(91,343)	867	(920)	(91,396)	(167,367)
Reportable segment profit/(loss) for the six months ended 30 June 2019 (note 3(b)) impacted by the adoption of HKFRS 16:					
— Mining-PRC	66,544	867	(920)	66,491	(13,096)

2 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

	2019			2018
	Amounts reported under HKFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(142,882)	(360)	(143,242)	(89,700)
Net cash used in operating activities	(240,508)	(360)	(240,868)	(115,805)
Capital element of lease rentals paid	(120)	120	–	–
Interest element of lease rentals paid	(240)	240	–	–
Net cash (used in)/generated from financing activities	(1,035,396)	360	(1,035,036)	193,164

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

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 three reportable segments for the six months ended 30 June 2019 (2018: 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 PRC.
Mining — KR	—	Gold mining and mineral ores processing operations in the Kyrgyz Republic ("KR").
Smelting	—	Gold and other metal smelting and refinery operations carried out in the PRC.

Following the completion of the disposal of its entire equity interests in the Disposal Group on 31 December 2018, the Group has no longer operated in the Copper processing segment. The financial performance for the Copper processing segment during the six months ended 30 June 2018 was presented as discontinued operations in the consolidated statement of profit or loss, details of which are set out in note 7.

(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 periods is set out below.

	Continuing operations						Discontinued operations			
	Mining — PRC		Mining — KR		Smelting		Copper processing		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
For the six months ended 30 June										
Revenue from external customers	98,226	20,050	12,314	–	2,450,570	2,055,817	–	809,220	2,561,110	2,885,087
Inter-segment revenue	163,357	163,967	–	31,685	–	39,717	–	–	163,357	235,369
Sales taxes and levies	(35)	(27)	–	–	(507)	(1,994)	–	(3,172)	(542)	(5,193)
Reportable segment revenue	261,548	183,990	12,314	31,685	2,450,063	2,093,540	–	806,048	2,723,925	3,115,263
Reportable segment profit/(loss)	66,544	(13,096)	(13,363)	(22,631)	27,403	(3,784)	–	137,873	80,584	98,362
Reversal/(provision) of impairment on:										
– trade and other receivables	324	(1,500)	(1,264)	–	–	–	–	(2,583)	(940)	(4,083)
– purchase deposits	–	–	–	–	1,811	–	–	–	1,811	–
As at 30 June/31 December										
Reportable segment assets	2,273,075	2,370,978	710,888	682,139	2,018,030	2,271,302	–	–	5,001,993	5,324,419
Reportable segment liabilities	1,703,108	1,811,693	1,444,621	1,386,951	1,476,616	1,719,675	–	–	4,624,345	4,918,319

3 SEGMENT REPORTING (continued)

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

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000
Revenue						
Reportable segment revenue	2,723,925	2,309,215	–	806,048	2,723,925	3,115,263
Elimination of inter-segment revenue	(163,357)	(235,369)	–	–	(163,357)	(235,369)
Consolidated revenue	2,560,568	2,073,846	–	806,048	2,560,568	2,879,894
Profit or loss						
Reportable segment profit/(loss)	80,584	(39,511)	–	137,873	80,584	98,362
Elimination of inter-segment profit	(6,364)	(5,963)	–	–	(6,364)	(5,963)
Reportable segment profit/(loss) derived from the Group's external customers	74,220	(45,474)	–	137,873	74,220	92,399
Other net (loss)/income	(9,921)	(13,244)	–	9,825	(9,921)	(3,419)
Finance costs	(82,184)	(88,466)	–	(45,596)	(82,184)	(134,062)
Unallocated head office and corporate expenses	(39,499)	(25,980)	–	–	(39,499)	(25,980)
Consolidated (loss)/profit before taxation	(57,384)	(173,164)	–	102,102	(57,384)	(71,062)
Income tax	(33,959)	5,797	–	(12,546)	(33,959)	(6,749)
(Loss)/profit for the period	(91,343)	(167,367)	–	89,556	(91,343)	(77,811)

4 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.

Disaggregation of Revenue

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

		Six months ended 30 June 2019	Six months ended 30 June 2018 (Restated) (note 7)
		RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15			
Disaggregated by major products lines			
Continuing operations:			
— Sales of gold		2,359,792	1,551,786
— Sales of other metals		191,162	496,426
— Others		10,156	27,655
Less: Sales taxes and levies		(542)	(2,021)
		2,560,568	2,073,846

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

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 (Restated) (note 7) RMB'000
(a)	**Finance costs:**		
	Continuing operations:		
	Interest expenses on bank loans	70,905	76,652
	Interest expenses on lease liabilities	240	—
	Other borrowing costs	11,039	11,814
		82,184	88,466
(b)	**Other net loss:**		
	Continuing operations:		
	Net realised and unrealised losses on financial instruments at fair value	9,058	2,298
	Net foreign exchange (gain)/loss	(3,142)	11,234
	Others	4,005	(288)
	Total other net loss	9,921	13,244
(c)	**Other items:**		
	Continuing operations:		
	Depreciation of right-of-use assets	2,374	—
	Amortisation of lease prepayment	—	2,390
	Amortisation of intangible assets	7,523	5,329
	Depreciation of property, plant and equipment	59,878	61,974
	Less: Depreciation capitalised into construction in progress	(133)	(168)
		59,745	61,806
	Provision/(reversal) of impairment losses in administrative expenses and other operating expenses on:		
	— trade and other receivables	2,940	1,500
	— purchase deposits	(1,811)	—
	— investment deposits	(772)	—
	Operating lease charges in respect of properties	—	646
	Government grants	1,331	1,864
	Bank interest income	7,739	4,469
	Guarantee income	2,895	—

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Continuing operations

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June 2019	Six months ended 30 June 2018 (Restated) (note 7)
	RMB'000	RMB'000
Current tax — PRC income tax		
Provision for the period	30,718	(2,483)
Under-provision in respect of prior years	517	1,028
Deferred taxation	2,724	(4,342)
	33,959	(5,797)

(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 continuing operations and its PRC subsidiaries are subject to income tax at the statutory rate of 25%, unless otherwise specified.

(b) 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.

(c) 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".

7 DISCONTINUED OPERATIONS

Pursuant to an announcement dated 30 August 2018, the Company entered into an equity transfer agreement with Shenzhen Londian Electrics Co., Ltd. ("Shenzhen Londian"), to dispose of its entire equity interests in the Disposal Group for a cash consideration of RMB2,558,197,000. The Disposal Group comprises the Group's copper processing segment. The very substantial disposal (the "VSD") transaction was approved by independent shareholders on 16 October 2018.

Pursuant to an announcement dated 2 January 2019, the Company entered into a supplemental agreement with Shenzhen Londian on 31 December 2018. Pursuant to the agreement, the Company completed the disposal of its entire equity interests in the Disposal Group on 31 December 2018, on which date control of the Disposal Group passed to Shenzhen Londian.

(a) Analysis of the results of discontinued operations for the six months ended 30 June 2018 is as follows:

	Six months ended 30 June 2018 RMB'000
Revenue	806,048
Cost of sales	(615,385)
Gross profit	190,663
Other revenue	6,618
Other net income	9,825
Selling and distribution expenses	(17,616)
Administrative expenses and other operating expenses	(41,792)
Profit from operations	147,698
Finance costs	(45,596)
Profit before taxation	102,102
Income tax	(12,546)
Profit for the period	89,556
Other comprehensive income for the period (after tax and reclassification adjustments)	–
Total comprehensive income for the period	89,556
Attributable to:	
Equity shareholders of the discontinued operations	89,742
Non-controlling interests	(186)
Total comprehensive income for the period	89,556

7 DISCONTINUED OPERATIONS (continued)

(b) Analysis of the cash flows of discontinued operations that are included in the condensed consolidated cash flow statement for the six months ended 30 June 2018 is as follows:

	Six months ended 30 June 2018 RMB'000
Net cash generated from operating activities	166,610
Net cash used in investing activities	(354,823)
Net cash generated from financing activities	108,723
Net cash used in discontinued operations	(79,490)

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2019 is based on the loss attributable to equity shareholders of the Company of RMB83,478,000 (six months ended 30 June 2018: loss of RMB67,544,000) and 864,249,091 ordinary shares in issue during the period ended 30 June 2019 (six months ended 30 June 2018: the weighted average of 845,033,621 ordinary shares).

(b) Diluted loss per share

The diluted loss per share for the six months ended 30 June 2019 and 2018 are the same as the basic loss per share as there are no dilutive potential ordinary shares during the periods.

9 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, acquisitions of property, plant and equipment and additions of construction in progress of the Group amounted to RMB82,702,000 (six months ended 30 June 2018: RMB40,321,000) and RMB66,531,000(six months ended 30 June 2018: RMB161,010,000), respectively. Items of property, plant and equipment and construction in progress with an aggregate net book value of RMB302,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB3,323,000), resulting in a gain on disposal of RMB168,000 (six months ended 30 June 2018: gain on disposal of RMB84,000).

Properties, plant and equipment leased out under operating lease

As at 30 June 2019, certain property, plant and equipments of RMB281,991,000, construction in progress of RMB62,239,000, intangible assets of RMB42,318,000, were leased out by the Group. Lease income earned during the six months ended 30 June 2019 was RMB6,000,000 (six months ended 30 June 2018: nil). The lease is negotiated for a lease term of 3 years. None of the lease includes contingent rentals.

10 INTANGIBLE ASSETS

Acquisitions and disposals

During the six months ended 30 June 2019, additions of exploration and evaluation assets and mining rights made by the Group amounted to RMB901,000 and Nil respectively (six months ended 30 June 2018: RMB7,122,000 and RMB39,715,000 respectively). No intangible assets were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

11 INVENTORIES

		At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Raw materials		669,029	738,182
Work in progress		90,677	56,363
Finished goods		317,086	169,161
Spare parts and materials		69,498	65,838
		1,146,290	1,029,544

The analysis of the amount of inventories recognised as an expense and included in profit and loss is as follows:

		Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 (Restated) (note 7) RMB'000
Continuing operations:			
Carrying amount of inventories sold		2,432,089	2,009,279
Write down of inventories		—	2,918
Reversal of write down of inventories		(1,891)	—
		2,430,198	2,012,197

12 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 loss allowance, is as follows:

	Note	**At 30 June 2019 RMB'000**	At 31 December 2018 RMB'000
Within 3 months		**94,346**	122,515
Over 3 months but within 6 months		**1,684**	156,650
Over 6 months but within 1 year		**101,744**	300,000
Over 1 year		**100**	1,100
Trade debtors and bills receivable, net of loss allowance	*(a)*	**197,874**	580,265
Other receivables, net of loss allowance		**99,721**	63,739
Amounts due from related parties	*19*	**570,879**	1,896,965
Financial assets measured at amortised cost		**868,474**	2,540,969
Deposits and prepayments		**55,795**	56,606
Purchase deposits, net of allowance for non-delivery	*(b)*	**129,279**	235,510
		1,053,548	2,833,085

Transfers of financial assets

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

As at 30 June 2019, the Group endorsed certain bank acceptance bills with a carrying amount of RMB2,416,000 (31 December 2018: RMB67,988,000) to suppliers for settling trade payables of the same amount on a full recourse basis. As the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, the Group's management determined not to derecognise the carrying amounts of these bills receivable and the associated trade payables which were intended to settle.

As at 30 June 2019, the Group discounted certain bank acceptance bills with a carrying amount of RMB100,000,000 (31 December 2018: RMB500,000,000) to banks for cash proceeds on a full recourse basis. As the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, the Group's management determined not to derecognise the carrying amounts of these bills receivable and recognised the cash proceeds from banks as short-term loans.

12 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Transfers of financial assets (continued)

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

As at 30 June 2019, 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 less than twelve months from the end of the reporting period. The Group's management determined that the Group has transferred substantially all the risks and rewards of ownership of these bills to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit rating and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 30 June 2019, 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 RMB nil and RMB2,030,000 (31 December 2018: RMB380,000,000 and RMB44,065,000) respectively.

(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 360 days from the date of billing.

(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.

13 CASH AND CASH EQUIVALENTS

		At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash and cash equivalents in the condensed consolidated cash flow statement		**369,658**	811,237

14 BANK AND OTHER BORROWINGS

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

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Short-term bank and other borrowings:			
— Short-term bank loans		**2,868,386**	2,754,646
— Loans from a leasing company	*(a)*	**—**	66,590
— Add: Current portion of long-term bank and other borrowings		**244,215**	983,531
		3,112,601	3,804,767
Long-term bank and other borrowings:			
— long-term bank loans		**857,325**	1,683,744
— Loans from a leasing company	*(a)*	**—**	64,971
— Less: Current portion of long-term bank and other borrowings		**(244,215)**	(983,531)
		613,110	765,184
		3,725,711	4,569,951

Note:

(a) During the year ended 31 December 2017, the Company entered into a sales and leaseback agreement with a leasing company for machinery and equipment ("Secured Assets I") amounting to RMB191,250,000 for a period of 3 years. Upon maturity, the Company will be entitled to purchase the Secured Assets I with consideration of RMB100. The Group considered that it was almost certain to exercise this repurchase option. As substantial risk and rewards of the Secured Assets I were retained by the Company before and after these arrangements, the transaction was regarded as secured borrowings, rather than finance lease arrangement.

As at 31 December 2018, the outstanding loan from that leasing company amounting to RMB131,561,000 was secured by the mining shafts of Nanshan with carrying amount of RMB76,207,000 and pledged deposits with carrying amount of RMB10,000,000, and was guaranteed by Wason Copper-Foil. As at 30 June 2019, the Company had repaid all of the outstanding loan from that leasing company with the sales and leaseback agreement early terminated.

14 BANK AND OTHER BORROWINGS (continued)

At 30 June 2019, the bank and other borrowings were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within one year or on demand	**3,112,601**	3,804,767
Over one year but within two years	**613,110**	369,793
Over two years but within five years	**—**	395,391
Over five years	**—**	—
	613,110	765,184
	3,725,711	4,569,951

At 30 June 2019, the bank and other borrowings were secured as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank and other borrowings		
— Secured	**1,176,022**	765,825
— Guaranteed	**613,110**	715,950
— Unsecured	**1,936,579**	3,088,176
	3,725,711	4,569,951

At 30 June 2019, bank loans of the Group amounting to RMB1,176,022,000 (31 December 2018: RMB634,264,000) were secured by pledged deposits with carrying amount of RMB807,500,000 (31 December 2018: RMB409,861,000).

At 30 June 2019, bank loans of the Group amounting to RMB613,110,000 (31 December 2018: RMB610,404,000) were guaranteed by Lingbao State-owned Assets Operation Company Limited ("Lingbao State-owned Assets"), a shareholder of the Group. During the six months ended 30 June 2019, the Group repaid bank loans guaranteed by Wason Copper-Foil, which was amounting to RMB105,546,000 as at 31 December 2018.

Certain of the Group's bank loan facilities are 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 under such facilities would become payable on demand. As at 30 June 2019, certain covenants of two banks were breached by the Group. The Group obtained waiver letters from the two banks, confirming that they do not treat the Company has breached the relevant covenants under the existing loan agreements.

15 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:

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Current			
Within 3 months		**102,034**	243,378
Over 3 months but within 6 months		**2,390**	7,481
Over 6 months but within 1 year		**11,519**	18,512
Over 1 year but within 2 years		**13,966**	15,774
Over 2 years		**10,253**	6,490
Total trade creditors		**140,162**	291,635
Bills payable		**–**	190,000
Other payables and accruals		**253,863**	317,814
Total creditors and bills payable		**394,025**	799,449
Interest payables		**4,286**	11,526
Payable for mining rights		**83,699**	83,559
Deferred income	*(a)*	**80,416**	80,406
Payable to D&R Fund	*(b)*	**30,000**	15,000
Payable to non-controlling interests	*(c)*	**22,606**	22,623
Dividend payable		**174,110**	1,260
Amounts due to related parties	*19*	**–**	327,865
Financial liabilities measured at amortised cost		**789,142**	1,341,688
Financial liabilities at fair value through profit or loss		**35,438**	27,650
		824,580	1,369,338
Non-current other payables			
Decommissioning costs	*(d)*	**58,565**	52,625
Deferred income	*(a)*	**77,430**	78,544
Payable to D&R Fund	*(b)*	**20,000**	35,000
		155,995	166,169

15 TRADE AND OTHER PAYABLES (continued)

Note:

(a) Deferred income represents grants received from the government for the exploration of mines, 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) On 14 December 2017, an investment agreement was entered into between the Company, D&R Xinwei Advanced Manufacturing Fund (LP) ("D&R Fund") and Lingbao Lingxin Gold Metallurgical Company Limited ("Lingxin Gold Metallurgical") in respect of increasing the registered capital of RMB50,000,000 in Lingxin Gold Metallurgical invested by D&R Fund. Pursuant to the investment agreement, the Group also granted a written put option to D&R Fund, giving it the right to sell its entire interest in Lingxin Gold Metallurgical at a consideration which comprises the capital injection of RMB50,000,000 and related interests with an annual interest rate of 9%.

On 29 December 2018, an agreement was entered into between the Company, D&R Fund and Lingxin Gold Metallurgical in respect of repurchasing the investment in Lingxin Gold Metallurgical from D&R Fund at a consideration of RMB50,000,000. The consideration carries an interest rate at 9% per annum and is payable by instalments within two years.

At 30 June 2019, RMB30,000,000 (31 December 2018: RMB15,000,000) was presented as current payables and the remaining consideration of RMB20,000,000 (31 December 2018: RMB35,000,000) was included in non-current payables.

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

(d) 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 RMB58,565,000(31 December 2018: RMB52,625,000) in total as at 30 June 2019.

16 CAPITAL AND RESERVE

(a) Share capital

	Number of shares	Amount RMB'000
As at 31 December 2018, 1 January 2019 and 30 June 2019		
Registered, issued and fully paid:		
Domestic shares of RMB0.20 each	566,975,091	113,395
H shares of RMB0.20 each	297,274,000	59,455
Total	864,249,091	172,850

All Domestic shares and H shares are ordinary shares and rank pari passu with the same rights and benefits.

(b) Dividends

(i) Dividends payable to equity shareholders 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 2019 (six months ended 30 June 2018: RMB Nil).

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.20 per ordinary share (six months ended 30 June 2018: Nil)	172,850	–

The final dividend in respect of the previous financial year of RMB54,670,000 was paid on 5 August 2019.

16 CAPITAL AND RESERVE (continued)

(c) PRC statutory reserves

Transfers from retained earnings to the PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and articles of association of the Company and its subsidiaries incorporated in the PRC.

The Company and the subsidiaries incorporated in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve (the "SSR") until the reserve balance reaches 50% of the registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the SSR may be converted to increase the share capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered share capital.

Pursuant to the relevant regulations in the PRC, the Group is required to provide for safety production fund based on volume of ores excavated and sales amount of certain products.

For the six months ended 30 June 2019, the Group transferred RMB14,483,000 (six months ended 30 June 2018: RMB14,065,000) from retained profits to specific reserve provision for the safety production fund and transferred RMB14,483,000 (six months ended 30 June 2018: RMB14,065,000) from specific reserve to retained earnings for the utilisation.

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations review for the financial instruments. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer, to coincide with the reporting dates.

		Fair value at 30 June 2019	Fair value measurements as at 30 June 2019 categorised into		
			Level 1	Level 2	Level 3
		RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement					
Financial assets:					
Other financial assets:					
—Unlisted equity securities		4,520	–	4,520	–
Financial liabilities:					
Derivative financial instruments:					
— Gold lease contracts		(31,443)	(31,443)	–	–
— Interest rate swaps		(3,995)	–	(3,995)	–

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Other financial assets:				
– Unlisted equity securities	4,520	–	4,520	–
Financial liabilities:				
Derivative financial instruments:				
– Gold lease contracts	(27,637)	(27,637)	–	–
– Interest rate swaps	(13)	–	(13)	–

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: RMB Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of unlisted equity securities is the average quoted price obtained from third parties.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2018 and 30 June 2019.

18 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Contracted for	73,360	73,933
Authorised but not contracted for	433,442	493,407
	506,802	567,340

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Property, plant and equipment RMB'000
Within 1 year	3,697
After 1 year but within 5 years	10,928
After 5 years	4,018
	18,643

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.

19 RELATED PARTY TRANSACTIONS

During the period ended 30 June 2019, the Directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Wason Copper-Foil 靈寶華鑫銅箔有限責任公司	Entity controlled by a major shareholder of the Group, D&R Asset Management Group Company Limited 達仁投資管理集團股份有限公司 ("D&R Investment")
Lingbao Hongyu Electronics Company Limited 靈寶鴻宇電子有限責任公司 ("Hongyu Electronics")	Entity controlled by D&R Investment
Lingbao Baoxin Electronic Technology Company Limited 靈寶寶鑫電子科技有限公司 ("Baoxin Electronic")	Entity controlled by D&R Investment
Shenzhen Londian 深圳龍電電氣股份有限公司	Entity controlled by D&R Investment

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

Due to the VSD transaction completed on 31 December 2018, Wason Copper-Foil and its subsidiaries Hongyu Electronics and Baoxin Electronic became related parties of the Group since then.

19 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties

Non-recurring transactions	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000
Sales of other metals		
Wason Copper-Foil	499	–
Interest expenses		
Wason Copper-Foil	2,416	–
Office rental service obtained		
Hongyu Electronics	2	–
Guarantee income		
Wason Copper-Foil *(note)*	2,895	–
Advance to related parties		
Wason Copper-Foil	31,614	–

Note: Pursuant to a supplemental agreement entered with Shenzhen Londian and Wason Copper-Foil on 31 December 2018, the Company is entitled to a guarantee fee in respect of those outstanding guarantees provided to certain banks as at 31 December 2018 in respect of loans, letter of credit and bills facilities granted to Wason Copper-Foil. The guarantee fee is calculated based on a pre-determined rate on the outstanding amount of guarantee and with reference to the length of the guarantee period until the guarantee is released.

19 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

As at the end of each reporting period, the Group had the following balances with related parties:

		At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Amount due from related parties			
Shenzhen Londian		–	1,029,666
Wason Copper-Foil *(note)*		570,793	866,565
Hongyu Electronics		86	734
		570,879	1,896,965
Amount due to related parties			
Wason Copper-Foil		–	227,865
Baoxin Electronic		–	100,000
		–	327,865

Note: It represented the retained profits of Wason Copper-Foil attributable to the Company of RMB467,898,000 and other receivables from Wason Copper-Foil of RMB102,895,000, of which RMB100,000,000 was settled in August 2019.

Pursuant to the supplemental agreement with Shenzhen Londian and Wason Copper-Foil on 31 December 2018, the retained profits of Wason Copper-Foil incurred prior to 31 December 2018 (inclusive) shall be attributable to the Company whilst the retained profits of Wason Copper-Foil incurred thereafter shall be attributable to Shenzhen Londian, and Wason Copper-Foil were required to settle the payment of retained profits attributable to the Company before the end of April 2019.

Pursuant to the agreement dated on 3 April 2019, it was agreed between the Company and Wason Copper-Foil that retained profits attributable to the Company will be paid by the Wason Copper-Foil by instalments before 31 December 2019.

19 RELATED PARTY TRANSACTIONS (continued)

(c) Guarantee issued to related parties

During the six months ended 30 June 2019, the Company issued guarantees amounting to RMB100,000,000 to a bank in respect of letter of credit issued by Wason Copper-Foil.

As at 30 June 2019, the Company had the following guarantees issued in favor of banks for banking facilities granted to Wason Copper-Foil:

(i) guarantees amounting to RMB45,000,000 (31 December 2018: RMB170,000,000) to certain banks in respect of loans granted to Wason Copper-Foil, which was released in July 2019; and

(ii) guarantees amounting to RMB238,000,000 (31 December 2018: RMB438,000,000) to certain banks in respect of letter of credit and bills of Wason Copper-Foil, of which RMB138,000,000 was released in August 2019.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors and supervisors is as follows:

	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000
Short-term employee benefits	**4,328**	2,150
Post-employment benefits	**94**	207

20 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.