

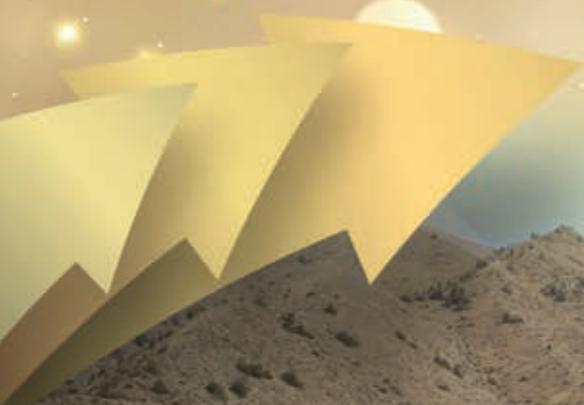


Lingbao Gold Company Ltd. 靈寶黃金股份有限公司

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

(Stock Code: 3330)

2015 Interim Report



CONTENTS

2	Corporate Information		Interim Financial Report
4	Management Discussion and Analysis	16	Consolidated Statement of Profit or Loss
11	Other Information	17	Consolidated Statement of Profit or Loss and Other Comprehensive Income
14	Review Report	18	Consolidated Statement of Financial Position
		20	Consolidated Statement of Changes in Equity
		21	Condensed Consolidated Cash Flow Statement
		22	Notes to the Unaudited Interim Financial Report



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. Xu Qiangsheng
Mr. Han Qinchun
Mr. Wang Jiheng

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. Xu Qiangsheng
Mr. Han Qinchun
Mr. Wang Jiheng

Nomination Committee

Mr. Xu Qiangsheng
(*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. Xu Qiangsheng
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
Shenzhen Development Bank
HSBC

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 : www.lbgold.com
Investors' Website : www.irasia.com/listco/hk/lingbao

Investor Relations Contact

Mr. Poon, Lawrence Chi Leung
(Hong Kong Office)
Room 1902, 19th Floor, MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong
Email: lingbaogold@vip.sina.com

Mr. Xing Jiangze
(PRC Office)
Hangu Road and
Jingshan Road Intersection
Lingbao
Henan
The People's Republic of China
(Postcode: 472500)
Tel: (86-398) 8862-218
Fax: (86-398) 8860-166
Email: lingbaogold@vip.sina.com

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business and Prospect

In the first half of 2015, Lingbao Gold Company Ltd. (“Lingbao Gold” or the “Company”) and its subsidiaries (together with the Company, the “Group”) produced approximately 9,328 kg (equivalent to approximately 299,902 ounces) of gold, representing an increase of approximately 367 kg (equivalent to approximately 11,799 ounces) or approximately 4.1% as compared with the corresponding period of the previous year. The Group’s revenue for the six months ended 30 June 2015 was approximately RMB2,740,557,000, representing a decrease of approximately 14.6% as compared with the corresponding period of the previous year. For the six months ended 30 June 2015, the loss attributable to the Company’s shareholders was approximately RMB153,494,000 (six months ended 30 June 2014: profit attributable to the Company’s shareholders RMB17,398,000). For the six months ended 30 June 2015, the basic loss per share of the Company was RMB0.20 (six months ended 30 June 2014: basic earnings per share RMB0.02). In the first half of 2015, the Group recorded loss as compared with profit in the corresponding period of the previous year. In the first half of 2015, gold attraction reduced was affected by the strong US dollar and bull market capital markets. Gold price ranging from approximately USD1,250 to USD1,180 per ounce in a downward trend, which lead to a lower gross profit margin of selling gold bullion and a write-down of inventory values of RMB40,040,000.

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 52 mining and exploration rights as at 30 June 2015 covering 1,959.55 square kilometers. The total gold reserves and resources as at 30 June 2015 were approximately 33.63 tonnes (1,081,230 ounces) and 148.18 tonnes (4,764,098 ounces) respectively.

1. Mining Segment

Revenue and production

Our mining business mainly comprises the sales of gold concentrates and compound gold. All gold concentrates and compound gold are 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			
		2015		2014	
		Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	871	920	931	995
Compound gold	kg	493	330	477	374
Total	kg	1,364	1,250	1,408	1,369
Total	ounce	43,853	40,188	45,268	44,014

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue from the mining segment for the first half of 2015 was approximately RMB269,376,000, representing an decrease of approximately 18.6% from approximately RMB330,976,000 for the same period in 2014. During the first half of 2015, turnover in Henan, Xinjiang and Inner Mongolia represented approximately 71.1%, 20.4% and 8.5% of the turnover from the mining segment respectively. The production of compound gold increased by approximately 16 kg to approximately 493 kg, while production of gold concentrates decreased by approximately 60 kg to approximately 871 kg.

Segment results

The Group's total loss of the mining segment for the first half of 2015 was approximately RMB42,225,000, compared with profit of approximately RMB18,913,000 for the same period in 2014. The segment result to segment revenue ratio of the Group's mining segment for the first half of 2015 was approximately (15.7)%, compared with approximately 5.7% in the corresponding period in 2014.

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			
		2015		2014	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold bullion	kg	9,328	8,819	8,961	9,000
	ounce	299,902	283,537	288,103	289,357
Silver	kg	16,728	16,101	20,816	22,013
	ounce	537,818	517,659	669,250	707,734
Copper products	tonne	8,119	7,900	8,430	8,509
Sulphuric acid	tonne	93,710	93,894	102,156	106,922

MANAGEMENT DISCUSSION AND ANALYSIS

Sales and production

The Group's total revenue in the smelting segment for the first half of 2015 was approximately RMB2,494,548,000, representing a decrease of approximately 9.1% from approximately RMB2,743,661,000 for the same period of 2014. Such decrease during the reporting period was mainly attributable to the decrease in sales volume and average selling price of gold bullion of approximately 2.0% and 5.1% over the same period of last year.

The Group's smelting plants processed approximately 1,077 tonnes of gold concentrates per day, with an utilisation rate of approximately 90.0%. During the first half of 2015, the Group continued to maintain the recovery rates of gold, silver and copper at a high level of approximately 96.30%, 71.82% and 96.32% respectively.

Segment results

The Group's total profit in smelting segment for the first half of 2015 was approximately RMB14,610,000, compared with profit of approximately RMB127,516,000 for the same period in 2014. The segment results to segment revenue ratio of the Group's smelting business for the first half of 2015 was approximately 0.6%, compared with the same period in 2014 of approximately 4.6%.

Consolidated Operating Results

Revenue

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

Product name	Amount (RMB'000)	For the six months ended 30 June		Amount (RMB'000)	2014	
		2015 Sales volume (kg/tonne/m ²)	Unit price (RMB per kg/tonne/m ²)		Sales volume	Unit price (RMB per kg/tonne/m ²)
Gold bullion	2,138,631	8,819 kg	242,503	2,310,389	9,000 kg	256,710
Silver	48,504	16,003 kg	3,031	77,501	22,013 kg	3,521
Electrolytic coppers	42,049	1,150 tonnes	36,564	350,092	8,409 tonnes	41,633
Copper foils	493,239	8,203 tonnes	60,129	467,746	7,400 tonnes	63,209
Flexible copper clad laminate	5,192	46,980 m ²	111	-	-	-
Sulphuric acid	16,279	93,894 tonnes	173	7,056	106,922 tonnes	66
Gold concentrates	1,559	9 kg	173,222	-	-	-
Revenue before tax	2,745,453			3,212,784		
Less: Sales taxes and levies	(4,896)			(4,320)		
	2,740,557			3,208,464		

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue for the first half of 2015 was approximately RMB2,740,557,000, representing a decrease of approximately by 14.6% as compared with the corresponding period of the previous year. Such decrease was mainly attributable to the decrease in the average selling price of gold bullion and the decrease in the sales volume to third parties of electrolytic coppers, which resulted in the decrease in sales amount of gold bullion and electrolytic coppers as compared to the corresponding period of the previous year.

In the first half of 2015, the Group's copper foil production volume amounted to approximately 8,372 tonnes, increasing by 1,075 tonnes or 14.7% as compared with the corresponding period of the previous year. Copper foil sales volume was approximately 8,203 tonnes, increasing by 803 tonnes or 10.9% as compared with the corresponding period of the previous year.

Outlook

In the second half of 2015, the Group will be faced with a challenging complicated economic situation and the price of gold continue to volatile and will trend lower over time. The Group will adhere to its production and operations policy to complete its operating indicators, while continue to focus on "Risk Prevention, Profit Retention, and Development Promotion". By enhancing mining techniques and research, the Group will strive to improve mining grades, thereby constantly expanding production scales and rationally planning of exploration projects. In addition to expediting the three major expansion and upgrade projects, namely, Habahe Huatai Gold Limited Liability Company ("Huatai"), Tongbai Xingyuan Mining Company Limited ("Xingyuan") and Full Gold Mining Limited Liability Company ("Full Gold"), the Group will focus on advancing the construction of Huatai No. 5 Shaft, Xingyuan No. 3 Shaft, and Qiangmayu Shaft to ensure the on-time completion, which will in return safeguard processing plant for mining purposes. The technical upgrading project of the processing plant of Full Gold with a production capacity of 1,500 tonnes should be extensively advanced according to the given target and completed against the schedule. The Group will continue to complete the technology upgrading project of the processing plant, optimize the technological indicators of production, reduce the loss of tailings, and enhance the economic efficiency. For smelting, the Group will promote the technology upgrading of hydrometallurgy. In addition, the Group will closely keep abreast of the advanced technologies and information, both domestic and international, exchange idea more frequently with domestic peers in the smelting sector, raise the awareness and recognition degree of sophisticated and sensitive technologies, including the discharge and treatment technology for wastewater, exhaust gases and waste residues, strive to improve the smelting industrial system, promote the hydrometallurgy industry to fulfill the new environmental protection requirements, and cement the base for the survival and development of the industry. Meanwhile, the Group will ensure the production safety, the fulfillment of environmental protection requirements, zero safety accidents and zero environmental protection hazards, and try to ensure zero death toll, zero environmental protection-related hazards and the safety in passing flood seasons. The management of the Group will also double their efforts to collect trade receivables, tighten cost control, improve efficiency and maintain healthy cashflow.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Liquidity and Financial Resources

The Group generally finances its operations with internally generated funds, medium-term notes and bank loans. The cash and bank balances as at 30 June 2015 amounted to RMB466,864,000.

The total equity attributable to shareholders of the Company as at 30 June 2015 amounted to RMB1,543,012,000 (31 December 2014: RMB1,696,307,000). As at 30 June 2015, the Group had current assets of RMB3,214,791,000 (31 December 2014: RMB3,384,708,000) and current liabilities of RMB4,578,561,000 (31 December 2014: RMB3,268,473,000). The current ratio was 0.70 (31 December 2014: 1.04).

As at 30 June 2015, the Group had total outstanding bank loans of approximately RMB3,622,749,000 with interest rates ranged from 1.90% to 6.30% per annum, of which approximately RMB2,900,309,000 was repayable within one year, approximately RMB517,329,000 was repayable after one year but not exceeding two years and approximately RMB205,111,000 was repayable after two years but not exceeding five years.

On 25 March 2011, the Company issued five-year Medium Term Notes of RMB400 million in the PRC. The notes are unsecured and will be redeemed 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 in the PRC. The notes are unsecured and will be redeemed 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 gearing ratio as at 30 June 2015 was 62.5% (31 December 2014: 58.7%) which was calculated as total borrowings divided by total assets value.

Security

As at 30 June 2015, the mining right of Istanbul Gold Mine with carrying value amounting to RMB96,640,000 (31 December 2014: RMB98,661,000) and the ordinary shares of Full Gold were pledged for the loans of RMB246,378,000 (31 December 2014: RMB261,893,000) from the National Development Bank.

As at 30 June 2015, the Group pledged the deposit of RMB42,400,000 (31 December 2014: RMB69,800,000) as the security of the bank loans of RMB95,750,000 (31 December 2014: RMB171,328,000).

MANAGEMENT DISCUSSION AND ANALYSIS

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. The considerable fluctuation of gold price would lead to the Group's instability in operating results, especially in the event of a significant drop in gold price which would have a larger adverse impact to 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 People's Bank of China regulations, which may cast financial impact to 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 exposes are mainly from certain bank deposits, bank loans and trade receivables relating to copper sales, which are denominated in HK dollars and US dollars. Fluctuations in exchange rates may cast financial impact to the Group.

Contractual obligations

As at 30 June 2015, the total contracted capital commitments was approximately RMB86,883,000, representing an increase of approximately RMB8,893,000 from approximately RMB77,990,000 as at 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital expenditures

Capital expenditures during the period was approximately RMB104,176,000, including those in relation to the acquisition of property, plant and equipment and construction in progress of approximately RMB97,362,000, and acquisition of intangible assets of approximately RMB6,814,000.

Contingent liabilities

As at 30 June 2015, the Group had no material contingent liabilities.

Human resources

For the six months ended 30 June 2015, the average number of employees of the Group was 6,403. The Company highly treasures its human resources and offers competitive remuneration to employees and provides employees with training programs.

Share Capital

As at 30 June 2015, 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 2015.

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 2015 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 2015, 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	57,000,000	Beneficial owner	12.05%	7.40%
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 approximately 49.41% 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. Ji Wanxin and Mr. Xing Jiangze were appointed as executive directors of the Company; Mr. Wang Jiheng was appointed as an independent non-executive director of the Company.

Mr. He Chengqun retired as an executive director of the Company; Ms. Du Liping retired 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, were 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, comprising four independent non-executive directors and one non-executive director, namely, Mr. Yang Dongsheng, Mr. Xu Qiangsheng, Mr. Han Qinchun, Mr. Wang Jiheng and Mr. Shi Yuchen has reviewed the accounting principles and practices adopted by the Group and have discussed and reviewed the internal control and financial reporting matters, including the unaudited interim financial report for the six months ended 30 June 2015, with the management and external auditors of the Company. The Audit Committee is of the opinion that such report complies with applicable accounting standards, the Listing Rules and the legal requirements and that adequate disclosures have been made.

By order of the Board

Jin Guangcai

Chairman

Lingbao City, Henan Province, The PRC
26 August 2015

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 16 to 40 which comprises the consolidated statement of financial position of Lingbao Gold Company Ltd. as at 30 June 2015 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 2015 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 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015 – unaudited

	Note	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Revenue	4	2,740,557	3,208,464
Cost of sales		(2,572,403)	(2,904,452)
Gross profit		168,154	304,012
Other revenue	5	11,840	16,124
Other net loss	5	(11,971)	(17,276)
Selling and distribution expenses		(14,484)	(15,082)
Administrative expenses and other operating expenses		(176,329)	(146,988)
(Loss)/profit from operations		(22,790)	140,790
Finance costs	5(a)	(125,889)	(115,801)
(Loss)/profit before taxation	5	(148,679)	24,989
Income tax	6	(17,444)	(16,273)
(Loss)/profit for the period		(166,123)	8,716
Attributable to:			
Equity shareholders of the Company		(153,494)	17,398
Non-controlling interests		(12,629)	(8,682)
(Loss)/profit for the period		(166,123)	8,716
Basic and diluted (loss)/earnings per share (cents)	7	(20)	2

The notes on pages 22 to 40 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 – unaudited

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
(Loss)/profit for the period	(166,123)	8,716
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	246	(1,300)
Total comprehensive income for the period	(165,877)	7,416
Attributable to:		
Equity shareholders of the Company	(153,295)	16,358
Non-controlling interests	(12,582)	(8,942)
Total comprehensive income for the period	(165,877)	7,416

The notes on pages 22 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 – unaudited

		At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	8	2,024,224	2,061,962
Construction in progress	8	456,292	450,317
Intangible assets	9	734,543	730,644
Goodwill		7,302	7,302
Lease prepayments		171,998	174,229
Other financial assets		19,714	19,714
Non-current prepayments		14,821	20,703
Deferred tax assets		279,953	290,044
		3,708,847	3,754,915
Current assets			
Inventories	10	1,329,005	1,641,201
Trade and other receivables, deposits and prepayments	11	1,402,478	1,196,112
Current tax recoverable		8,905	6,798
Assets classified as held for sale		7,539	9,339
Pledged deposits		136,497	158,946
Cash and cash equivalents	12	330,367	372,312
		3,214,791	3,384,708
Current liabilities			
Bank loans	13	2,900,309	2,108,826
Debenture payable	14	700,000	–
Other loan		1,784	1,784
Trade and other payables	15	950,072	1,128,430
Loan from ultimate holding company		23,800	23,800
Current tax payable		2,596	5,633
		4,578,561	3,268,473
Net current (liabilities)/assets		(1,363,770)	116,235
Total assets less current liabilities		2,345,077	3,871,150

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 – unaudited

		At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current liabilities			
Bank loans	13	722,440	1,380,309
Debenture payable	14	–	700,000
Other payables	15	92,889	95,240
Deferred tax liabilities		2,110	2,086
		817,439	2,177,635
NET ASSETS		1,527,638	1,693,515
CAPITAL AND RESERVES	16		
Share capital		154,050	154,050
Reserves		1,388,962	1,542,257
Total equity attributable to equity shareholders of the Company		1,543,012	1,696,307
Non-controlling interests		(15,374)	(2,792)
TOTAL EQUITY		1,527,638	1,693,515

Approved and authorised for issue by the board of directors on 26 August 2015.

Jin Guangcai
Executive director and chairman

Qiang Shanfeng
Executive director

The notes on pages 22 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 – unaudited

	Attributable to equity shareholders of the Company						Non-controlling interests		Total
	Share capital	Share premium	Statutory reserve	Exchange reserve	Other reserve	Retained profits	Total	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2014	154,050	827,931	160,878	8,356	(858)	513,137	1,663,494	12,709	1,676,203
Changes in equity for the six months ended 30 June 2014:									
Total comprehensive income for the period	-	-	-	(1,040)	-	17,398	16,358	(8,942)	7,416
Appropriation of safety production funds (note 16(c))	-	-	19,784	-	-	(19,784)	-	-	-
Utilisation of safety production funds (note 16(c))	-	-	(14,338)	-	-	14,338	-	-	-
Balance at 30 June 2014 and 1 July 2014	154,050	827,931	166,324	7,316	(858)	525,089	1,679,852	3,767	1,683,619
Changes in equity for the six months ended 31 December 2014:									
Total comprehensive income for the period	-	-	-	435	-	16,020	16,455	(7,658)	8,797
Disposal of a subsidiary	-	-	-	(269)	-	269	-	1,099	1,099
Appropriation of safety production funds (note 16(c))	-	-	13,311	-	-	(13,311)	-	-	-
Utilisation of safety production funds (note 16(c))	-	-	(18,757)	-	-	18,757	-	-	-
Balance at 31 December 2014	154,050	827,931	160,878	7,482	(858)	546,824	1,696,307	(2,792)	1,693,515
Balance at 1 January 2015	154,050	827,931	160,878	7,482	(858)	546,824	1,696,307	(2,792)	1,693,515
Changes in equity for the six months ended 30 June 2015:									
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	-	-	-
Balance at 30 June 2015	154,050	827,931	160,878	7,681	(858)	393,330	1,543,012	(15,374)	1,527,638

The notes on pages 22 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015 – unaudited

	Note	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Operating activities			
Cash generated from operations		34,376	65,597
PRC income tax paid		(12,473)	(3,325)
Net cash generated from operating activities		21,903	62,272
Investing activities			
Payment for construction in progress		(68,743)	(169,944)
Other cash flows arising from investing activities		(12,159)	(57,978)
Net cash used in investing activities		(80,902)	(227,922)
Financing activities			
Proceeds from interest-bearing borrowings		1,688,940	1,355,969
Repayment of interest-bearing borrowings		(1,554,945)	(902,125)
Other cash flows arising from financing activities		(116,840)	(106,305)
Net cash generated from financing activities		17,155	347,539
Net (decrease)/increase in cash and cash equivalents		(41,844)	181,889
Cash and cash equivalents at 1 January	12	372,312	367,202
Effect of foreign exchange rates changes		(101)	449
Cash and cash equivalents at 30 June	12	330,367	549,540

The notes on pages 22 to 40 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 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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 2014 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 2015, the Group’s current liabilities exceeded its current assets by RMB1,363,770,000. 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 2015, 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 financial statements have 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 14 to 15.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

2 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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 presented the following 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. |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

3 Segment reporting (continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, deferred tax assets and current assets with the exception of investments in financial assets and other corporate assets managed by head office. Segment liabilities include trade creditors and accruals attributable to the activities of the individual segments, deferred tax liabilities and bank and other borrowings managed directly by the segments with the exception of bank and other borrowings managed by head office.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of goods, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

3 Segment reporting (continued)

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

	Mining – PRC		Mining – KR		Smelting		Copper Processing		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000						
<i>For the six months ended 30 June</i>										
Revenue from external customers	1,559	2,288	-	-	2,245,463	2,742,750	498,431	467,746	2,745,453	3,212,784
Inter-segment revenue	267,902	318,506	-	10,296	252,759	4,239	-	-	520,661	333,041
Sales tax	(85)	(114)	-	-	(3,674)	(3,328)	(1,137)	(878)	(4,896)	(4,320)
Reportable segment revenue	269,376	320,680	-	10,296	2,494,548	2,743,661	497,294	466,868	3,261,218	3,541,505
Reportable segment (loss)/profit	(17,413)	49,378	(24,812)	(30,465)	14,610	127,516	36,387	38,771	8,772	185,200
(Provision)/reversal of impairment on:										
- trade and other receivables	-	-	-	-	-	-	(8,035)	488	(8,035)	488
- purchase deposits	-	-	-	-	(16,598)	8,127	-	-	(16,598)	8,127
- assets classified as held for sale	-	(6,044)	-	-	-	-	-	-	-	(6,044)
- property, plant and equipment	(9,575)	-	-	-	-	-	-	-	(9,575)	-
<i>As at 30 June/31 December</i>										
Reportable segment assets	2,042,511	2,036,427	833,663	862,908	2,121,813	2,346,445	1,646,814	1,610,588	6,644,801	6,856,368
Reportable segment liabilities	901,011	854,069	1,060,514	1,052,354	1,756,805	1,947,228	1,319,674	1,306,632	5,038,004	5,160,283

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

3 Segment reporting (continued)

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Reportable segment profit	8,772	185,200
Elimination of inter-segment profits	6,498	365
Reportable segment profit derived from the Group's external customers	15,270	185,565
Other net loss	(11,971)	(17,276)
Finance costs	(125,889)	(115,801)
Unallocated head office and corporate expenses	(26,089)	(27,499)
Consolidated (loss)/profit before taxation	(148,679)	24,989

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 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Sales of:		
– gold	2,138,631	2,310,389
– other metals	590,543	895,339
– others	16,279	7,056
Less: Sales taxes and levies	(4,896)	(4,320)
	2,740,557	3,208,464

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

5 (Loss)/profit before taxation

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

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
(a) Finance costs:		
Interest expense on bank loans	104,913	98,694
Interest expense on corporate debentures	18,171	18,171
Less: Interest expense capitalised into construction in progress	–	(1,301)
	123,084	115,564
Other borrowing costs	2,805	237
	125,889	115,801
	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
(b) Other items:		
Amortisation of lease prepayments	2,784	2,776
Amortisation of intangible assets	2,785	927
Total depreciation	113,058	107,600
Less: Depreciation capitalised into construction in progress	(901)	(478)
	112,157	107,122
Write-down of inventories and losses net of reversals (<i>note 10</i>)	40,040	1,573
Operating lease charges in respect of properties	1,787	1,686
Environmental rehabilitation fee	6,118	6,656
Research and development costs (other than depreciation)	11,392	10,703
Net realised and unrealised loss on financial instruments at fair value	(3,609)	(12,298)
Impairment losses on assets classified as held for sale	–	(6,044)
Impairment losses on property, plant and equipment (<i>note 8(b)</i>)	(9,575)	–
Government grants	5,501	8,386
Bank interest income	3,230	2,509

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

6 Income tax in the consolidated statement of profit or loss

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Current tax – PRC income tax	7,329	6,283
Deferred taxation	10,115	9,990
	17,444	16,273

- (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 and 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 therefore was entitled to the preferential tax rate of 15% for another three years from 2012 to 2014. Wason Copper-Foil is currently applying for an extension of such preferential income tax treatment for another three years from 2015 to 2017. The directors of the Company believe that Wason Copper-Foil will continue to enjoy such preferential tax rate of 15% pursuant to the current applicable PRC tax laws and regulations.

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 2015 is 16.5% (2014: 16.5%). No provision for Hong Kong profits tax is made for the six months ended 30 June 2015 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 2015 is 0% (2014: 0%).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

7 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2015 is based on the loss attributable to equity shareholders of the Company of RMB153,494,000 (six months ended 30 June 2014: profit of RMB17,398,000) and 770,249,091 ordinary shares in issue during the six months ended 30 June 2015 (six months ended 30 June 2014: 770,249,091 ordinary shares).

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share for the six months ended 30 June 2015 and 2014 are the same as the basic (loss)/earnings 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 2015, acquisitions of property, plant and equipment and additions of construction in progress of the Group amounted to RMB18,910,000 (six months ended 30 June 2014: RMB9,973,000) and RMB78,452,000 (six months ended 30 June 2014: RMB138,232,000), respectively. Items of property, plant and equipment with an aggregate net book value of RMB765,000 were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB487,000), resulting in a loss on disposal of RMB80,000 (six months ended 30 June 2014: loss on disposal of RMB15,000).

(b) Impairment losses

As the market price of gold, the major product of the Group, has been in general decreasing during six months period ended 30 June 2015, there was an impairment indicator for property, plant and equipment of the gold mining subsidiaries of the Group as at 30 June 2015. The recoverable amount of the property, plant and equipment is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using several key assumptions, including the expected gross margin, weighted average growth rates, useful life of the assets and pre-tax discount rate. The forecasted gross margin is based on past business performance and market participants' expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax of 12% to 15% and reflects specific risks relating to the mining segment. Based on this impairment assessment, the Group concluded that an impairment loss of RMB9,575,000 for certain property, plant and equipment owned by a subsidiary of the Group was recognised in "Other net loss" for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

9 Intangible assets

(a) Acquisitions and disposals

During the six months ended 30 June 2015, additions of exploration and evaluation assets made by the Group amounted to RMB6,814,000 (six months ended 30 June 2014: RMB5,887,000).

(b) Impairment losses

No impairment loss of intangible assets was made during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB Nil).

10 Inventories

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Raw materials	780,773	1,212,610
Work in progress	72,141	69,932
Finished goods	395,771	274,664
Spare parts and materials	80,320	83,995
	1,329,005	1,641,201

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

	Six months ended 30 June 2015 RMB'000	Six months ended 30 June 2014 RMB'000
Carrying amount of inventories sold	2,532,363	2,902,879
Write-down of inventories	40,040	1,573
	2,572,403	2,904,452

During six months ended 30 June 2015, certain inventories of RMB40,040,000 (six months ended 30 June 2014: RMB1,573,000) were written down to estimated net realisable value.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	330,234	456,413
Over 3 months but within 6 months	274,815	149,531
Over 6 months but within 1 year	41,109	31,691
Over 1 year	561	4,316
Trade debtors and bills receivable, net of allowance for doubtful debts (<i>note (a)</i>)	646,719	641,951
Other receivables, net of allowance for doubtful debts	303,703	270,458
Purchase deposits, net of allowance for non-delivery (<i>note (b)</i>)	451,898	266,141
Deposits for derivative financial instruments (<i>note (c)</i>)	–	17,562
Derivative financial assets (<i>note 17</i>)	158	–
	1,402,478	1,196,112

- (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 2015, the Group endorsed certain bank acceptance bills with a carrying amount of RMB40,767,000 (31 December 2014: RMB53,297,000) 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 2015, 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 2015, 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 RMB143,281,000 and RMB50,301,000 (31 December 2014: RMB74,824,000 and RMB126,989,000) 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.
- (c) The Group placed deposits with independent futures trading agents for futures commodity contracts entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in gold commodities.

12 Cash and cash equivalents

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Cash and cash equivalents in the condensed consolidated cash flow statement	330,367	372,312

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

13 Bank loans

The analysis of the carrying amount of bank loans is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Current portion:		
Bank loans		
– secured	146,187	250,443
– unsecured	2,754,122	1,858,383
	2,900,309	2,108,826
Non-current portion:		
Bank loans		
– secured	195,941	231,298
– unsecured	526,499	1,149,011
	722,440	1,380,309

At 30 June 2015, bank loans of the Group amounting to RMB246,378,000 (31 December 2014: RMB261,893,000) were secured by the mining right of Istanbul Gold Mine with a carrying amount of RMB96,640,000 (31 December 2014: RMB98,661,000) and the ordinary shares of Full Gold Mining Limited Liability Company (the “Full Gold”), a subsidiary of the Group in the KR.

At 30 June 2015, a bank loan of the Group amounting to RMB95,750,000 (31 December 2014: RMB171,328,000) was secured by a guarantee deposit of RMB42,400,000 (31 December 2014: RMB69,800,000).

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 2015 RMB'000	At 31 December 2014 RMB'000
Current		
Within 3 months	290,569	466,343
Over 3 months but within 6 months	75,713	40,265
Over 6 months but within 1 year	7,668	5,741
Over 1 year but within 2 years	1,261	7,990
Over 2 years	6,557	6,878
Total trade creditors and bills payable	381,768	527,217
Other payables and accruals	363,317	390,418
Payable for mining rights	78,101	81,383
Deferred income (note (a))	87,019	87,646
Dividend payable (note 16(b))	1,260	1,260
Payable to non-controlling interests (note (b))	38,607	35,429
Derivative financial liabilities (note 17)	-	5,077
	950,072	1,128,430
Non-current		
Decommissioning costs (note 18(b))	13,976	13,988
Deferred income (note (a))	78,913	81,252
	92,889	95,240

(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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

16 Capital, reserves and dividends

(a) Share capital

	At 30 June 2015		At 31 December 2014	
	Number of shares	RMB'000	Number of shares	RMB'000
<i>Registered, issued and fully paid:</i>				
Domestic state-owned 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
	770,249,091	154,050	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 2015	Six months ended 30 June 2014
	RMB'000	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 2014: RMB Nil per share)	–	–

The unpaid dividends of RMB1,260,000 in respect of the year ended 31 December 2012 were recorded as a liability as at 30 June 2015 (31 December 2014: RMB1,260,000).

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 2015, the Group transferred RMB15,593,000 (six months ended 30 June 2014: RMB19,784,000) from retained earnings to specific reserve provision for the safety production fund and transferred RMB15,593,000 (six months ended 30 June 2014: RMB14,338,000) 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

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

17 Fair value measurement of financial instruments (continued)

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

	Fair value measurements as at 30 June 2015 categorised into			
	Fair value at 30 June 2015	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments:				
– Forward exchange contracts	158	–	158	–

	Fair value measurements as at 31 December 2014 categorised into			
	Fair value at 31 December 2014	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts	135	–	135	–
– Forward commodity contracts	4,092	–	4,092	–
– Futures commodity contracts	850	850	–	–

During the six months ended 30 June 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: 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.

(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 2014 and 30 June 2015.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

18 Capital commitments and contingencies

(a) Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Contracted for	86,883	77,990
Authorised but not contracted for	214,149	253,581

(b) Environmental contingencies

To date, the Company and the Group's subsidiaries in the PRC have not incurred any significant expenditures for environment remediation and is currently not involved in any environmental remediation. In addition, the Company and the Group's subsidiaries in the PRC have not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants whether they are operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material. The Group paid normal routine pollutant discharge fees of RMB446,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB576,000) and environmental rehabilitation expenses of RMB6,118,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB6,656,000).

In accordance with the laws and regulations of the KR, the Group's subsidiary in the KR has present obligation with regards to dismantling of mine site facilities and equipment and site rehabilitation. Provision for decommissioning costs of RMB13,976,000 was made as at 30 June 2015 (31 December 2014: RMB13,988,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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:

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 2015	Six months ended 30 June 2014
	RMB’000	RMB’000
Interest income on bank deposits	3,177	2,278
Interest expenses on bank loans	105,377	95,974

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

19 Related party transactions (continued)

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

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	At
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Pledged deposits at state-controlled banks in the PRC	136,497	158,929
Cash and cash equivalents at state-controlled banks in the PRC	326,506	365,764
Short-term loans and current portion of long-term loans	2,820,309	2,028,826
Long-term loans excluding current portion of long-term loans	722,440	1,380,309
Total loans from state-controlled banks	3,542,749	3,409,135

(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	Six months ended
	30 June 2015	30 June 2014
	RMB'000	RMB'000
Short-term employee benefits	1,411	1,214
Post-employment benefits	89	69