

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



LINGJIN

灵 金

Lingbao Gold Group Company Ltd.

靈寶黃金集團股份有限公司

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

(Stock Code: 3330)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board of directors (the “**Board**”) of Lingbao Gold Group Company Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”, “**we**” or “**our**”) for the six months ended 30 June 2020. The interim financial results have been reviewed by the Company’s Audit Committee. In addition, the Group’s external auditors have reviewed the interim financial report 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 Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED
For the six months ended 30 June 2020

		Six months ended 30 June 2020	Six months ended 30 June 2019
	<i>Note</i>	RMB'000	RMB'000
Revenue	4	2,564,879	2,560,568
Cost of sales		<u>(2,330,833)</u>	<u>(2,430,198)</u>
Gross profit		234,046	130,370
Other revenue		27,334	23,894
Other net loss	5(b)	(3,069)	(9,921)
Selling and distribution expenses		(5,591)	(2,909)
Administrative expenses and other operating expenses		<u>(139,221)</u>	<u>(116,634)</u>
Profit from operations		113,499	24,800
Finance costs	5(a)	<u>(61,962)</u>	<u>(82,184)</u>
Profit/(loss) before taxation	5	51,537	(57,384)
Income tax	6	<u>(31,575)</u>	<u>(33,959)</u>
Profit/(loss) for the period		<u>19,962</u>	<u>(91,343)</u>
Attributable to:			
Equity shareholders of the Company		<u>28,217</u>	<u>(83,478)</u>
Non-controlling interests		<u>(8,255)</u>	<u>(7,865)</u>
Profit/(loss) for the period		<u>19,962</u>	<u>(91,343)</u>
Basic and diluted earnings/(loss) per share (RMB cents)	7	<u>3.3</u>	<u>(9.7)</u>

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

For the six months ended 30 June 2020

	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Profit/(loss) for the period	19,962	(91,343)
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	<u>(11,568)</u>	<u>(827)</u>
Total comprehensive income for the period	<u>8,394</u>	<u>(92,170)</u>
Attributable to:		
Equity shareholders of the Company	18,878	(84,090)
Non-controlling interests	<u>(10,484)</u>	<u>(8,080)</u>
Total comprehensive income for the period	<u>8,394</u>	<u>(92,170)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

At 30 June 2020

		At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	1,320,710	1,320,365
Construction in progress	9	595,805	534,101
Intangible assets		642,057	644,497
Goodwill		4,717	4,717
Right-of-use assets		131,353	133,756
Interest in associates		22,531	22,531
Other financial assets		4,520	4,520
Investment deposits		18,800	18,800
Non-current prepayments		10,005	2,353
Deferred tax assets		333,194	338,171
Other non-current assets		8,236	14,265
		3,091,928	3,038,076
Current assets			
Inventories	10	1,694,874	1,477,971
Trade and other receivables, deposits and prepayments	11	249,176	214,401
Current tax recoverable		11,043	11,043
Pledged deposits		1,556,005	872,092
Cash and cash equivalents		327,294	318,671
		3,838,392	2,894,178
Current liabilities			
Bank and other borrowings		4,234,811	3,011,262
Trade and other payables	12	979,429	811,026
Contract liabilities		5,565	6,796
Lease liabilities		2,163	3,255
Current tax payable		48,898	39,608
		5,270,866	3,871,947
Net current liabilities		(1,432,474)	(977,769)
Total assets less current liabilities		1,659,454	2,060,307

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED**(Continued)***At 30 June 2020*

	At 30 June 2020	At 31 December 2019
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Bank and other borrowings	—	406,015
Other payables	130,349	132,009
Lease liabilities	8,215	9,005
Deferred tax liabilities	9,474	10,256
	<u>148,038</u>	<u>557,285</u>
NET ASSETS	<u>1,511,416</u>	<u>1,503,022</u>
CAPITAL AND RESERVES		
Share capital	172,850	172,850
Reserves	1,498,364	1,479,486
Total equity attributable to equity shareholders of the Company	1,671,214	1,652,336
Non-controlling interests	<u>(159,798)</u>	<u>(149,314)</u>
TOTAL EQUITY	<u>1,511,416</u>	<u>1,503,022</u>

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 13 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements.

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 2019 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 2020, the Group had net current liabilities of RMB1,432 million, total borrowings of RMB4,235 million and capital commitments of RMB198 million. In view of these circumstances, the Directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 30 June 2020, taking into account the Group’s cash flow projection, including the Group’s unutilised banking facilities of RMB1,368 million, the ability to obtain new banking and other financing facilities, the ability to renew or refinance the banking facilities upon maturity, the ability to adjust the scheduled capital commitments and with the continuing efforts taken to improve operation efficiency, the Directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group’s ability to continue as a going concern. Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor* of the entity, issued by the HKICPA.

2 CHANGE 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 amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

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 resources allocation and performance assessment, the Group has identified three reportable segments for the six months ended 30 June 2020 (2019: three reportable segments). Operating segments with similar nature of the production process, products and services have been aggregated to form the following reportable segments:

Mining — PRC	— Gold mining and mineral ores processing operations in the PRC.
Mining — KR	— Gold mining and mineral ores processing operations in the Kyrgyz Republic ("KR").
Smelting	— Gold and other metal smelting and refinery operations carried out in the PRC.

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 periods is set out below.

	Mining — PRC		Mining — KR		Smelting		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000							
For the six months ended								
30 June								
Revenue from external customers	—	98,226	28,053	12,314	2,537,205	2,450,570	2,565,258	2,561,110
Inter-segment revenue	300,831	163,357	23,567	—	—	—	324,398	163,357
Sales taxes and levies	(118)	(35)	—	—	(261)	(507)	(379)	(542)
Reportable segment revenue	300,713	261,548	51,620	12,314	2,536,944	2,450,063	2,889,277	2,723,925
Reportable segment profit/ (loss)	98,580	66,544	(35,692)	(13,363)	67,271	27,403	130,159	80,584
(Provision)/reversal of impairment on:								
— trade and other receivables	—	324	—	(1,264)	—	—	—	(940)
— purchase deposits	—	—	—	—	317	1,811	317	1,811
As at 30 June/31 December								
Reportable segment assets	2,471,007	2,273,075	708,690	710,888	2,662,948	2,018,030	5,842,645	5,001,993
Reportable segment liabilities	1,945,332	1,703,108	1,518,726	1,444,621	1,986,024	1,476,616	5,450,082	4,624,345

3 SEGMENT REPORTING (Continued)

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

	Six months ended 30 June 2020 <i>RMB'000</i>	Six months ended 30 June 2019 <i>RMB'000</i>
Revenue		
Reportable segment revenue	2,889,277	2,723,925
Elimination of inter-segment revenue	<u>(324,398)</u>	<u>(163,357)</u>
Consolidated revenue	<u><u>2,564,879</u></u>	<u><u>2,560,568</u></u>
Profit or loss		
Reportable segment profit	130,159	80,584
Elimination of inter-segment profit/(loss)	<u>5,106</u>	<u>(6,364)</u>
Reportable segment profit derived from the Group's external customers	135,265	74,220
Other net loss	(3,069)	(9,921)
Finance costs	(61,962)	(82,184)
Unallocated head office and corporate expenses	<u>(18,697)</u>	<u>(39,499)</u>
Consolidated profit/(loss) before taxation	51,537	(57,384)
Income tax	<u>(31,575)</u>	<u>(33,959)</u>
Profit/(loss) for the period	<u><u>19,962</u></u>	<u><u>(91,343)</u></u>

4 REVENUE

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

Revenue represents the sales value of goods sold to customers, net of sales tax and value added tax.

Disaggregation of Revenue

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

	Six months ended 30 June 2020 <i>RMB'000</i>	Six months ended 30 June 2019 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
— Sales of gold	2,479,636	2,359,792
— Sales of other metals	85,602	191,162
— Others	20	10,156
Less: Sales taxes and levies	(379)	(542)
	<u>2,564,879</u>	<u>2,560,568</u>

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

5 (PROFIT)/LOSS BEFORE TAXATION

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

	Six months ended 30 June 2020 <i>RMB'000</i>	Six months ended 30 June 2019 <i>RMB'000</i>
(a) Finance costs:		
Interest expenses on bank loans	40,465	70,905
Interest expenses on lease liabilities	237	240
Other borrowing costs	21,260	11,039
	<u>61,962</u>	<u>82,184</u>
(b) Other net loss:		
Net realised and unrealised losses on financial instruments at fair value	12,664	9,058
Net foreign exchange gain	(8,759)	(3,142)
Others	(836)	4,005
	<u>3,069</u>	<u>9,921</u>
(c) Other items:		
Depreciation of right-of-use assets	2,403	2,374
Amortisation of intangible assets	5,962	7,523
Depreciation of property, plant and equipment	60,627	59,878
Less: Depreciation capitalised into construction in progress	(256)	(133)
	<u>60,371</u>	<u>59,745</u>
(Reversal)/provision of impairment losses in administrative expenses and other operating expenses on:		
— trade and other receivables	—	2,940
— purchase deposits	(317)	(1,811)
— investment deposits	—	(772)
Government grants	1,112	1,331
Bank interest income	16,243	7,739
Guarantee income	—	2,895

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 2020 <i>RMB'000</i>	Six months ended 30 June 2019 <i>RMB'000</i>
Current tax — PRC income tax		
Provision for the period	32,149	30,718
(Over)/under-provision in respect of prior years	(4,768)	517
Deferred taxation	4,194	2,724
	<u>31,575</u>	<u>33,959</u>

- (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.
- (b) Hong Kong profits tax rate for 2020 is 16.5% (2019: 16.5%). No provision for Hong Kong profits tax is made as the subsidiary located in Hong Kong did not earn any income which is subject to Hong Kong profits tax.
- (c) Kyrgyzstan corporate income tax rate (“KR CIT”) in 2020 is 0% (2019: 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/(loss) per share for the six months ended 30 June 2020 is based on the earnings attributable to equity shareholders of the Company of RMB28,217,000 (six months ended 30 June 2019: loss of RMB83,478,000) and 864,249,091 ordinary shares in issue during the period ended 30 June 2020 (six months ended 30 June 2019: 864,249,091 ordinary shares).

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share for the six months ended 30 June 2020 and 2019 are the same as the basic earnings/(loss) per share as there are no dilutive potential ordinary shares during the periods.

8 DIVIDEND

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

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB Nil).

(ii) Dividends payable to equity shareholders 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 2019: RMB172,850,000).

9 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

Acquisitions and disposals of owned assets

During the six months ended 30 June 2020, acquisitions of property, plant and equipment and additions of construction in progress of the Group amounted to RMB40,409,000 (six months ended 30 June 2019: RMB82,702,000) and RMB81,883,000 (six months ended 30 June 2019: RMB66,531,000), respectively. Items of property, plant and equipment and construction in progress with an aggregate net book value of RMB3,766,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB302,000), resulting in a gain on disposal of RMB204,000 (six months ended 30 June 2019: gain on disposal of RMB168,000).

10 INVENTORIES

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Raw materials	1,078,811	1,062,284
Work in progress	135,606	116,594
Finished goods	388,016	214,469
Spare parts and materials	92,441	84,624
	<u>1,694,874</u>	<u>1,477,971</u>

10 INVENTORIES (Continued)

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

	Six months ended 30 June 2020 <i>RMB'000</i>	Six months ended 30 June 2019 <i>RMB'000</i>
Carrying amount of inventories sold	2,322,786	2,432,089
Write down of inventories	8,047	—
Reversal of write down of inventories	—	(1,891)
	<u>2,330,833</u>	<u>2,430,198</u>

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 loss allowance, is as follows:

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
	<i>Note</i>	
Within 3 months	30,263	68,159
Over 3 months but within 6 months	310	4,080
Over 6 months but within 1 year	121	—
Over 1 year	—	3,900
Trade debtors and bills receivable, net of loss allowance	(a) 30,694	76,139
Other receivables, net of loss allowance	65,357	59,729
Amounts due from related parties	10,000	20,277
Financial assets measured at amortised cost	106,051	156,145
Deposits and prepayments	109,906	47,335
Purchase deposits, net of allowance for non-delivery	(b) 33,219	10,921
	<u>249,176</u>	<u>214,401</u>

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Transfers of financial assets

Transferred financial assets that are derecognised in their entirety

As at 30 June 2020, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date less than twelve months from the end of the reporting period. The Group's management determined that the Group has transferred substantially all the risks and rewards of ownership of these bills to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit rating and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 30 June 2020, 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 RMB10,000,000 and RMB200,000 (31 December 2019: RMB149,584,000 and RMB10,500,000) respectively.

- (a) For sales of gold, the Group requests customers to pay cash in full immediately upon the delivery. For sales of other metallic products, trade and bills receivables are due within 30 days to 180 days from the date of billing.
- (b) Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in future periods. The Directors of the Company consider that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand, and expect that the purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.

12 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 2020	At 31 December 2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Within 3 months		393,246	221,201
Over 3 months but within 6 months		123	5,859
Over 6 months but within 1 year		1,543	38,485
Over 1 year but within 2 years		1,648	3,585
Over 2 years		11,433	14,292
		<u>407,993</u>	<u>283,422</u>
Total trade creditors		407,993	283,422
Bills payable		60,000	—
Other payables and accruals		304,664	331,438
		<u>304,664</u>	<u>331,438</u>
Total creditors and bills payable		772,657	614,860
Interest payables		4,755	2,888
Payable for mining rights		86,193	84,935
Deferred income	<i>(a)</i>	80,428	80,416
Payable to non-controlling interests	<i>(b)</i>	23,280	23,021
Dividend payable		4,758	4,758
		<u>4,758</u>	<u>4,758</u>
Financial liabilities measured at amortised cost		972,071	810,878
Financial liabilities at fair value through profit or loss		7,358	148
		<u>7,358</u>	<u>148</u>
		<u>979,429</u>	<u>811,026</u>
Non-current other payables			
Decommissioning costs	<i>(c)</i>	54,981	55,528
Deferred income	<i>(a)</i>	75,368	76,481
		<u>75,368</u>	<u>76,481</u>
		<u>130,349</u>	<u>132,009</u>

12 TRADE AND OTHER PAYABLES (Continued)

Notes:

- (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 RMB54,981,000 (31 December 2019: RMB55,528,000) in total as at 30 June 2020.

13 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. COVID-19 may have certain impact on the Group's production and operation. The impact will largely depend on duration of the outbreak and implementation of regulatory policies thereafter.

As far as the Group's businesses are concerned, unprecedented measures were taken by the government including the lockdown of cities and the extension of the Spring Festival holiday in mainland China.

Except for the mining segment — KR, the production activities in other segments were not significantly impacted by COVID-19 during the six months ended 30 June 2020. A subsidiary of the mining segment — KR, Full Gold Mining Limited Liability Company responded the call by the Kyrgyz Republic government on the pause of production in the middle of March, and has gradually resumed production in early May when the situation got under control.

Under these circumstances, the Group has been closely monitoring the impact of the developments on the Group's businesses and will further enhance the countermeasures, strengthen the tracking and forecast on the prices of gold and other metals, strive to ensure steady production and operation, and minimize the negative impact of COVID-19 on the Group's production and operation as much as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS AND PROSPECT

In the first half of 2020, the Group produced approximately 6,843 kg (equivalent to approximately 220,007 ounces) of gold bullion, representing a decrease of approximately 1,322 kg (equivalent to approximately 42,503 ounces) as compared with the corresponding period of the previous year. The main reason for the decrease in production volume of gold bullion was that the Group reduced the production of gold bullion processed from compound gold purchased from external suppliers in smelting segment, which is with lower gross profit. The Group's revenue for the six months ended 30 June 2020 (the "**Current Period**") was approximately RMB2,564,879,000, representing a period-on-period increase of approximately 0.2%. During the Current Period, the net profit of the Group was approximately RMB19,962,000 (six months ended 30 June 2019: net loss of the Group of RMB91,343,000). The basic earnings per share of the Company for the Current Period was RMB0.03 (six months ended 30 June 2019: basic loss per share of the Group of RMB0.10). The main reason for the Group's success in turning losses into profits was that the Group overcame the impact of the COVID-19 pandemic (the "**Pandemic**") and strengthened internal management, leading to an increase in the output of gold bullion from gold concentrates in the smelting segment and an increase in the output of gold concentrates in the mining segment as compared with the corresponding period of the previous year, and the average selling price of gold bullion increased significantly during the Current Period. In addition, the Group optimized relevant business processes, introduced relevant supporting reform measures and implemented cost-reduction and efficiency-increasing measures, resulting in a certain degree of reduction in production costs and financial expenses.

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 32 mining and exploration rights as at 30 June 2020, covering 291.6 square kilometers. The total gold reserves and resources as at 30 June 2020 were approximately 133.05 tonnes (4,277,650 ounces).

1. Mining Segment

Revenue and production

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

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

		For the six months ended 30 June			
		2020		2019	
Unit	<i>Approximate production volume</i>	<i>Approximate sales volume</i>	<i>Approximate production volume</i>	<i>Approximate sales volume</i>	
Gold concentrates (contained gold)	kg	582	493	335	298
Compound gold	kg	546	532	763	656
Total	kg	1,128	1,025	1,098	954
Total	ounce	36,265	32,954	35,301	30,672

The Group's total revenue from the mining segment for the Current Period was approximately RMB352,333,000, representing an increase of approximately 28.7% from approximately RMB273,862,000 for the corresponding period in 2019, among which, revenue from Mining — PRC was approximately RMB300,713,000 (six months ended 30 June 2019: RMB261,548,000), and revenue from Mining — KR was approximately RMB51,620,000 (six months ended 30 June 2019: RMB12,314,000). During the Current Period, the turnover in Henan, Xinjiang, Inner Mongolia and KR represented approximately 26.9%, 47.4%, 11.0% and 14.7% of the total turnover from the mining segment respectively. The production of compound gold in mining segment decreased by approximately 217 kg to approximately 546 kg, while the production of gold concentrates increased by approximately 247 kg to approximately 582 kg.

Segment results

The Group's total profit of the mining segment for the Current Period was approximately RMB62,888,000, representing an increase of approximately 18.3% as compared with the total profit of approximately RMB53,181,000 for the corresponding period in 2019, among which, the profit from Mining — PRC was approximately RMB98,580,000 (six months ended 30 June 2019: RMB66,544,000), and the loss from Mining — KR was approximately RMB35,692,000 (six months ended 30 June 2019: RMB13,363,000). The segment result to segment revenue ratio of the Group's mining segment for the Current Period was approximately 17.8%, compared with approximately 19.4% in the corresponding period in 2019.

Despite the restrictions of safety and environmental protection measures, a subsidiary and a branch in Mining — PRC were shut down in the Current Period, this branch has gradually resumed production in April 2020. Moreover, as the global gold price rose and the subsidiaries within the PRC improved their operating performance, the profit of the Mining — PRC segment increased by approximately 48.1% as compared with that in the corresponding period in 2019. A subsidiary in Mining — KR was shut down from March to May 2020 due to the impact of the Pandemic, resulting in an increase of approximately 167.1% in losses as compared with the corresponding period in 2019.

2. Smelting Segment

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

	<i>Unit</i>	For the six months ended 30 June			
		2020		2019	
		<i>Approximate production volume</i>	<i>Approximate sales volume</i>	<i>Approximate production volume</i>	<i>Approximate sales volume</i>
Gold bullion	kg	4,852	4,556	4,201	4,031
(processed from gold concentrates)	ounce	155,992	146,475	135,065	129,599
Gold bullion	kg	1,991	1,991	3,964	3,769
(processed from compound gold)	ounce	64,010	64,010	127,445	121,176
Silver	kg	12,542	11,399	11,828	11,886
	ounce	403,225	366,478	380,278	382,143
Electrolytic coppers	tonne	2,159	1,110	4,509	3,660
Sulphuric acid	tonne	47,328	42,306	38,282	39,782

Sales and production

The Group's total revenue in the smelting segment for the Current Period was approximately RMB2,536,944,000, representing an increase of approximately 3.5% from approximately RMB2,450,063,000 for the same period of 2019. During the Current Period, the increase in total revenue of smelting segment was mainly attributable to the increase in market prices of gold products.

As the business of gold bullion processed from compound gold purchased externally is low-profit, in the Current Period, the Group's smelting segment reduced its production of gold bullion processed from compound gold purchased from the external suppliers, which resulted in a decrease of the production of gold bullion for 1,322 kg. The smelting segment strengthened its internal control of procurement, and thus the production of gold bullion processed from gold concentrates increased by approximately 15.5% as compared with that in the corresponding period in 2019.

Segment results

The Group's total profit of the smelting segment for the Current Period was approximately RMB67,271,000, representing an increase of approximately 145.5% from the profit of approximately RMB27,403,000 for the corresponding period in 2019. The segment results to segment revenue ratio of the Group's smelting business was approximately 2.7% for the Current Period, compared with approximately 1.1% for the corresponding period in 2019.

The increase in profit of the smelting segment was mainly due to the strict implementation of the cost-decreasing and efficiency-increasing regime in the Current Period and the effective control of production costs, and it also benefited from the significant increase in the average selling price of gold bullion.

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					
	2020			2019		
	Amount	Sales volume	Unit price	Amount	Sales volume	Unit price
	(RMB'000)		(RMB per kg/tonne)	(RMB'000)		(RMB per kg/tonne)
Gold bullion	2,418,318	6,547 kg	369,378	2,255,743	7,800 kg	289,198
Silver	39,353	11,399 kg	3,452	36,503	11,886 kg	3,071
Electrolytic coppers	46,249	1,110 tonnes	41,666	154,658	3,660 tonnes	42,256
Sulphuric acid	39	42,306 tonnes	0.9	3,665	39,782 tonnes	92
Gold concentrates	—	—	—	4,050	16 kg	253,125
Others	61,299			106,491		
Revenue before tax	2,565,258			2,561,110		
Less: Sales taxes and levies	(379)			(542)		
	<u>2,564,879</u>			<u>2,560,568</u>		

The Group's revenue for the Current Period was approximately RMB2,564,879,000, representing an increase of approximately 0.2% as compared with the corresponding period in 2019. Although there was an increase in the average selling price of gold bullion, the overall revenue remained stable as the selling price of electrolytic coppers decreased significantly and there was a reduction of sales of gold concentrates and other products.

OUTLOOK AND PLANNING

In the second half of 2020, the Group has been focusing and will continue to focus on enforcing the exploration and mining work of various mines, accelerating the construction of major projects, and strictly controlling the cost, with an aim to achieve the annual production plan of gold. The Group will carry out various projects based on related targets to increase the economic benefits. Meanwhile, the Group will continue to expand its self-produced gold mining as well as the gold smelting and processing business. The market price of gold has increased to the highest level in the past 9 years, bringing a better market opportunity for the Group to increase its profits. The Group will further enhance cost reduction and efficiency management, and expand production to increase economic benefits. Looking into the second half of 2020, the Group will mainly focus on the following aspects:

(I) to step up efforts in exploring mine resources, strengthen appraisals and incentives, and focus on solving the imbalance between mineral exploration and mining

In the Current Period, the production of processing plant of mines was able to operate steadily, mainly due to the minerals in stock at the beginning of the year, but the minerals in stock in each mine has dropped significantly since then, which indicated that there is still a widespread problem of “encouraging mining rather than mineral exploration”. The Group should handle the relationship between mining and mineral exploration in a manner to ensure that the implementation rate of the plan meets the schedule requirements. The human resources department should reform the remuneration package for technical personnel to attract professional and technical personnel and grow the mining technical team, for the purpose of providing talent and technical support for prospecting work.

(II) to strengthen production organization, improve management efficiency and implement production tasks

We will resolutely put an end to any work-related accidents and formulate emergency plans for production, so as to improve risk estimation and preventive measures.

(III) to strengthen the control on key projects and promote the implementation of major works to enhance development potential

All developments are required to fully cooperate in ensuring the seamless information exchange to achieve the annual goal.

(IV) to focus on product sales and marketing and make up for shortcomings in production to maximize operating profits

Benefited from the rise in gold prices, the Group's profits have improved. In the second half of 2020, we will pay more attention to the timing of sales and strengthen our capabilities in market analysis and operation while strictly controlling risks.

(V) to enhance service awareness, and strengthen work coordination to comprehensively improve corporate governance

We will establish a coordination and cooperation mechanism between the headquarters and departments to strengthen communication, and reform the management structure and compensation system to encourage and incentivize employees and promote the overall improvement of the overall efficiency of the Group.

(VI) to strengthen cost management and create new management measures to improve the quality of corporate operation and development

We will strengthen cost control and implement cost reduction and efficiency enhancement measure in the mining segment. To ensure the efficiency and quality of production, relevant adjustment measures in the performance-based portion of remuneration will be introduced to stimulate the enthusiasm of the construction team. The project management will also be enhanced to strengthen the quality.

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 2020 amounted to RMB327,294,000 (31 December 2019: RMB318,671,000).

The total equity attributable to the equity shareholders of the Company as at 30 June 2020 amounted to RMB1,671,214,000 (31 December 2019: RMB1,652,336,000). As at 30 June 2020, the Group had current assets of RMB3,838,392,000 (31 December 2019: RMB2,894,178,000) and current liabilities of RMB5,270,866,000 (31 December 2019: RMB3,871,947,000). The current ratio was 73% (31 December 2019: 75%).

As at 30 June 2020, the Group had total outstanding bank and other borrowings of approximately RMB4,234,811,000 (with interest rates ranging from 2.2% to 5.0% per annum). All loans shall be repayable within one year.

As at 30 June 2020, the gearing ratio (calculated as total borrowings divided by total assets) was 61.1% (31 December 2019: 57.6%); the debt ratio (calculated as total liabilities divided by total assets) was 78.2% (31 December 2019: 74.7%); and the gearing ratio (calculated as total lease liabilities and bank and other borrowings, divided by total equity) was 280.9% (31 December 2019: 228.2%).

As at 30 June 2020, the Group had net current liabilities of RMB1,432,474,000, total borrowings of RMB4,234,811,000 and capital commitments of RMB197,693,000. In assessing whether the Group will have sufficient financial resources to continue as a going concern, the directors of the Company have taken into consideration the future liquidity of the Group and its available sources of finance, including banking facilities and cash flow projection of the Group. As at 30 June 2020, the Group had unutilised banking facilities of approximately RMB1,368,008,000. Based on the past experience and the communication with banks, the directors of the Company believe that the Company has the ability to renew or secure banking facilities upon maturity.

In order to effectively lower the debt ratio and improve the financing ability of the Group, the Group will consider the following measures:

- 1.) to increase the production volume of the gold bullion and generate cash flows from operating activities by capturing the opportunities arising from the rising gold prices, strengthening internal management and optimizing cost reduction and efficiency enhancement measures, and increasing the output of gold bullion processed from gold concentrates;
- 2.) to secure certain funding by enhancing the communication and promoting mutual trust between the Group and banks and other financial institutions as well as taking advantage of the government's relatively loose financing policies;
- 3.) to increase supply chain financing by taking full advantage of the attribute of high liquidity of inventories in the gold mining industry; and
- 4.) to increase the liquidity and reduce short-term borrowings, the Group will arrange more secured long-term loan facilities at lower interest rates by the pledging of property, plant and equipment of the Group.

Security

As at 30 June 2020, the Group or the Company did not provide any guarantees which would expose the Group or the Company to credit risk (31 December 2019: Nil).

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 Current Period were affected by fluctuations in the gold prices and other commodities price as all our products were sold at market prices and such fluctuations in prices were beyond our control. The Group does not use and strictly prohibits the use of commodity derivative instruments or futures for speculation purpose. All commodity derivative instruments are used to minimise the potential price fluctuation of gold and other commodities.

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 general corporate purposes such as support of capital expenditure and working capital. The Group's bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant regulations of the People's Bank of China. If the People's Bank of China increases the interest rates, our finance cost increases accordingly. In addition, to the extent that we may need to raise our debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt.

Exchange rate risk

The Group's transactions are mainly denominated in Renminbi. As such, fluctuations in exchange rates may affect the international and domestic gold prices, and our operational results may be affected. Renminbi is not freely convertible and could 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, trade and other receivables, trade and other payables and bank loans, which are denominated in foreign currencies. The currency risk is primarily United States dollars.

Fluctuations in exchange rates may adversely affect the value of our net assets, earnings and any dividends we declare when they are being converted or translated into Hong Kong dollars.

Contractual Obligations

As at 30 June 2020, the Group's total capital commitments in respect of the contracted construction costs and the authorised but not contracted construction costs which were not provided for in the financial statements were approximately RMB52,843,000 (31 December 2019: RMB25,542,000) and RMB144,850,000 (31 December 2019: RMB254,281,000), respectively, representing an increase of approximately RMB27,301,000 and a decrease of approximately RMB109,431,000, respectively.

Capital Expenditure

As at 30 June 2020, the Group's capital expenditure was approximately RMB124,257,000, representing a decrease of approximately 58.9% from approximately RMB302,400,000 as at 31 December 2019.

The Group's capital expenditure mainly relates to the construction of mining shafts, expansion of project equipment and upgrading of production equipment.

Contingent Liabilities

As at 30 June 2020, the Group had no material contingent liabilities.

Human Resources

For the six months ended 30 June 2020, the average number of employees of the Group was 4,070. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

EVENTS AFTER THE REPORTING PERIOD

There were no material events occurred after the Current Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the period ended 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

CORPORATE GOVERNANCE

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

Under provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chen Jianzheng is the chairman and the chief executive office of the Company. According to Article 145 of the Articles of Association of the Company, currently, the Management Executive Committee exercises the operation and management rights (including the whole or part of the powers of the President) of the Company. The Management Executive Committee has two rotating chairmen, being Mr. Chen and Mr. Zeng Xiangxin, and they are responsible for the daily operation and management affairs of the Company. Therefore, the Board believes that the Company already has a strong corporate governance structure appropriate for its circumstances in place to ensure effective oversight of the management. Given Mr. Chen’s considerable industry experience and with the support of the management, the Board is of the view that it is in the best interest of the Group to have Mr. Chen taking up both roles for effective management and business development.

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 Current 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. Xu Rong, Mr. Han Qinchun, Mr. Wang Jiheng, Mr. Wang Guanghua and Mr. Shi Yuchen. An Audit Committee meeting was held on 13 August 2020 to review the unaudited interim financial report for the six months ended 30 June 2020. KPMG, the Group’s external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2020 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement has been published on the website of The Hong Kong Exchanges and Clearing Limited (the “**HK Exchange**”), www.hkexnews.hk, and the website of the Company, www.irasia.com/listco/hk/lingbao. The 2020 Interim Report will be despatched to shareholders in due course and published on the websites of HK Exchange and the Company.

By order of the Board
Lingbao Gold Group Company Ltd.
Mr. Chen Jianzheng
Chairman

Lingbao City, Henan Province, the PRC
13 August 2020

As at the date of this announcement, the Board of the Company comprises four executive directors, namely Mr. Chen Jianzheng, Mr. Xing Jiangze, Ms. Zhou Xing and Mr. Zeng Xiangxin; three non-executive directors, namely Mr. Zhang Feihu, Mr. Shi Yuchen and Mr. Wang Leo; and four independent non-executive directors, namely Mr. Xu Rong, Mr. Han Qinchun, Mr. Wang Jiheng and Mr. Wang Guanghua.