



Lingbao Gold Group Company Ltd. 靈寶黃金集團股份有限公司

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

(Stock Code: 3330)

INTERIM REPORT 2017



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Jianzhen (*Chairman*)
Mr. Wang Leo
Ms. Zhou Xing
Mr. Zhao Kun
Mr. Xing Jiangze

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. Chen Jianzheng
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. 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

SHARE REGISTRAR AND TRANSFER OFFICE FOR H SHARES

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

REGISTERED OFFICE OF THE COMPANY

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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

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MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS AND PROSPECT

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

The Group’s mineral resources are mainly scattered in the regions of Henan, Xinjiang, Inner Mongolia, Jiangxi and Gansu of the People’s Republic of China (the “PRC”) and Kyrgyz Republic (“KR”) with 51 mining and exploration rights as at 30 June 2017, covering 1,837.33 square kilometers. The total gold reserves and resources as at 30 June 2017 were approximately 48.56 tonnes (1,561,238 ounces) and 136.84 tonnes (4,399,502 ounces) respectively.

1. Mining Segment

Revenue and production

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

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

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

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

Segment results

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

2. Smelting Segment

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

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

Sales and production

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

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

Segment results

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

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

CONSOLIDATED OPERATING RESULTS

Revenue

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

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

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

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

OUTLOOK

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

FINANCIAL REVIEW

Liquidity and Financial Resources

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

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

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

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

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

Security

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

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

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

Market Risks

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

Gold price and other commodities price risk

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

Interest rate risk

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

Exchange rate risk

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

Contractual obligations

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

Capital expenditure

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

Contingent liabilities

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

Human resources

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



OTHER INFORMATION

SHARE CAPITAL

As at 30 June 2017, 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 2017.

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 2017 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").

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2017, as far as the Directors are aware of, the following persons, other than the Directors, Supervisors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Number of domestic shares	Nature of interest	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total issued share capital
D&R Asset Management Group Company Limited	185,339,000	Beneficial owner	39.19%	24.06%
Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司)	73,540,620	Beneficial owner	15.55%	9.55%
Shanghai Zhengxi Investment Management Partnership (Limited Partnership)	57,000,000	Beneficial owner	12.05%	7.40%

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any other persons who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

CHANGE IN INFORMATION OF DIRECTORS

During the reporting period, Mr. Jin Guangcai, Mr. Qiang Shanfeng and Mr. Ji Wanxin were retired as an executive directors of the Company. Mr. Chen Jianzheng and Mr. Zhao Kun were appointed as executive directors of the Company.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

The Company has complied with all the requirements under the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

By order of the Board

Chen Jianzhen

Chairman

Lingbao City, Henan Province, The PRC

28 August 2017

REVIEW REPORT



Review report to the board of directors of Lingbao Gold Group Company Ltd.

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 15 to 40 which comprises the consolidated statement of financial position of Lingbao Gold Group Company Ltd. (the "Company") as of 30 June 2017 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.

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 2017 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

28 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017 – unaudited

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

The notes on pages 21 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017 – unaudited

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

The notes on pages 21 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 – unaudited

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	8	2,189,704	2,299,516
Construction in progress	8	326,470	309,125
Intangible assets	9	719,583	711,358
Goodwill		7,302	7,302
Lease prepayments		160,398	163,366
Interest in associates		21,531	8,600
Other financial assets		40,504	40,504
Non-current prepayments		176,599	168,988
Deferred tax assets		185,706	185,406
Other non-current assets		27,328	22,121
		3,855,125	3,916,286
Current assets			
Inventories	10	1,200,661	1,149,214
Trade and other receivables, deposits and prepayments	11	1,218,080	1,085,212
Assets classified as held for sale		5,423	5,423
Current tax recoverable		11,945	10,805
Pledged deposits		292,573	158,274
Cash and cash equivalents	12	693,574	1,164,569
		3,422,256	3,573,497
Current liabilities			
Bank and other borrowings	13	3,381,129	3,255,771
Trade and other payables	14	1,055,021	1,171,875
Loan from shareholders		13,800	23,800
Current tax payable		752	11,087
		4,450,702	4,462,533
Net current liabilities		(1,028,446)	(889,036)
Total assets less current liabilities		2,826,679	3,027,250

The notes on pages 21 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017 – unaudited

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current liabilities			
Bank and other borrowings	13	1,593,969	1,817,738
Other payables	14	155,078	152,636
Deferred tax liabilities		3,912	5,272
		1,752,959	1,975,646
NET ASSETS			
		1,073,720	1,051,604
CAPITAL AND RESERVES			
	15		
Share capital		154,050	154,050
Reserves		1,000,978	965,094
Total equity attributable to equity shareholders of the Company		1,155,028	1,119,144
Non-controlling interests		(81,308)	(67,540)
TOTAL EQUITY		1,073,720	1,051,604

Approved and authorised for issue by the board of directors on 28 August 2017.

Chen Jianzheng
Executive director and chairman

Xing Jiangze
Executive director

The notes on pages 21 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 – unaudited

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	PRC Statutory reserves RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	154,050	827,931	160,878	(7,215)	(858)	84,662	1,219,448	(46,968)	1,172,480
Changes in equity for the six months ended 30 June 2016:									
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 15(c))	-	-	15,474	-	-	(15,474)	-	-	-
Utilisation of safety production funds (note 15(c))	-	-	(15,474)	-	-	15,474	-	-	-
Balance at 30 June 2016 and 1 July 2016	154,050	827,931	160,878	(13,895)	(858)	(20,297)	1,107,809	(53,806)	1,054,003
Changes in equity for the six months: ended 31 December 2016:									
Profit for the period	-	-	-	-	-	27,503	27,503	(9,741)	17,762
Other comprehensive income	-	-	-	(16,168)	-	-	(16,168)	(3,993)	(20,161)
Total comprehensive income for the period	-	-	-	(16,168)	-	27,503	11,335	(13,734)	(2,399)
Appropriation of safety production fund	-	-	15,669	-	-	(15,669)	-	-	-
Utilisation of safety production fund	-	-	(15,669)	-	-	15,669	-	-	-
Balance at 31 December 2016	154,050	827,931	160,878	(30,063)	(858)	7,206	1,119,144	(67,540)	1,051,604
Balance at 1 January 2017	154,050	827,931	160,878	(30,063)	(858)	7,206	1,119,144	(67,540)	1,051,604
Changes in equity for the six months: ended 30 June 2017:									
Profit for the period	-	-	-	-	-	26,450	26,450	(16,145)	10,305
Other comprehensive income	-	-	-	9,434	-	-	9,434	2,377	11,811
Total comprehensive income for the period	-	-	-	9,434	-	26,450	35,884	(13,768)	22,116
Appropriation of safety production funds (note 15(c))	-	-	10,658	-	-	(10,658)	-	-	-
Utilisation of safety production funds (note 15(c))	-	-	(10,658)	-	-	10,658	-	-	-
Balance at 30 June 2017	154,050	827,931	160,878	(20,629)	(858)	33,656	1,155,028	(81,308)	1,073,720

The notes on pages 21 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017 – unaudited

<i>Note</i>	Six months ended 30 June 2017 RMB'000	Six months ended 30 June 2016 RMB'000
Operating activities		
Cash (used in)/generated from operations	(15,253)	474,950
PRC income tax paid	(33,135)	(7,269)
Net cash (used in)/generated from operating activities	(48,388)	467,681
Investing activities		
Payment for construction in progress	(37,652)	(194,655)
Payment for purchase of property, plant and equipment	(24,954)	(29,332)
Other cash flows arising from investing activities	(21,557)	(91,390)
Net cash used in investing activities	(84,163)	(315,377)
Financing activities		
Proceeds from bank and other borrowings	1,216,467	2,296,654
Repayment of bank and other borrowings	(1,299,105)	(2,002,521)
Repayment of medium term notes	–	(700,000)
Other cash flows arising from financing activities	(254,417)	(206,333)
Net cash used in financing activities	(337,055)	(612,200)
Net decrease in cash and cash equivalents	(469,606)	(459,896)
Cash and cash equivalents at 1 January	1,164,569	1,117,524
Effect of foreign exchange rates changes	(1,389)	2,658
Cash and cash equivalents at 30 June	693,574	660,286

The notes on pages 21 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 28 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Lingbao Gold Group Company Ltd. (the “Company”) and its subsidiaries (together “the Group”) since the 2016 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 2017, the Group had net current liabilities of RMB1,028,446,000 (which included cash and cash equivalents of RMB693,574,000), total borrowings of RMB4,975,098,000 and capital commitments of RMB254,020,000. In view of this circumstance, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 30 June 2017, taking into account the Group’s cash flow projection, including the Group’s unutilised banking facilities, ability to renew or refinance the banking facilities upon maturity and the Group’s future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the interim financial report has been prepared on a going concern basis.

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 pages 13 to 14.

2 CHANGES IN ACCOUNTING POLICIES

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

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

3 SEGMENT REPORTING

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

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

3 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities

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

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

3 SEGMENT REPORTING (continued)

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

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

4 REVENUE

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

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

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

5 PROFIT/(LOSS) BEFORE TAXATION

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

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

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

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

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

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

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

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

On 9 August 2012, the Parliament of Kyrgyz Republic passed the law on amendments and additions to the Tax Code of the Kyrgyz Republic (“Amended Tax Code”) which became effective from 1 January 2013. In accordance with the Amended Tax Code, starting from 1 January 2013 the KR CIT rate for gold mining companies is set at 0% and a revenue-based tax is introduced. Such revenue-based tax is recognised in “sales taxes and levies”.

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

(b) Diluted earnings/(loss) per share

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

8 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

(a) Acquisitions and disposals

During the six months ended 30 June 2017, acquisitions of property, plant and equipment and additions of construction in progress of the Group amounted to RMB14,587,000 (six months ended 30 June 2016: RMB29,269,000) and RMB25,992,000 (six months ended 30 June 2016: RMB178,609,000), respectively. Items of property, plant and equipment and construction in progress with an aggregate net book value of RMB3,142,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB2,305,000), resulting in a loss on disposal of RMB2,087,000 (six months ended 30 June 2016: loss on disposal of RMB1,163,000).

(b) Impairment losses

No impairment loss of the assets was recognised in “other net loss” during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB4,021,000).

9 INTANGIBLE ASSETS

Acquisitions and disposals

During the six months ended 30 June 2017, additions of exploration and evaluation assets and mining rights made by the Group amounted to RMB19,073,000 and RMB Nil respectively (six months ended 30 June 2016: RMB5,689,000 and RMB6,226,000 respectively). No intangible assets were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: items of exploration and evaluation assets with an aggregate net book value of RMB5,445,000 were disposed of, resulting in a loss on disposal of RMB5,445,000).

10 INVENTORIES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Raw materials	801,251	764,781
Work in progress	99,471	93,282
Finished goods	208,579	202,097
Spare parts and materials	91,360	89,054
	1,200,661	1,149,214

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

	Six months ended 30 June 2017 RMB'000	Six months ended 30 June 2016 RMB'000
Carrying amount of inventories sold	1,966,441	2,607,845
Write-down of inventories	4,510	8,623
	1,970,951	2,616,468

During the six months ended 30 June 2017, RMB4,510,000 (six months ended 30 June 2016: RMB8,623,000) has been recognised as the amount of inventories recognised as an expense in profit or loss during the period, being the amount of a write-down of inventories 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 2017 RMB'000	At 31 December 2016 RMB'000
	<i>Note</i>		
Within 3 months		423,587	472,066
Over 3 months but within 6 months		270,000	114,222
Over 6 months but within 1 year		24,005	18,448
Over 1 year		2,901	10,050
Trade debtors and bills receivable, net of allowance for doubtful debts	<i>(a)</i>	720,493	614,786
Other receivables, net of allowance for doubtful debts		122,619	112,567
Receivables		843,112	727,353
Purchase deposits, net of allowance for non-delivery	<i>(b)</i>	374,940	352,986
Financial assets at fair value through profit or loss	<i>16(a)</i>	28	4,873
		1,218,080	1,085,212

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

Transfers of financial assets

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

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

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

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

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

12 CASH AND CASH EQUIVALENTS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cash and cash equivalents in the condensed consolidated cash flow statement	693,574	1,164,569

13 BANK AND OTHER BORROWINGS

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
<i>Note</i>		
Short-term bank and other borrowings:		
– Bank loans	3,105,029	2,996,771
– Loan from a leasing company	30,000	30,000
– Add: current portion of long-term bank loans	246,100	229,000
	3,381,129	3,255,771
Long-term bank and other borrowings:		
– Bank loans	1,500,069	1,691,738
– Loan from a leasing company	340,000	355,000
– Less: current portion of long-term bank loans	(246,100)	(229,000)
	1,593,969	1,817,738
	4,975,098	5,073,509

- (a) During the year ended 31 December 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 2017, Wason Copper-Foil had repaid RMB30,000,000 in accordance with the instalment payment schedule pursuant to the sales and leaseback agreement.

As at 30 June 2017, the outstanding loan from that leasing company amounting to RMB370,000,000 was secured by machinery and equipment with the carrying amount of RMB366,716,000 and equity interests in Wason Copper-Foil.

13 BANK AND OTHER BORROWINGS (continued)

At 30 June 2017, the bank and other borrowings were repayable as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within one year or on demand	3,381,129	3,255,771
Over one year but within two years	610,982	498,395
Over two years but within five years	954,873	1,281,190
Over five years	28,114	38,153
	1,593,969	1,817,738
	4,975,098	5,073,509

At 30 June 2017, the bank and other borrowings were secured as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank loans		
– Secured	593,891	560,506
– Guaranteed	386,141	603,519
– Unsecured	3,995,066	3,909,484
	4,975,098	5,073,509

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

At 30 June 2017, a bank loan of the Group amounting to RMB105,000,000 (31 December 2016: RMB Nil) was secured by bills receivable with the carrying amount of RMB105,642,000.

At 30 June 2017, a loan from a leasing company amounting to RMB370,000,000 was secured by machinery and equipment and equity interests in a subsidiary, details of which are set out in note 13(a).

At 30 June 2017, bank loans of the Group amounting to RMB386,141,000 (31 December 2016: RMB603,519,000) were guaranteed by Lingbao State-owned Assets Operation Company Limited ("Lingbao State-owned Assets").

14 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 2017 RMB'000	At 31 December 2016 RMB'000
<i>Note</i>		
Current		
Within 3 months	275,834	318,557
Over 3 months but within 6 months	20,152	18,585
Over 6 months but within 1 year	11,935	10,056
Over 1 year but within 2 years	9,229	11,622
Over 2 years	6,831	10,884
Total trade creditors	323,981	369,704
Bills payable	80,000	80,000
Other payables and accruals	534,323	590,520
Total creditors and bills payable	614,323	670,520
Payable for mining rights	84,511	86,539
Dividend payable	1,260	1,260
Payable to non-controlling interests	24,193	43,808
Financial liabilities measured at amortised cost	1,048,268	1,171,831
Financial liabilities at fair value through profit or loss	6,753	44
	1,055,021	1,171,875
Non-current		
Decommissioning costs	51,183	51,192
Deferred income	103,895	101,444
	155,078	152,636

14 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.
- (c) The decommissioning costs relate to reclamation and closure costs relating to the Group's mine operations. The decommissioning costs are calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, discounted at 4.9%, which amounted to RMB51,183,000 (31 December 2016: RMB51,192,000) in total as at 30 June 2017.

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2017		At 31 December 2016	
	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
	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

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

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

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

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

15 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) PRC statutory reserves

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

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

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

For the six months ended 30 June 2017, the Group transferred RMB10,658,000 (six months ended 30 June 2016: RMB15,474,000) from retained profits to specific reserve provision for the safety production fund and transferred RMB10,658,000 (six months ended 30 June 2016: RMB15,474,000) from specific reserve to retained earnings for the utilisation.

As at 30 June 2017, the consolidated retained profits included an appropriation of RMB62,226,000 (31 December 2016: 62,226,000) to PRC statutory reserve made by the subsidiaries of the Group.

16 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.

	Fair value at 30 June 2017 RMB'000	Fair value measurements as at 30 June 2017 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss				
– Interest rate swaps	28	–	28	–
Financial liabilities at fair value through profit or loss				
– Forward exchange contracts	(6,753)	–	(6,753)	–

16 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	Fair value measurements as		
	31 December 2016	at 31 December 2016 categorised into		
	RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
– Forward exchange contracts	4,873	–	4,873	–
Financial liabilities at fair value through profit or loss:				
– Interest rate swaps	(44)	–	(44)	–

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: 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 exchange contracts included in financial assets 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.

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

(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 2016 and 30 June 2017.

17 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Contracted for	11,649	43,283
Authorised but not contracted for	242,371	215,429
	254,020	258,712

18 RELATED PARTY TRANSACTIONS

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

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

During the period from 1 January 2016 to 21 December 2016, the Group was a state-controlled entity and operated 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 were 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 were 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 had 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 were of the opinion that the following related party transactions required disclosure of numeric details:

18 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 2017 RMB'000	Six months ended 30 June 2016 RMB'000
Interest income on bank deposits	-	7,677
Interest expenses on bank loans	-	106,242

Due to the change of equity shareholders of the Group, state-controlled entities in the PRC ceased to be related parties of the Group since 22 December 2016. The connected transactions with the state-controlled entities in the PRC comprised only transactions with the Group conducted during the period when they were related parties of the Group.

(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 2017 RMB'000	Six months ended 30 June 2016 RMB'000
Short-term employee benefits	1,093	1,428
Post-employment benefits	54	96

19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

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

Completion of the Disposal is conditional upon:

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

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

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

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

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