



Lingbao Gold Company Ltd.  
靈寶黃金股份有限公司

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 3330)



2016  
INTERIM REPORT

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Jin Guangcai (*Chairman*)  
Mr. Qiang Shanfeng  
Mr. Ji Wanxin  
Mr. Xing Jiangze  
Mr. Zhang Guo  
Mr. Zhou Yudao

### Non-executive Directors

Mr. Shi Yuchen

### Independent Non-executive Directors

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

## SUPERVISORS

Mr. Wang Guodong  
(*Chairman of the Supervisory Committee*)  
Mr. Guo Xurang  
Mr. Meng Shouji  
Mr. Yao Shun  
Mr. Jiao Xiaoxiao

## COMPANY SECRETARY

Mr. Poon, Lawrence Chi Leung

## AUTHORISED REPRESENTATIVES

Mr. Jin Guangcai  
Mr. Poon, Lawrence Chi Leung

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Wang Guanghua  
(*Chairman of the Nomination Committee*)  
Mr. Xing Jiangze  
Mr. Yang Dongsheng  
Mr. Han Qinchun  
Mr. Wang Jiheng

## REMUNERATION COMMITTEE

Mr. Wang Jiheng  
(*Chairman of the Remuneration Committee*)  
Mr. Ji Wanxin  
Mr. Yang Dongsheng  
Mr. Wang Guanghua  
Mr. Han Qinchun

## AUDITORS

KPMG

## LEGAL ADVISER

*Hong Kong law*  
DLA Piper Hong Kong

*PRC law*  
Commerce & Finance Law Offices

## 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, Zhengzhou Branch  
Bank of Communications, Zhengzhou Branch  
China Development Bank  
Ping An Bank, Zhengzhou Branch  
China Citic Bank, Zhengzhou Branch  
China Merchants Bank, Zhengzhou Branch

**SHARE REGISTRAR AND TRANSFER OFFICE FOR H SHARES**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**REGISTERED OFFICE OF THE COMPANY**

Hangu Road and  
Jingshan Road Intersection  
Lingbao  
Henan  
The PRC

**PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Room 1902, 19th Floor, MassMutual Tower  
38 Gloucester Road  
Wanchai  
Hong Kong

**STOCK INFORMATION**

Stock Code	:	3330
Listing Date	:	12 January 2006
Issued Shares	:	297,274,000 shares (H Shares) 472,975,091 shares (Domestic shares)
Nominal Value	:	RMB0.20 per share
Stock Name	:	Lingbao Gold
Website	:	<a href="http://www.lbgold.com">www.lbgold.com</a>
Investors' Website	:	<a href="http://www.irasia.com/listco/hk/lingbao">www.irasia.com/listco/hk/lingbao</a>

**INVESTOR RELATIONS CONTACT**

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(Hong Kong Office)  
Room 1902, 19th Floor, MassMutual Tower  
38 Gloucester Road  
Wanchai  
Hong Kong  
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Mr. Xing Jiangze  
(PRC Office)  
Hangu Road and  
Jingshan Road Intersection  
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# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF BUSINESS AND PROSPECT

In the first half of 2016, Lingbao Gold Company Ltd. (“Lingbao Gold” or the “Company”) and its subsidiaries (together with the Company, the “Group”) produced approximately 8,970 kg (equivalent to approximately 288,392 ounces) of gold, representing a decrease of approximately 358 kg (equivalent to approximately 11,510 ounces) or approximately 3.8% as compared with the corresponding period of the previous year. The Group’s revenue for the six months ended 30 June 2016 was approximately RMB2,951,222,000, representing an increase of approximately 7.69% as compared with the corresponding period of the previous year. For the six months ended 30 June 2016, the loss attributable to the Company’s shareholders was approximately RMB104,959,000 (six months ended 30 June 2015: loss attributable to the Company’s shareholders RMB153,494,000). For the six months ended 30 June 2016, the basic loss per share of the Company was RMB0.14 (six months ended 30 June 2015: basic loss per share RMB0.20). In the first half of 2016, the further recession of global economy, continuous implementation of negative interest rate model by several central banks and the Brexit referendum have further strengthened the gold’s safe haven status and caused the gold price to increase by approximately 20% in the first half of this year. Despite there was an increase in gold price, the Group still recorded loss which was mainly due to the purchase of financial instruments by the Group in order to prevent the risks arising from fluctuations of gold price. Realised and unrealised losses on those financial instruments of approximately RMB126,577,000 was recorded due to the increase of gold price during the first half of 2016.

The Group’s mineral resources are mainly scattered in the regions of Henan, Xinjiang, Inner Mongolia, Jiangxi, Gansu of the People’s Republic of China (the “PRC”) and Kyrgyz Republic (“KR”) with 51 mining and exploration rights as at 30 June 2016 covering 1,914.02 square kilometers. The total gold reserves and resources as at 30 June 2016 were approximately 50.32 tonnes (1,617,826 ounces) and 130.63 tonnes (4,199,852 ounces) respectively.

## 1. Mining Segment

### Revenue and production

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

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

	Unit	For the six months ended 30 June			
		2016		2015	
		Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	780	755	871	920
Compound gold	kg	478	395	493	330
Total	kg	1,258	1,150	1,364	1,250
Total	ounce	40,446	36,973	43,853	40,188

The Group’s total revenue from the mining segment for the first half of 2016 was approximately RMB277,819,000, representing an increase of approximately 3.1% from approximately RMB269,376,000 for the same period in 2015. During the first half of 2016, turnover in Henan, Xinjiang and Inner Mongolia represented approximately 61.5%, 25.1% and 13.4% of the turnover from the mining segment respectively. The production of compound gold decreased by approximately 15 kg to approximately 478 kg, while production of gold concentrates decreased by approximately 91 kg to approximately 780 kg.

**Segment results**

The Group's total loss of the mining segment for the first half of 2016 was approximately RMB17,982,000, compared with loss of approximately RMB42,225,000 for the same period in 2015. The segment results to segment revenue ratio of the Group's mining segment for the first half of 2016 was approximately (6.5)%, compared with approximately (15.7)% in the corresponding period in 2015.

During the reporting period, the technical upgrading project of the processing plant of Full Gold with a production capacity of 1,500 tonnes/day was almost completed and site selection for the linkage commissioning was commenced in June. The technical indicators are on the track to meet the design requirements.

**2. Smelting Segment**

Our 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			
		2016		2015	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold bullion	kg	8,970	9,100	9,328	8,819
	ounce	288,392	292,572	299,902	283,537
Silver	kg	21,533	23,559	16,728	16,101
	ounce	692,302	757,439	537,818	517,659
Copper products	tonne	6,824	7,520	8,119	7,900
Sulphuric acid	tonne	91,569	94,111	93,710	93,894

### Sales and production

The Group's total revenue in the smelting segment for the first half of 2016 was approximately RMB2,613,572,000, representing an increase of approximately 4.8% from approximately RMB2,494,548,000 for the same period of 2015. Such increase during the reporting period was mainly attributable to the increase in sales volume and average selling price of gold bullion of approximately 3.2% and 4.8% over the same period of last year.

The Group's smelting plants processed approximately 1,046 tonnes of gold concentrates per day, with an utilisation rate of approximately 90.0%. During the first half of 2016, the Group continued to maintain the recovery rates of gold, silver and copper at a high level of approximately 96.32%, 71.18% and 96.14% respectively.

### Segment results

The Group's total profit in smelting segment for the first half of 2016 was approximately RMB134,991,000, compared with profit of approximately RMB14,610,000 for the same period in 2015. The segment results to segment revenue ratio of the Group's smelting business for the first half of 2016 was approximately 5.2%, compared with the same period in 2015 of approximately 0.6%.

## CONSOLIDATED OPERATING RESULTS

### Revenue

The following table sets out the Group's sales breakdown by products:

Product name	For the six months ended 30 June					
	2016			2015		
	Amount	Sales volume	Unit price	Amount	Sales volume	Unit price
	(RMB'000)		(RMB per kg/tonne/m <sup>2</sup> )	(RMB'000)		(RMB per kg/tonne/m <sup>2</sup> )
Gold bullion	2,313,031	9,100 kg	254,179	2,138,631	8,819 kg	242,503
Silver	68,835	23,520 kg	2,927	48,504	16,003 kg	3,031
Electrolytic coppers	47,306	1,520 tonnes	31,122	42,049	1,150 tonnes	36,564
Copper foils	463,590	8,163 tonnes	56,792	493,239	8,203 tonnes	60,129
Flexible copper clad laminate	2,315	25,325 m <sup>2</sup>	91	5,192	46,980 m <sup>2</sup>	111
Sulphuric acid	4,066	94,111 tonnes	43	16,279	93,894 tonnes	173
Gold concentrates	57,046	259 kg	220,255	1,559	9 kg	173,222
Revenue before tax	2,956,189			2,745,453		
Less: Sales taxes and levies	(4,967)			(4,896)		
	2,951,222			2,740,557		

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue for the first half of 2016 was approximately RMB2,951,222,000, representing an increase of approximately 7.7% as compared with the corresponding period of the previous year. Such increase was mainly attributable to the increase in the sales volume and average selling price of gold bullion during the period, which resulted in the increase in sales amount of gold bullion as compared to the corresponding period of the previous year.

In the first half of 2016, the Group's copper foil production volume amounted to approximately 8,583 tonnes, increasing by 211 tonnes or 2.5% as compared with the corresponding period of the previous year. Copper foil sales volume was approximately 8,163 tonnes, decreasing by 40 tonnes or 0.5% as compared with the corresponding period of the previous year.

### OUTLOOK

In the second half of 2016, the Group will continue to adopt a prudent and proactive operational approach, and make no adjustment in its targets and missions. The Group will insist on adhering to "three principles": problem-oriented, comprehensive planning and highlighting the focus. The Group will continue to strive for enhancement of production and operation, project construction and transition to a new business model in order to achieve breakthroughs in various aspects. The Brexit has triggered global political risks, and rises in US interest rate are expected to slow down, leading to a positive prospect of the gold market in the second half of the year. The Group will seize the current market opportunities arising from the increase of gold price and strive on the full utilization of existing production capabilities of mining and mine selection. The technical upgrading project of the processing plant of Full Gold with a production capacity of 1,500 tonnes/day was completed and will commence production in the second half of the year. In respect of mine exploration, the Group will strictly implement the mine exploration plan, exert its efforts to speed up the construction of major exploration projects, identify advantageous prospecting targets and conduct exploration works in a scientific and rational manner so as to constantly expand the room for reserve expansion. In respect of copper foils, the Group will prioritize the production of high value-added copper foils and formulate a scientific production plan for product specifications with the main focus on lithium-foil. The Group will optimize the matching of technical parameters and strictly control the accuracy of equipment, optimization and matching of additives, liquid level, parameter adjustment, variation of quality indicators, microscopic analysis and production processing. The Group will gradually enhance its operational efficiency and quality and strive on maximizing production volume of premium products. In respect of safety and environmental-friendliness, the Group will adhere to the principle of safe production and fulfill the environmental protection requirements to ensure zero death toll and zero accident. The Group will minimize the loss related to safety and environmental protection and effectively secure stable operation of the Group.



## 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 bank balances as at 30 June 2016 amounted to RMB793,838,000.

The total equity attributable to shareholders of the Company as at 30 June 2016 amounted to RMB1,107,809,000 (31 December 2015: RMB1,219,448,000). As at 30 June 2016, the Group had current assets of RMB3,113,192,000 (31 December 2015: RMB3,818,730,000) and current liabilities of RMB3,903,305,000 (31 December 2015: RMB5,558,914,000). The current ratio was 0.80 (31 December 2015: 0.69).

As at 30 June 2016, the Group had total outstanding bank and other borrowings of approximately RMB4,741,697,000 with interest rates ranged from 2.00% to 6.15% per annum, of which approximately RMB2,855,784,000 was repayable within one year, approximately RMB600,683,000 was repayable after one year but not exceeding two years, approximately RMB1,125,230,000 was repayable after two years but not exceeding five years and approximately RMB160,000,000 was repayable after five years.

As at 30 June 2016, the Group had unutilised bank facilities of RMB2,897,484,000 which could be drawn down by the Group to finance its operation when necessary.

The gearing ratio as at 30 June 2016 was 67.8% (31 December 2015: 62.5%) which was calculated as total borrowings divided by total assets value.

### Security

As at 30 June 2016, the mining right of Istanbul Gold Mine with carrying value amounting to RMB80,799,000 (31 December 2015: RMB81,993,000) and the ordinary shares of Full Gold were pledged for the loans of RMB212,530,000 (31 December 2015: RMB245,458,000) from the National Development Bank.

As at 30 June 2016, the machinery and equipment with carrying value amounting to RMB429,179,000 and the ordinary shares of Lingbao Wason Copper-Foil Company Ltd. were pledged for the loans of RMB400,000,000 from a leasing company.

### Market risks

The Group is exposed to various types of market risks, including fluctuations in gold price and other commodities price, 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 the gold price and other commodities price as the Group's products are sold at market prices and the fluctuations in prices are not controlled by the Group. Considerable fluctuations of gold price would lead to instability in the Group's operating results, especially in the event of a significant drop in gold price which would have a larger adverse impact on the Group's operating results.

**Interest rate risk**

The Group is exposed to risks resulting from fluctuations in interest rates on our debt. The Group undertakes debt obligations for supporting general corporate purposes, including capital expenditure and working capital needs. Our bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant regulations of the People's Bank of China, which may cast financial impact on the Group.

**Exchange rate risk**

The Group's transactions are mainly denominated in Renminbi. Fluctuations in exchange rates may affect the international and domestic gold price, which may impact our results of operation. Renminbi is not a free-trade currency and it would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi. In addition to the foregoing, the exchange rate risks to which the Group is exposed are mainly from certain bank deposits, bank loans and trade receivables relating to copper foils sales, which are denominated in HK dollars and US dollars. Fluctuations in exchange rates may cast financial impact on the Group.

**Contractual obligations**

As at 30 June 2016, the total contracted capital commitments was approximately RMB73,598,000, representing a decrease of approximately RMB91,575,000 from approximately RMB165,173,000 as at 31 December 2015.

**Capital expenditures**

Capital expenditures during the period was approximately RMB219,793,000, including those in relation to the acquisition of property, plant and equipment and construction in progress of approximately RMB207,878,000, and acquisition of intangible assets of approximately RMB11,915,000.

**Contingent liabilities**

As at 30 June 2016, the Group had no material contingent liabilities.

**Human resources**

For the six months ended 30 June 2016, the average number of employees of the Group was 6,387. The Company highly treasures its human resources and offers competitive remuneration to employees and provides employees with training programs.

## OTHER INFORMATION

### SHARE CAPITAL

As at 30 June 2016, there was a total of share capital of 770,249,091 shares of the Company which includes:

	Number of shares	Approximate percentage of total share capital
Domestic shares	472,975,091	61.41%
H Shares	297,274,000	38.59%
Total	770,249,091	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 2016.

### 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 2016 that are required to be recorded in the register 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) 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").

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2016, 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
Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司) ("Lingbao State-owned Assets") (Note 1)	296,840,620	Beneficial owner	62.76%	38.54%
Huibang Investment Development Company Limited	58,250,000	Beneficial owner	12.32%	7.56%
Shannan Wanlaixin Investment Limited Liability Company (山南萬來鑫投資有限責任公司)	37,698,784	Beneficial owner	7.97%	4.89%

Note:

1. In addition to its direct interest in 296,840,620 domestic shares, Lingbao State-owned Assets has an indirect interest in the Company through its equity interest of 100.00% in Lingbao Gold Investment Limited Liability Company (靈寶黃金投資有限責任公司) ("Lingbao Gold Investment"), Lingbao Gold Investment holds 100.00% equity interest in Lingbao Gold Machinery Limited Liability Company (靈寶市黃金機械有限責任公司) which in turn holds approximately 21.05% equity interest in Lingbao Jinxiang Auto Parts Limited Liability Company (靈寶市金象汽車零部件有限責任公司) ("Lingbao Jinxiang Motors"). Lingbao Jinxiang Motors is a promoter of the Company, which held approximately 1.79% equity interest in the Company as at the date of this report.

### CHANGE IN INFORMATION OF DIRECTORS

During the reporting period, Mr. Xu Qiangsheng was retired as an independent non-executive director of the Company and Mr. Wang Guanghua was appointed as an independent non-executive director of the Company.

### INTERIM DIVIDEND

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

## CORPORATE GOVERNANCE

Being one of the largest integrated gold mining companies based in the PRC, the Company is committed to achieving high standards of corporate governance practices and has put in place a set of well-defined corporate governance processes to ensure the transparency of the Company and protect the overall interest and rights of shareholders as well as employees.

The Company has complied with all Code Provisions under the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except for the following provision:

**Code Provision A.4.2** (directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after appointment)

With respect to the re-election of newly appointed director, the Company has complied with Paragraph 4(2) of Appendix 3 of the Listing Rules, which permits the directors who have been appointed to fill a casual vacancy of the Board be subject to re-election at the next annual general meeting of the Company. As such, Code Provision A.4.2, which requires the re-election to take place at the next general meeting, was not adopted.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by Directors. 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 26 August 2016 to review the unaudited interim financial report for six months ended 30 June 2016. KPMG, the Group’s external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2016 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.

By order of the Board

**Jin Guangcai**

*Chairman*

Lingbao City, Henan Province, The PRC

26 August 2016

# REVIEW REPORT



## **Review report to the board of directors of Lingbao Gold 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 38 which comprises the consolidated statement of financial position of Lingbao Gold Company Ltd. as of 30 June 2016 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated 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.

## REVIEW REPORT

### 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 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

26 August 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016 – unaudited

	Note	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
<b>Revenue</b>	4	<b>2,951,222</b>	2,740,557
Cost of sales		<b>(2,616,468)</b>	(2,572,403)
<b>Gross profit</b>		<b>334,754</b>	168,154
Other revenue		<b>15,452</b>	11,840
Other net loss	5(b)	<b>(137,578)</b>	(11,971)
Selling and distribution expenses		<b>(15,649)</b>	(14,484)
Administrative expenses and other operating expenses		<b>(197,209)</b>	(176,329)
<b>Loss from operations</b>		<b>(230)</b>	(22,790)
Finance costs	5(a)	<b>(121,075)</b>	(125,889)
<b>Loss before taxation</b>	5	<b>(121,305)</b>	(148,679)
Income tax	6	<b>11,171</b>	(17,444)
<b>Loss for the period</b>		<b>(110,134)</b>	(166,123)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(104,959)</b>	(153,494)
Non-controlling interests		<b>(5,175)</b>	(12,629)
<b>Loss for the period</b>		<b>(110,134)</b>	(166,123)
<b>Basic and diluted loss per share (RMB cents)</b>	7	<b>(14)</b>	(20)

The notes on pages 21 to 38 form part of this interim financial report.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2016 – Unaudited

	Six months ended 30 June 2016	Six months ended 30 June 2015
<i>Note</i>	RMB'000	RMB'000
<b>Loss for the period</b>	<b>(110,134)</b>	(166,123)
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<b>(8,343)</b>	246
<b>Total comprehensive income for the period</b>	<b>(118,477)</b>	(165,877)
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(111,639)</b>	(153,295)
Non-controlling interests	<b>(6,838)</b>	(12,582)
<b>Total comprehensive income for the period</b>	<b>(118,477)</b>	(165,877)

The notes on pages 21 to 38 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 – unaudited

		At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	2,023,219	2,027,813
Construction in progress	8	509,806	395,112
Intangible assets	9	736,356	731,923
Goodwill		7,302	7,302
Lease prepayments		166,093	169,038
Other financial assets		49,714	19,714
Non-current prepayments		179,609	177,336
Deferred tax assets		185,629	161,171
Other non-current assets		17,585	–
		<b>3,875,313</b>	3,689,409
<b>Current assets</b>			
Inventories	10	1,366,453	1,496,622
Trade and other receivables, deposits and prepayments	11	937,210	1,064,921
Assets classified as held for sale		5,423	7,539
Current tax recoverable		10,268	9,296
Pledged deposits		133,552	122,828
Cash and cash equivalents	12	660,286	1,117,524
		<b>3,113,192</b>	3,818,730
<b>Current liabilities</b>			
Bank and other borrowings	13	2,855,784	3,771,699
Debenture payable	14	–	700,000
Trade and other payables	15	1,020,280	1,061,901
Loan from ultimate holding company		23,800	23,800
Current tax payable		3,441	1,514
		<b>3,903,305</b>	5,558,914
<b>Net current liabilities</b>		<b>(790,113)</b>	(1,740,184)
<b>Total assets less current liabilities</b>		<b>3,085,200</b>	1,949,225

The notes on pages 21 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 – unaudited

	<i>Note</i>	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>Non-current liabilities</b>			
Bank and other borrowings	13	1,885,913	658,796
Other payables	15	137,721	115,450
Deferred tax liabilities		7,563	2,499
		2,031,197	776,745
<b>NET ASSETS</b>			
		1,054,003	1,172,480
<b>CAPITAL AND RESERVES</b>			
	16		
Share capital		154,050	154,050
Reserves		953,759	1,065,398
<b>Total equity attributable to equity shareholders of the Company</b>			
		1,107,809	1,219,448
<b>Non-controlling interests</b>			
		(53,806)	(46,968)
<b>TOTAL EQUITY</b>			
		1,054,003	1,172,480

Approved and authorised for issue by the board of directors on 26 August 2016.

**Jin Guangcai**  
*Executive director and chairman*

**Qiang Shanfeng**  
*Executive director*

The notes on pages 21 to 38 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 – unaudited

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits/ (accumulated losses)	Total RMB'000	Non-controlling interests	Total RMB'000
						RMB'000		RMB'000	
<b>Balance at 1 January 2015</b>	154,060	827,931	160,878	7,482	(858)	546,824	1,696,307	(2,792)	1,693,515
<b>Changes in equity for the six months ended 30 June 2015:</b>									
Loss for the period	-	-	-	-	-	(153,494)	(153,494)	(12,629)	(166,123)
Other comprehensive income	-	-	-	199	-	-	199	47	246
Total comprehensive income for the period	-	-	-	199	-	(153,494)	(153,295)	(12,582)	(165,877)
Appropriation of safety production funds (note 16(c))	-	-	15,593	-	-	(15,593)	-	-	-
Utilisation of safety production funds (note 16(c))	-	-	(15,593)	-	-	15,593	-	-	-
<b>Balance at 30 June 2015 and 1 July 2015</b>	154,060	827,931	160,878	7,681	(858)	393,330	1,543,012	(15,374)	1,527,638
<b>Changes in equity for the six months: ended 31 December 2015:</b>									
Loss for the period	-	-	-	-	-	(308,668)	(308,668)	(27,763)	(336,431)
Other comprehensive income	-	-	-	(14,896)	-	-	(14,896)	(3,831)	(18,727)
Total comprehensive income for the period	-	-	-	(14,896)	-	(308,668)	(323,564)	(31,594)	(355,158)
Appropriation of safety production fund	-	-	17,568	-	-	(17,568)	-	-	-
Utilisation of safety production fund	-	-	(17,568)	-	-	17,568	-	-	-
<b>Balance at 31 December 2015</b>	154,060	827,931	160,878	(7,215)	(858)	84,662	1,219,448	(46,968)	1,172,480
<b>Balance at 1 January 2016</b>	154,050	827,931	160,878	(7,215)	(858)	84,662	1,219,448	(46,968)	1,172,480
<b>Changes in equity for the six months ended 30 June 2016:</b>									
Loss for the period	-	-	-	-	-	(104,959)	(104,959)	(5,175)	(110,134)
Other comprehensive income	-	-	-	(6,680)	-	-	(6,680)	(1,663)	(8,343)
Total comprehensive income for the period	-	-	-	(6,680)	-	(104,959)	(111,639)	(6,838)	(118,477)
Appropriation of safety production funds (note 16(c))	-	-	15,474	-	-	(15,474)	-	-	-
Utilisation of safety production funds (note 16(c))	-	-	(15,474)	-	-	15,474	-	-	-
<b>Balance at 30 June 2016</b>	154,050	827,931	160,878	(13,895)	(858)	(20,297)	1,107,809	(53,806)	1,054,003

The notes on pages 21 to 38 form part of this interim financial report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016 – unaudited

	<i>Note</i>	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
<b>Operating activities</b>			
Cash generated from operations		474,950	34,376
PRC income tax paid		(7,269)	(12,473)
<b>Net cash generated from operating activities</b>		<b>467,681</b>	21,903
<b>Investing activities</b>			
Payment for construction in progress		(194,655)	(68,743)
Other cash flows arising from investing activities		(120,722)	(12,159)
<b>Net cash used in investing activities</b>		<b>(315,377)</b>	(80,902)
<b>Financing activities</b>			
Proceeds from bank and other borrowings		2,296,654	1,688,940
Repayment of bank and other borrowings		(2,002,521)	(1,554,945)
Repayment of medium term notes		(700,000)	–
Other cash flows arising from financing activities		(206,333)	(116,840)
<b>Net cash (used in)/generated from financing activities</b>		<b>(612,200)</b>	17,155
<b>Net decrease in cash and cash equivalents</b>		<b>(459,896)</b>	(41,844)
<b>Cash and cash equivalents at 1 January</b>	12	<b>1,117,524</b>	372,312
<b>Effect of foreign exchange rates changes</b>		<b>2,658</b>	(101)
<b>Cash and cash equivalents at 30 June</b>	12	<b>660,286</b>	330,367

The notes on pages 21 to 38 form part of this interim financial report.

# NOTES TO THE UNAUDITED 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 26 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these 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 Company Ltd. (“the Company”) and its subsidiaries (together “the Group”) since the 2015 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 2016, the Group’s current liabilities exceeded its current assets by RMB790,113,000 and the Group had accumulated losses of RMB 20,297,000. In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 30 June 2016, taking into account the Group’s cash flow projection, including the Group’s unutilised banking facilities, ability to renew or refinance the banking facilities upon maturity and the Group’s future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the interim financial report has been prepared on a going concern basis.

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 13 to 14.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

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

## 3 SEGMENT REPORTING

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

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

### 3 SEGMENT REPORTING (continued)

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

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

	Mining – PRC		Mining – KR		Smelting		Copper Processing		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>For the six months ended 30 June</i>										
Revenue from external customers	56,930	1,559	-	-	2,433,354	2,245,463	465,905	498,431	2,956,189	2,745,453
Inter-segment revenue	220,987	267,902	-	-	183,129	252,759	-	-	404,116	520,661
Sales tax	(98)	(85)	-	-	(2,911)	(3,674)	(1,958)	(1,137)	(4,967)	(4,896)
<b>Reportable segment revenue</b>	<b>277,819</b>	<b>269,376</b>	<b>-</b>	<b>-</b>	<b>2,613,572</b>	<b>2,494,548</b>	<b>463,947</b>	<b>497,294</b>	<b>3,355,338</b>	<b>3,261,218</b>
<b>Reportable segment (loss)/profit</b>	<b>(12,553)</b>	<b>(17,413)</b>	<b>(5,429)</b>	<b>(24,812)</b>	<b>134,991</b>	<b>14,610</b>	<b>42,400</b>	<b>36,387</b>	<b>159,409</b>	<b>8,772</b>
Provision of impairment on:										
- trade and other receivables	(60)	-	-	-	(483)	-	(23,933)	(8,035)	(24,476)	(8,035)
- purchase deposits	-	-	-	-	(24,032)	(16,598)	-	-	(24,032)	(16,598)
- property, plant and equipment	-	(9,575)	-	-	-	-	-	-	-	(9,575)
- construction in progress	(4,021)	-	-	-	-	-	-	-	(4,021)	-
<i>As at 30 June/31 December</i>										
<b>Reportable segment assets</b>	<b>1,873,940</b>	<b>1,841,560</b>	<b>882,126</b>	<b>898,468</b>	<b>1,892,490</b>	<b>2,119,063</b>	<b>1,566,711</b>	<b>1,606,661</b>	<b>6,215,267</b>	<b>6,465,752</b>
<b>Reportable segment liabilities</b>	<b>873,640</b>	<b>802,190</b>	<b>1,246,577</b>	<b>1,237,485</b>	<b>1,648,581</b>	<b>1,867,690</b>	<b>1,196,856</b>	<b>1,264,076</b>	<b>4,965,654</b>	<b>5,171,441</b>



### 3 SEGMENT REPORTING (continued)

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

	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
<b>Revenue</b>		
Reportable segment revenue	3,355,338	3,261,218
Elimination of inter-segment revenue	(404,116)	(520,661)
Consolidated revenue	<u>2,951,222</u>	<u>2,740,557</u>
<b>Profit or loss</b>		
Reportable segment profit	159,409	8,772
Elimination of inter-segment profits	2,595	6,498
Reportable segment profit derived from the Group's external customers	162,004	15,270
Other net loss	(137,578)	(11,971)
Finance costs	(121,075)	(125,889)
Unallocated head office and corporate expenses	(24,656)	(26,089)
Consolidated loss before taxation	<u>(121,305)</u>	<u>(148,679)</u>

### 4 REVENUE

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

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

	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
Sales of:		
– gold	2,313,031	2,138,631
– other metals	639,093	590,543
– others	4,065	16,279
Less: Sales taxes and levies	(4,967)	(4,896)
	<u>2,951,222</u>	<u>2,740,557</u>

## 5 LOSS BEFORE TAXATION

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

	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
<b>(a) Finance costs:</b>		
Interest on bank loans	107,289	104,913
Interest on corporate debentures	12,741	18,171
Less: Interest expense capitalised into construction in progress*	(1,172)	–
	118,858	123,084
Other finance costs	2,217	2,805
Total finance costs	121,075	125,889
* The borrowing costs have been capitalised at a rate of 2.00%~4.95% per annum (2015: Nil).		
<b>(b) Other net loss:</b>		
Net realised and unrealised losses on financial instruments at fair value	126,577	3,609
Others	11,001	8,362
Total other net loss	137,578	11,971
<b>(c) Other items:</b>		
Amortisation of lease prepayments	2,884	2,784
Amortisation of intangible assets	4,675	2,785
Total depreciation	99,046	113,058
Less: Depreciation capitalised into construction in progress	(215)	(901)
	98,831	112,157
Provision of impairment on:		
– trade and other receivables	24,476	8,035
– purchase deposits	24,032	16,598
– property, plant and equipment	–	9,575
– construction in progress	4,021	–
Operating lease charges in respect of properties	1,529	1,787
Environmental rehabilitation fee	11,808	6,118
Research and development expenses (other than depreciation)	10,242	11,392
Government grants	(3,450)	(5,501)
Bank interest income	(7,772)	(3,230)

**6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS****Taxation in the consolidated statement of profit or loss represents:**

	<b>Six months ended 30 June 2016 RMB'000</b>	Six months ended 30 June 2015 RMB'000
Current tax – PRC income tax	<b>8,651</b>	7,329
Over-provision in respect of prior years	<b>(428)</b>	–
Deferred taxation	<b>(19,394)</b>	10,115
	<b>(11,171)</b>	17,444

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

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

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

- (b)** Hong Kong profits tax rate for 2016 is 16.5% (2015: 16.5%). No provision for Hong Kong profits tax is made for the six months ended 30 June 2016 as the subsidiary located in Hong Kong did not earn any income which is subject to Hong Kong profits tax.
- (c)** Kyrgyzstan corporate income tax rate in 2016 is 0% (2015: 0%).

## **7 LOSS PER SHARE**

### **(a) Basic loss per share**

The calculation of basic loss per share for the six months ended 30 June 2016 is based on the loss attributable to equity shareholders of the Company of RMB104,959,000 (six months ended 30 June 2015: loss of RMB153,494,000) and 770,249,091 ordinary shares in issue during the six months ended 30 June 2016 (six months ended 30 June 2015: 770,249,091 ordinary shares).

### **(b) Diluted loss per share**

The diluted loss per share for the six months ended 30 June 2016 and 2015 are the same as the basic loss per share as there are no dilutive potential ordinary shares during the periods.

## **8 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS**

### **(a) Acquisitions and disposals**

During the six months ended 30 June 2016, acquisitions of property, plant and equipment and additions of construction in progress of the Group amounted to RMB29,269,000 (six months ended 30 June 2015: RMB18,910,000) and RMB178,609,000 (six months ended 30 June 2015: RMB78,452,000), respectively. Items of property, plant and equipment with an aggregate net book value of RMB2,305,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB765,000), resulting in a loss on disposal of RMB1,163,000 (six months ended 30 June 2015: loss on disposal of RMB80,000).

### **(b) Impairment losses**

One construction project amounting to RMB4,021,000 under the mining – PRC reportable segment during the six months ended 30 June 2016 were suspended. The Group identified an impairment indicator and performed an impairment assessment of the related assets and determined that the recoverable amounts for the construction in progress is nil. As a result of the assessment, an impairment loss of RMB4,021,000 in respect of the related assets was recognised in “other net loss” during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB Nil).

## 9 INTANGIBLE ASSETS

### Acquisitions and disposals

During the six months ended 30 June 2016, additions of exploration and evaluation assets and mining rights made by the Group amounted to RMB5,689,000 and RMB6,226,000 (six months ended 30 June 2015: RMB6,814,000 and RMB Nil). Items of exploration and evaluation assets with an aggregate net book value of RMB5,445,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB Nil), resulting in a loss on disposal of RMB5,445,000 (six months ended 30 June 2015: RMB Nil).

## 10 INVENTORIES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Raw materials	973,128	1,121,917
Work in progress	86,755	74,501
Finished goods	223,812	219,448
Spare parts and materials	82,758	80,756
	<b>1,366,453</b>	<b>1,496,622</b>

The analysis of the amount of inventories recognised as an expense is as follows:

	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
Carrying amount of inventories sold	2,607,845	2,532,363
Write-down of inventories	8,623	40,040
	<b>2,616,468</b>	<b>2,572,403</b>

During the six months ended 30 June 2016, certain inventories of RMB8,623,000 (six months ended 30 June 2015: RMB40,040,000) were written down to estimated net realisable value.

## 11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

		At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
	<i>Note</i>		
Within 3 months		401,518	395,181
Over 3 months but within 6 months		69,475	207,906
Over 6 months but within 1 year		16,337	31,055
Over 1 year		12,884	19,718
Trade debtors and bills receivable, net of allowance for doubtful debts	(a)	500,214	653,860
Other receivables, net of allowance for doubtful debts		111,895	112,900
Receivables		612,109	766,760
Purchase deposits, net of allowance for non-delivery	(b)	325,101	296,509
Financial assets at fair value through profit or loss	17(i)	-	1,652
		<b>937,210</b>	<b>1,064,921</b>

- (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 90 days to 180 days from the date of billing.

### Transfers of financial assets

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

As at 30 June 2016, the Group endorsed certain bank acceptance bills with a carrying amount of RMB23,222,000 (31 December 2015: RMB46,243,000) to suppliers for settling trade payables of the same amount on a full recourse basis. In the opinion of the directors, the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled.

## 11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(a) (continued)

### Transfers of financial assets (continued)

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

As at 30 June 2016, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 30 June 2016, 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 RMB67,723,000 and RMB95,217,000 (31 December 2015: RMB69,527,000 and RMB65,316,000) respectively.

(b) Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in future periods. The directors of the Company consider that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.

## 12 CASH AND CASH EQUIVALENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Cash and cash equivalents in the condensed consolidated cash flow statement	660,286	1,117,524

### 13 BANK AND OTHER BORROWINGS

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

		At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
	<i>Note</i>		
<b>Current portion:</b>			
– Bank loans		2,825,784	3,771,699
– Loan from a leasing company	(a)	30,000	–
		2,855,784	3,771,699
<b>Non-current portion:</b>			
– Bank loans		1,515,913	658,796
– Loan from a leasing company	(a)	370,000	–
		1,885,913	658,796
		4,741,697	4,430,495

- (a) During the six months period ended 30 June 2016, Wason Copper-Foil, a subsidiary of the Group, entered into a sales and leaseback agreement with a leasing company for machinery and equipment (“Secured Assets”) amounting to RMB400,000,000 for a period of 7 years. Upon maturity, Wason Copper-Foil will be entitled to purchase the Secured Assets with no consideration. The Group considered that it was almost certain that Wason Copper-Foil would exercise this repurchase option. As substantial risk and rewards of the Secured Assets were retained by Wason Copper-Foil before and after these arrangements, the transaction was regarded as secured borrowings, rather than finance lease arrangement.

As at 30 June 2016, the loan from a leasing company of Wason Copper-Foil amounting to RMB400,000,000 was secured by machinery and equipment with the carrying amount of RMB429,179,000 and the ordinary shares of Wason Copper-Foil.



**13 BANK AND OTHER BORROWINGS (continued)**

At 30 June 2016, the bank and other borrowings were repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within one year or on demand	2,855,784	3,771,699
Over one year but within two years	600,683	419,159
Over two years but within five years	1,125,230	239,637
Over five years	160,000	–
	1,885,913	658,796
	4,741,697	4,430,495

At 30 June 2016, the bank and other borrowings were secured as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
– Secured	944,090	570,138
– Unsecured	3,797,607	3,860,357
	4,741,697	4,430,495

At 30 June 2016, bank loans of the Group amounting to RMB212,530,000 (31 December 2015: RMB245,458,000) were secured by a mining right of Istanbul Gold Mine with a carrying amount of RMB80,799,000 (31 December 2015: RMB81,993,000) and the ordinary shares of Full Gold Mining Limited Liability Company, a subsidiary of the Group in the KR.

At 30 June 2016, a bank loan of the Group amounting to RMB331,560,000 (31 December 2015: RMB324,680,000) was guaranteed by Lingbao State-owned Assets Operation Company Limited (“Lingbao State-owned Assets”).

At 30 June 2016, a loan from a leasing company of Wason Copper-Foil amounting to RMB400,000,000 was a secured loan, details of the loan are set out in note 13(a).

**14 DEBENTURES**

On 25 March 2011, the Company issued five-year Medium Term Notes of RMB400 million to corporate investors in the PRC inter-bank debenture market. The notes are unsecured and repayable on 25 March 2016, and bear a floating interest rate, which is based on the one-year deposit rate of the People's Bank of China plus a margin of 2.95% per annum.

On 17 June 2011, the Company issued five-year Medium Term Notes of RMB300 million to corporate investors in the PRC inter-bank debenture market. The notes are unsecured and repayable on 16 June 2016, and bear a floating interest rate, which is based on the one-year deposit rate of the People's Bank of China plus a margin of 2.85% per annum.

The Company has repaid all the Medium Term Notes during the six months ended 30 June 2016.

## 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:

		At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
	<i>Note</i>		
<b>Current</b>			
Within 3 months		359,640	381,304
Over 3 months but within 6 months		10,778	30,504
Over 6 months but within 1 year		13,587	4,627
Over 1 year but within 2 years		2,640	8,425
Over 2 years		2,726	5,614
Total trade creditors		389,371	430,474
Bills payable		30,000	40,000
Other payables and accruals		429,242	466,203
Total creditors and bills payable		848,613	936,677
Payable for mining rights		82,724	82,956
Dividend payable		1,260	1,260
Payable to non-controlling interests	(b)	41,877	41,008
Financial liabilities measured at amortised cost		974,474	1,061,901
Financial liabilities at fair value through profit or loss	17(i)	45,806	–
		<b>1,020,280</b>	1,061,901
<b>Non-current</b>			
Decommissioning costs		39,389	14,844
Deferred income	(a)	98,332	100,606
		<b>137,721</b>	115,450

## 15 TRADE AND OTHER PAYABLES (continued)

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

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

## 16 CAPITAL, RESERVES AND DIVIDENDS

### (a) Share capital

	At 30 June 2016		At 31 December 2015	
	Number of shares	RMB'000	Number of shares	RMB'000
Registered, issued and fully paid:				
Domestic shares of RMB0.20 each	472,975,091	94,595	472,975,091	94,595
H shares of RMB0.20 each	297,274,000	59,455	297,274,000	59,455
	<b>770,249,091</b>	<b>154,050</b>	770,249,091	154,050

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

### (b) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period:

	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period of RMB Nil per share (six months ended 30 June 2015: RMB Nil per share)	—	—

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB Nil).

## 16 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (c) Statutory reserve – specific reserve

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 2016, the Group transferred RMB15,474,000 (six months ended 30 June 2015: RMB15,593,000) from retained earnings to specific reserve provision for the safety production fund and transferred RMB15,474,000 (six months ended 30 June 2015: RMB15,593,000) from specific reserve to retained earnings for the utilisation.

As at 30 June 2016, the consolidated retained profits included an appropriation of RMB50,310,000 (31 December 2015: RMB50,310,000) to PRC statutory reserve made by the subsidiaries of the Group.

## 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 for the financial instruments. The team reports directly to the chief financial officer and the audit committee. 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 and the audit committee is held twice a year, to coincide with the reporting dates.

**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 30 June 2016 RMB'000	Fair value measurements as at 30 June 2016 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
Financial liabilities at fair value through profit or loss				
– Gold lease liabilities measured at fair value	28,150	28,150	–	–
– Derivative financial instruments:				
– Forward commodity contracts	17,656	–	17,656	–
	Fair value at 31 December 2015 RMB'000	Fair value measurements as at 31 December 2015 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
Financial assets at fair value through profit or loss				
– Derivative financial instruments:				
– Futures commodity contracts	1,652	1,652	–	–

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: 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 forward commodity contracts included in financial liabilities is determined by discounting the difference between the contractual exercise price and the market forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period.

**(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 2015 and 30 June 2016.

## 18 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted for	73,598	165,173
Authorised but not contracted for	184,580	287,954

## 19 RELATED PARTY TRANSACTIONS

Particulars of transactions with related parties during the period are as follows:

### (a) Transactions with state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Transactions with other state-controlled entities include but are not limited to the following:

- sales and purchase of goods and ancillary materials;
- rendering and receiving of utilities and other services;
- purchase of property, plant and equipment; and
- depositing and obtaining financial facilities.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the transactions potentially affected by related party relationships, the Group's pricing strategy, procurement policies and approval processes, and the information that would be necessary for an understanding of the potential effect of the related party relationship on the financial statements, the directors are of the opinion that the following related party transactions require disclosure of numeric details:

**19 RELATED PARTY TRANSACTIONS (continued)****(a) Transactions with state-controlled entities in the PRC (continued)****Transactions with state-controlled banks**

The Group deposits its cash with several state-controlled banks in the PRC. The Group also obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China. The Group's interest income generated from and interest expenses incurred to these state-controlled banks in the PRC are as follows:

	Six months ended 30 June 2016 RMB'000	Six months ended 30 June 2015 RMB'000
Interest income on bank deposits	7,677	3,177
Interest expenses on bank loans	106,242	105,377

The amounts of cash deposited at and loans from state-controlled banks in the PRC included in the following account captions are summarised as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Pledged deposits at state-controlled banks in the PRC	124,005	91,300
Cash and cash equivalents at state-controlled banks in the PRC	421,660	1,077,310
Short-term loans and current portion of long-term loans	2,780,196	3,726,111
Long-term loans excluding current portion of long-term loans	1,515,913	658,796
Total loans from state-controlled banks	4,296,109	4,384,907

**(b) 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 2016 RMB'000	Six months ended 30 June 2015 RMB'000
Short-term employee benefits	1,428	1,411
Post-employment benefits	96	89