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Lingbao Gold Company Ltd.
靈寶黃金股份有限公司

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

(Stock code: 3330)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the "Board") of Lingbao Gold Company Ltd. (the "Company"), hereby presents the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015, which have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Revenue	3	**5,756,594**	6,496,351
Cost of sales		**(5,308,062)**	(5,921,897)
Gross profit		**448,532**	574,454
Other revenue	4	**42,633**	34,067
Other net (loss)/income	5	**(140,877)**	49,875
Selling and distribution expenses		**(29,460)**	(32,938)
Administrative expenses and other operating expenses		**(430,387)**	(327,022)
(Loss)/profit from operations		**(109,559)**	298,436
Finance costs		**(245,358)**	(241,736)
(Loss)/profit before taxation		**(354,917)**	56,700
Income tax	6	**(147,637)**	(39,442)
(Loss)/profit for the year		**(502,554)**	17,258
Attributable to:			
Equity shareholders of the Company		**(462,162)**	33,687
Non-controlling interests		**(40,392)**	(16,429)
(Loss)/profit for the year		**(502,554)**	17,258
Basic and diluted (loss)/earnings per share (cents)	8	**(60)**	4

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(502,554)**	17,258
Other comprehensive income for the year (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	**(18,481)**	(1,045)
Total comprehensive income for the year	**(521,035)**	16,213
Attributable to:		
Equity shareholders of the Company	**(476,859)**	32,813
Non-controlling interests	**(44,176)**	(16,600)
Total comprehensive income for the year	**(521,035)**	16,213

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 RMB'000	2014 RMB'000 (note 11)
Non-current assets			
Property, plant and equipment		**2,027,813**	2,061,962
Construction in progress		**395,112**	450,317
Intangible assets		**731,923**	730,644
Goodwill		**7,302**	7,302
Lease prepayments		**169,038**	174,229
Other financial assets		**19,714**	19,714
Non-current prepayments		**177,336**	20,703
Deferred tax assets		**161,171**	290,044
		3,689,409	3,754,915
Current assets			
Inventories		**1,496,622**	1,641,201
Trade and other receivables, deposits and prepayments	*9*	**1,064,921**	1,178,550
Assets classified as held for sale		**7,539**	9,339
Current tax recoverable		**9,296**	6,798
Pledged deposits		**122,828**	176,508
Cash and cash equivalents		**1,117,524**	372,312
		3,818,730	3,384,708
Current liabilities			
Bank loans		**3,771,699**	2,108,826
Debenture payable		**700,000**	–
Other loan		**1,486**	1,784
Trade and other payables	*10*	**1,060,415**	1,128,430
Loan from ultimate holding company		**23,800**	23,800
Current tax payable		**1,514**	5,633
		5,558,914	3,268,473
Net current (liabilities)/assets		**(1,740,184)**	116,235
Total assets less current liabilities		**1,949,225**	3,871,150

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2015

	Note	**2015** **RMB'000**	2014 RMB'000
Non-current liabilities			
Debenture payable		**–**	700,000
Bank loans		**658,796**	1,380,309
Other payables	*10*	**115,450**	95,240
Deferred tax liabilities		**2,499**	2,086
		776,745	2,177,635
NET ASSETS		**1,172,480**	1,693,515
CAPITAL AND RESERVES			
Share capital		**154,050**	154,050
Reserves		**1,065,398**	1,542,257
Total equity attributable to equity shareholders of the Company		**1,219,448**	1,696,307
Non-controlling interests		**(46,968)**	(2,792)
TOTAL EQUITY		**1,172,480**	1,693,515

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial information disclosed in this preliminary announcement of the Group's annual result was extracted from the Group's financial statements, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Group's financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the Group's financial statements.

As at 31 December 2015, the Group's current liabilities exceeded its current assets by RMB1,740,184,000. In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2015, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the financial statements have been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions
- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on the Group's financial statements as the Group operates no defined benefit plan.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

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

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3 REVENUE

The principal activities of the Group are mining, processing, smelting and sales of gold and other metallic products in the People's Republic of China ("PRC").

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 is as follows:

	2015	2014
	RMB'000	*RMB'000*
Sales of:		
– Gold	**4,523,816**	4,855,253
– Other metals	**1,208,283**	1,632,888
– Others	**33,699**	18,488
Less: Sales taxes and levies	**(9,204)**	(10,278)
	5,756,594	6,496,351

The Group has only one customer with whom transactions have exceeded 10% of the Group's revenues (2014: one). In 2015, revenues from sales of gold products to this customer amounted to approximately RMB4,523,816,000 (2014: RMB4,855,253,000) arose in the Henan Province, the PRC.

4 OTHER REVENUE

	2015	2014
	RMB'000	*RMB'000*
Total interest income on financial assets not at fair value through profit or loss	**7,610**	6,595
Government grants	**26,197**	14,117
Scrap sales	**7,292**	11,438
Sundry income	**1,534**	1,917
	42,633	34,067

5 OTHER NET (LOSS)/INCOME

	2015	2014
	RMB'000	*RMB'000*
Net realised and unrealised gain on financial instruments at fair value	**11,350**	8,794
Net gain/(loss) on disposal of property, plant and equipment	**6,588**	(642)
Net foreign exchange gain/(losses)	**13,057**	(2,273)
Impairment losses of:		
– property, plant and equipment *(note (a))*	**(126,294)**	–
– construction in progress *(note (b))*	**(28,598)**	–
– intangible assets *(note (a))*	**(18,202)**	(6,044)
Net gain on disposal of a subsidiary	**–**	50,263
Others	**1,222**	(223)
	(140,877)	49,875

(a) Impairment loss of RMB76,575,000 was recognised in respect of a cash-generating unit ("CGU"), Lingbao Hongxin Mining Company Limited ("Hongxin"), which is under the mining – PRC reportable segment, during the year ended 31 December 2015. As the increasing production costs of Hongxin caused by deteriorating mining conditions in its area are not expected to be covered by the anticipated selling price of the gold concentrates produced, the Group identified an impairment indicator of its property, plant and equipment, and performed an impairment assessment of the related assets based on their estimated recoverable amounts.

Impairment loss of RMB67,921,000 was recognised in respect of a CGU, Full Gold Mining Limited Liability Company ("Full Gold"), which is under the mining – KR reportable segment, during the year ended 31 December 2015. Owing to the increasing uncertainty in the operational environment of Full Gold, the Group identified an impairment indicator of its property, plant and equipment, and performed an impairment assessment of the related assets based on their estimated recoverable amounts.

The recoverable amounts of both CGUs are estimated using the present value of future cash flows based on the financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using several key assumptions, including the expected gross margin, weighted average growth rates, useful life of the assets and pre-tax discount rate. The forecasted gross margin is based on past business performance and market participants' expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax of 12%-18% and reflect specific risks relating to the mining segment and country.

As a result of these assessments, impairment loss of RMB126,294,000 of property, plant and equipment and impairment loss of RMB18,202,000 of intangible assets were recognised in "other net (loss)/income" during the year ended 31 December 2015.

5 OTHER NET (LOSS)/INCOME *(continued)*

(b) Impairment loss of RMB28,598,000 was recognised on the construction project of Lingbao Gold Yili Metallurgical Company Limited ("Yili"), which is under the mining – PRC reportable segment, during the year ended 31 December 2015. The construction project has been suspended. Therefore, the Group identified an impairment indicator and performed an impairment assessment of the related assets, including the construction in progress and the leasehold land owned by Yili, based on their estimated recoverable amounts in accordance with the relevant accounting policy. As a result of the assessment, impairment loss of RMB28,598,000 of the related assets was recognised in "other net (loss)/income" during the year ended 31 December 2015.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2015	2014
	RMB'000	*RMB'000*
Current tax – PRC income tax		
Provision for the year	**18,351**	23,973
Deferred tax		
Origination and reversal of temporary differences	**(11,841)**	7,969
Reversal of deferred tax assets recognised in previous years *(note a)*	**141,127**	7,500
	129,286	15,469
	147,637	39,442

(a) After reviewing the deferred tax assets in respect of the unused tax losses of the Company, the directors considered it no longer probable that sufficient future taxable profits will be available against which the unused tax losses can be utilised before their expiry date, therefore, the Group reversed deferred tax assets of RMB141,127,000 during the year ended 31 December 2015 (2014: reversal of RMB7,500,000).

7 DIVIDENDS

No dividend attributable to the year was declared in 2015 or proposed after the end of the reporting period (2014: Nil). No dividend attributable to previous year was approved or paid in 2015 (2014: Nil).

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB462,162,000 (2014: profit of RMB33,687,000) and 770,249,091 ordinary shares (2014: 770,249,091 shares) in issue during the year ended 31 December 2015.

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share for the current and the prior year is the same as the basic (loss)/earnings per share as there are no dilutive ordinary shares during the years.

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015	2014
	RMB'000	*RMB'000*
		(note 11)
Trade receivables	**381,531**	456,057
Bills receivable	**324,500**	199,905
Less: Allowance for doubtful debts	**(52,171)**	(14,011)
	653,860	641,951
Other receivables, deposits and prepayments	**114,834**	272,399
Less: Allowance for doubtful debts	**(1,934)**	(1,941)
	112,900	270,458
Purchase deposits *(note (d))*	**396,915**	296,848
Less: Allowance for non-delivery	**(100,406)**	(30,707)
	296,509	266,141
Derivative financial assets	**1,652**	–
Amount due from Beijing Jiuyi *(note (e))*	**–**	–
	1,064,921	1,178,550

All of the trade and other receivables, deposits and prepayments are expected to be recovered within one year.

(a) Ageing analysis

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:

	2015	2014
	RMB'000	*RMB'000*
Within three months	**395,181**	456,413
Over three months but less than six months	**207,906**	149,531
Over six months but less than one year	**31,055**	31,691
Over one year but less than two years	**19,718**	4,316
At 31 December	**653,860**	641,951

For sales of gold, the Group requests customers to pay cash in full immediately upon the delivery. For sales of other metallic products, trade and bills receivables are due within 90 days to 180 days from the date of billing.

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

(b) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**542,294**	605,944
Less than one year past due	**96,607**	36,007
Over one year past due	**14,959**	–
	653,860	641,951

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(c) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly.

The movement in the allowance for doubtful receivables during the year is as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**15,952**	8,969
Impairment loss recognised	**38,153**	6,989
Impairment loss written off	**–**	(6)
At 31 December	**54,105**	15,952

At 31 December 2015, the Group's trade and other receivables of RMB54,105,000 (2014: RMB15,952,000) were individually determined to be impaired.

(d) Purchase deposits

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.

Impairment loss in respect of purchase deposits is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against purchase deposits directly.

The movement in the allowance for non-delivery of purchase deposits during the year is as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**30,707**	39,316
Impairment loss recognised/(reversed)	**69,699**	(8,609)
At 31 December	**100,406**	30,707

At 31 December 2015, the Group's purchase deposits of RMB100,406,000 (2014: RMB30,707,000) were individually determined to be impaired.

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

(d) Purchase deposits *(continued)*

As the market price of gold has been in general decreasing during the year ended 31 December 2015, certain suppliers of mineral sand were in significant financial difficulty and ceased the supply of mineral sand to the Group. The Group assessed the recoverability of purchase deposits and concluded that purchase deposits of RMB100,406,000 (2014: RMB30,707,000) were individually determined to be impaired. 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 remaining purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.

(e) Amount due from Beijing Jiuyi

	2015	2014
	RMB'000	*RMB'000*
Amount due from Beijing Jiuyi	**30,800**	30,800
Less: Impairment losses	**(30,800)**	(30,800)
	–	–

The balance due from Beijing Jiuyi was relating to a compensation payment for a proposed acquisition in previous years. The directors considered the balance of RMB30,800,000 would not be recoverable and accordingly, an impairment loss was provided.

10 TRADE AND OTHER PAYABLES

Current trade and other payables:

	2015	2014
	RMB'000	*RMB'000*
Bills payable	**40,000**	30,000
Trade payables	**430,474**	497,217
Other payables and accruals	**405,195**	390,418
Payable for mining rights	**82,956**	81,383
Deferred income *(note (a))*	**59,522**	87,646
Dividend payable	**1,260**	1,260
Payable to non-controlling interests *(note (b))*	**41,008**	35,429
Derivative financial liabilities	**–**	5,077
	1,060,415	1,128,430

Non-current other payables

	2015	2014
Decommissioning costs	**14,844**	13,988
Deferred income *(note (a))*	**100,606**	81,252
	115,450	95,240

10 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.

The ageing analysis of trade payables (which are included in trade and other payables) based on the invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within three months	**381,304**	466,343
Over three months but less than six months	**30,504**	10,265
Over six months but less than one year	**4,627**	5,741
Over one year but less than two years	**8,425**	7,990
Over two years	**5,614**	6,878
	430,474	497,217

11 COMPARATIVE FIGURES

Certain items in the comparative figures have been reclassified to conform with the current year's presentation to facilitate comparison.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business

In 2015, the Group produced approximately 19,104 kg (equivalent to approximately 614,208 ounce) gold, representing a decrease of approximately 465 kg (equivalent to approximately 14,950 ounce) or 2.4% as compared with the previous year. The Group's revenue decreased by 11.4% to approximately RMB5,756,594,000. The loss attributable to the equity shareholders of the Company for the year was approximately RMB462,162,000, while the profit attributable to the equity shareholders of the Company for the previous year was RMB33,687,000. The Company's basic loss per share was RMB0.60. The loss was mainly due to (i) the decrease in profit margin of gold resulted from the decrease in price of gold and average selling price of gold; (ii) the provision made for the impairment losses of trade and other receivables; (iii) the provision made for the impairment of property, plant and equipment; and (iv) reversal of deferred tax assets in respect of the unused tax losses of the Company.

Given that raw materials accounted for over 81% of total production cost, the Group intends to increase its self-produced output of mine gold through expansion of mining operation, and uplift the overall production and operation targets, so as to minimise the risks associated with raw materials purchased from outsiders.

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 inter-segment sales.

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

		2015		2014	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	**1,851**	**1,900**	2,191	2,221
Compound gold	kg	**1,216**	**1,190**	1,230	1,221
Total	kg	**3,067**	**3,090**	3,421	3,442
Total	ounce	**98,606**	**99,346**	109,988	110,663

The total revenue of the mining segment of the Group for 2015 was approximately RMB676,157,000, representing a decrease of approximately 15.3% from approximately RMB798,574,000 in 2014. During the year, revenue of gold mines in Henan, Xinjiang, Inner Mongolia represented approximately 57.7%, 30.9% and 11.4% of the total revenue of the mining segment respectively. The production volume of compound gold of the Group decreased by approximately 14 kg to approximately 1,216 kg while the production volume of its gold concentrates decreased by approximately 340 kg to approximately 1,851 kg.

Segment results

The Group's results of the mining segment for 2015 was profit of approximately RMB5,714,000, as compared to the profit of approximately RMB69,517,000 in 2014. The segment result to segment revenue ratio of the Group's mining segment for 2015 was approximately 0.8%, as compared to approximately 8.7% in 2014. The decrease in the average price of gold in 2015 resulted in the decrease in gross profit margin and revenue of the Group.

Full Gold Mining Limited Liability Company focused on the selection technology upgrading, project construction and mining activities in 2015. 70% of the selection technology upgrading was completed. The technology upgrading is expected to be completed and put into use in mid-2016.

2. Smelting Segment

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

		2015		2014	
Product	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold bullion	kg	**19,104**	**19,213**	19,569	19,418
	ounce	**614,208**	**617,712**	629,158	624,303
Silver	kg	**36,050**	**35,117**	42,150	41,538
	ounce	**1,159,034**	**1,129,038**	1,355,154	1,335,478
Copper products	tonne	**16,308**	**15,450**	16,585	16,663
Sulphuric acid	tonne	**193,955**	**191,314**	193,884	196,458

Sales and production

The Group's total revenue from the smelting segment for 2015 was approximately RMB5,199,665,000, representing a decrease of approximately 8.8% from approximately RMB5,702,978,000 in 2014. Such decrease was mainly attributable to the decrease in our average selling price of gold bullion of approximately 5.8% as compared with the previous year.

The daily processing capacity of the Group was approximately 1,096 tonnes of gold concentrates, and capacity utilisation rate was approximately 100%. The Group's production volume of gold, silver, copper and sulphuric acid increased/(decreased) by approximately (2.4)%, (14.5)%, (1.7)% and 0.0% respectively as compared with the previous year. During the year, the gold recovery rate was approximately 96.3%, the silver recovery rate was approximately 71.0% and the copper recovery rate was approximately 96.3%. The recovery rates of the Group remained at high level.

Segment results

The Group's result of the smelting segment for 2015 was approximately RMB19,548,000, as compared to the profit of approximately RMB152,791,000 in 2014. The segment results to segment revenue ratio of our smelting business in 2015 was approximately 0.4%, as compared to approximately 2.7% in 2014. The significant drop in the selling price of gold in 2015 resulted in the decrease in profit margin of products. The decrease in price of gold resulted in the suspension of gold concentrates supplied by certain suppliers to the Group as they came across financial difficulties. The Group has already made provision for the impairment of purchase deposits to these suppliers.

Outlook

In 2016, the Company will aim to maintain sound, active and professional operation to facilitate its expansion, industrialization and financial development. In order to develop the "three cores", namely the development of gold, smelting of non-ferrous metals and production of copper foil, four major strategic measures will be adopted with focuses on reallocation of resources, technology upgrades and expansion, cost control, enhancement of efficiency and safety and environmental protection. The Company is devoted to developing Lingbao Gold as a leading gold mining company in China through liberalization, cooperation, commitment and dedication.

FINANCIAL INFORMATION

1. Operating Results

Revenue

The Group's sales analysis by products is shown as follows:

	2015			2014		
	Amount *(RMB'000)*	**Sales volume** *(kg/tonne/m²)*	**Unit price** *(RMB per kg/tonne/m²)*	Amount *(RMB'000)*	Sales volume *(kg/tonne)*	Unit price *(RMB per kg/tonne)*
Gold bullion	**4,523,816**	**19,213 kg**	**235,456**	4,855,253	19,418 kg	250,039
Silver	**101,583**	**35,019 kg**	**2,901**	141,405	41,538 kg	3,404
Copper products	**73,215**	**2,050 tonnes**	**35,715**	535,059	12,763 tonnes	41,923
Copper foils	**982,090**	**16,716 tonnes**	**58,752**	952,546	14,933 tonnes	63,788
Flexible copper clad laminate	**8,773**	**85,025*m*²**	**103**	–	–	–
Sulphuric acid	**33,699**	**191,314 tonnes**	**176**	18,488	196,458 tonnes	94
Gold concentrates	**42,622**	**222 kg**	**191,991**	3,878	19kg	204,105
Revenue before tax	**5,765,798**			6,506,629		
Less: Sales tax	**(9,204)**			(10,278)		
	5,756,594			6,496,351		

The Group's revenue for 2015 was approximately RMB5,756,594,000, representing a decrease of approximately 11.4% as compared with the previous year, of which the revenue of gold bullion accounted for 78.6% of its total revenue. Such decrease was mainly attributable to (i) the decrease in our average selling price of gold bullion during the year of approximately 5.8%; and (ii) the decrease in sales volume of copper products of 83.9%. The decrease in sales volume of copper products was mainly because the Group sold products to third parties in 2014 while such products were used in the production of copper foils in 2015.

The Group commenced its copper processing business during the year 2008, mainly involving the production of copper foil. In 2015, the Group continued to accelerate the transformation of lithium copper foil products and expand into high-end market to improve its service quality and expand its product sales. With the dedicated work by all of our staff, the production and sales volume of copper foil were 16,287 tonnes and 16,716 tonnes respectively, representing an increase of approximately 9.0% and 11.9% respectively as compared with last year.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for 2015 were approximately RMB448,532,000 and 7.8% respectively, as compared to the gross profit and gross profit margin for 2014 of RMB574,454,000 and 8.8% respectively. In 2015, the decrease in price and average selling price of products of the Group resulted in the decrease in the profit margin of the Group.

Other revenue

The Group's other revenue for 2015 was approximately RMB42,633,000, representing an increase of approximately 25.1% as compared with approximately RMB34,067,000 for 2014. Such increase was mainly attributable to the increase in government grants of RMB12,080,000.

Other net (loss)/income

The Group's other net loss for 2015 was approximately RMB140,877,000 as compared with a net income of approximately RMB49,875,000 for 2014. The loss was mainly attributable to the impairment losses of property, plant and equipment and construction in progress of approximately RMB173,094,000.

Selling and distribution expenses

The Group's selling and distribution expenses for 2015 were approximately RMB29,460,000, representing a decrease of approximately 10.6% as compared with the previous year. Such decrease was mainly attributable to the decline of the business and corresponding decrease in selling and distribution expenses.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses for 2015 were approximately RMB430,387,000, representing an increase of approximately 31.6% as compared with approximately RMB327,022,000 for 2014. The increase was mainly due to the recognition of the impairment losses of purchase deposits of certain suppliers and trade receivables of approximately RMB107,852,000 in 2015.

Finance costs

The Group's finance costs for 2015 were approximately RMB245,358,000, representing an increase of approximately 1.5% as compared with approximately RMB241,736,000 for 2014. Such increase was mainly attributable to the increase in average bank loans during the reporting period.

Loss attributable to the Company's equity shareholders

The loss attributable to our equity shareholders in 2015 was approximately RMB462,162,000, as compared to the profit attributable to our equity shareholders in 2014 of approximately RMB33,687,000. The basic loss per share was RMB0.60. The Group does not recommend the payment of final dividend for the year ended 31 December 2015.

2. Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 31 December 2015 amounted to RMB1,240,352,000 (31 December 2014: RMB548,820,000).

The total equity of the Group as at 31 December 2015 amounted to RMB1,172,480,000 (31 December 2014: RMB1,693,515,000). As at 31 December 2015, the Group had current assets of RMB3,818,730,000 (31 December 2014: RMB3,384,708,000) and current liabilities of RMB5,558,914,000 (31 December 2014: RMB3,268,473,000). The current ratio was 0.69 (31 December 2014: 1.04).

As at 31 December 2015, the Group had total outstanding bank loans of approximately RMB4,430,495,000 with interest rates ranging from 1.81% to 6.15% per annum, of which approximately RMB3,771,699,000 was repayable within one year, approximately RMB419,159,000 was repayable after one year but within two years while approximately RMB239,637,000 was repayable after two years. The gearing ratio as at 31 December 2015 was 68.3% (31 December 2014: 58.7%) which was calculated by total borrowings including Medium Term Notes divided by total assets.

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

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

3. Security

As at 31 December 2015, bank loans of the Group amounting to RMB245,458,000 were secured by the mining right of Istanbul Gold Mine with a carrying amount amounting to RMB100,752,000 and the ordinary shares of Full Gold, a subsidiary located in KR.

As at 31 December 2015, Lingbao State-owned Assets Management Co, Ltd. acted as a guarantor of a bank loan of RMB324,680,000.

4. Substantial Acquisition

During the reporting period, the Group had no substantial acquisition.

5. Market Risks

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

Gold price and other commodities price risk

The Group's turnover and profit for the year were affected by fluctuations in the gold prices and other commodities price as all our products are sold at the market prices and such fluctuation is beyond our control. We do not use and strictly prohibit the use of commodity derivative instruments or futures for speculation purpose, and all commodity derivative instruments are used to minimise the potential price fluctuation of gold and other commodities.

Interest rate

The Group is exposed to risks resulting from the fluctuation in interest rates on our debt obligations. The Group undertakes debt obligations for supporting capital expenditure and general working capital. Our bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant regulations of the People's Bank of China. 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 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 a result, fluctuations in exchange rates may affect the international and domestic gold price, and our results of operation may be affected. Renminbi is not freely convertible and the currency would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi.

In addition to the foregoing, the exchange rate risks to which the Group exposes are mainly from certain bank deposits, trade and other receivables, trade and other payables and bank loans, which are denominated in foreign currencies. The currency giving rise to 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.

6. Contractual Obligations

As at 31 December 2015, the Group's total capital commitments in respect of the construction costs which were not provided for in the financial statements were approximately RMB165,173,000, representing an increase of approximately RMB87,183,000 from approximately RMB77,990,000 as at 31 December 2014.

As at 31 December 2015, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB13,927,000, of which approximately RMB2,951,000 was payable within one year, approximately RMB9,051,000 was payable after one year but within five years, and approximately RMB1,925,000 was payable after five years.

7. Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities.

8. Capital Expenditure

During the year 2015, the Group's capital expenditure was approximately RMB273,858,000, representing a decrease of approximately 13.2% from approximately RMB315,584,000 in 2014.

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

9. Human Resources

In 2015, the average number of employees of the Group was 6,505. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

CORPORATE GOVERNANCE

After our listing of H Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 January 2006, the Company has complied with all Code Provisions under the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, save for the deviation from Code Provision A.2.7 (the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present) and Code Provision A.4.2 (directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment).

Code Provision A.2.7 provides that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year 2015, all meetings were held with the executive directors' presence. However, the chairman has delegated the secretary to the Board to gather any concerns and/or questions that the non-executive directors and the independent non-executive directors might have and report to him and arrange a meeting with them.

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

AUDIT COMMITTEE

The audit committee comprises one non-executive director and three independent non-executive directors, namely Yang Dongsheng (Chairman), Shi Yuchen, Han Qinchun and Wang Jiheng.

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters regarding the preliminary final results for the year ended 31 December 2015 together with the management of the Group. The audit committee has also reviewed the annual results for the year with the Company's external auditor. The audit committee is of the opinion that the financial statements for the year have complied with applicable accounting standards and appropriate disclosures have been made.

PURCHASE, SALES OR REDEMPTION OF SHARES OF THE COMPANY

For the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

DIVIDENDS

At the board meeting held on 30 March 2016, the directors do not recommend the payment of final dividend for the year ended 31 December 2015 (2014: RMBNil).

CLOSURE OF REGISTER

The register of members of the Company will be closed from Monday, 9 May 2016 to Tuesday, 7 June 2015, (both days inclusive), during which period no transfer of shares will be registered. In order for the shareholders to qualify for attending the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office address of the Company at Hangu Road and Jingshan Road Intersection, Lingbao, Henan, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Friday, 6 May 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by directors and supervisors. Having made specific enquiry of all the Company's directors, all directors and supervisors of the Company have confirmed that they had fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT

This result announcement has been published on the website of Hong Kong Exchanges and Clearing Limited ("HK Exchange"), www.hkexnews.hk, and the website of the Company, www.irasia.com/listco/hk/lingbao. The 2015 Annual 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 Company Ltd.
Jin Guangcai
Chairman

Hong Kong, 30 March 2016

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Jin Guangcai, Mr. Qiang Shanfeng, Mr. Ji Wanxin, Mr. Xing Jiangze, Mr. Zhang Guo and Mr. Zhou Yudao; one non-executive director, namely Mr. Shi Yuchen; and four independent non-executive directors, namely Mr. Yang Dongsheng, Mr. Han Qinchun, Mr. Wang Jiheng and Mr. Wang Guanghua.