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LINGJIN

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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 2016**

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 2016, which have been reviewed by the Company’s Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 31 December 2016*

		2016	2015
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Revenue	3	6,054,620	5,756,594
Cost of sales		<u>(5,394,025)</u>	<u>(5,308,062)</u>
Gross profit		660,595	448,532
Other revenue	4	27,676	42,633
Other net loss	5	(127,216)	(140,877)
Selling and distribution expenses		(37,746)	(29,460)
Administrative expenses and other operating expenses		<u>(370,831)</u>	<u>(430,387)</u>
Profit/(loss) from operations		152,478	(109,559)
Finance costs		<u>(230,232)</u>	<u>(245,358)</u>
Loss before taxation		(77,754)	(354,917)
Income tax	6	<u>(14,618)</u>	<u>(147,637)</u>
Loss for the year		<u>(92,372)</u>	<u>(502,554)</u>
Attributable to:			
Equity shareholders of the Company		(77,456)	(462,162)
Non-controlling interests		<u>(14,916)</u>	<u>(40,392)</u>
Loss for the year		<u>(92,372)</u>	<u>(502,554)</u>
Basic and diluted loss per share (cents)	8	<u>(10)</u>	<u>(60)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Loss for the year	(92,372)	(502,554)
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	<u>(28,504)</u>	<u>(18,481)</u>
Total comprehensive income for the year	<u>(120,876)</u>	<u>(521,035)</u>
Attributable to:		
Equity shareholders of the Company	(100,304)	(476,859)
Non-controlling interests	<u>(20,572)</u>	<u>(44,176)</u>
Total comprehensive income for the year	<u>(120,876)</u>	<u>(521,035)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Note</i>	2016 RMB'000	2015 RMB'000 <i>(note 12)</i>
Non-current assets			
Property, plant and equipment		2,299,516	2,027,813
Construction in progress		309,125	395,112
Intangible assets		711,358	731,923
Goodwill		7,302	7,302
Lease prepayments		163,366	169,038
Interest in associates		8,600	–
Other financial assets		40,504	19,714
Non-current prepayments		168,988	177,336
Deferred tax assets		185,406	161,171
Other non-current assets		22,121	–
		<u>3,916,286</u>	<u>3,689,409</u>
Current assets			
Inventories		1,149,214	1,496,622
Trade and other receivables, deposits and prepayments	9	1,085,212	1,064,921
Assets classified as held for sale		5,423	7,539
Current tax recoverable		10,805	9,296
Pledged deposits		158,274	122,828
Cash and cash equivalents		1,164,569	1,117,524
		<u>3,573,497</u>	<u>3,818,730</u>
Current liabilities			
Bank and other borrowings		3,255,771	3,771,699
Debenture payable		–	700,000
Trade and other payables	10	1,171,875	1,061,901
Loan from shareholders		23,800	23,800
Current tax payable		11,087	1,514
		<u>4,462,533</u>	<u>5,558,914</u>
Net current liabilities		<u>(889,036)</u>	<u>(1,740,184)</u>
Total assets less current liabilities		<u>3,027,250</u>	<u>1,949,225</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**At 31 December 2016*

	<i>Note</i>	2016 RMB'000	2015 <i>RMB'000</i>
Non-current liabilities			
Bank and other borrowings		1,817,738	658,796
Other payables	<i>10</i>	152,636	115,450
Deferred tax liabilities		5,272	2,499
		<u>1,975,646</u>	<u>776,745</u>
NET ASSETS		1,051,604	1,172,480
CAPITAL AND RESERVES			
Share capital		154,050	154,050
Reserves		965,094	1,065,398
Total equity attributable to equity shareholders of the Company		1,119,144	1,219,448
Non-controlling interests		(67,540)	(46,968)
TOTAL EQUITY		1,051,604	1,172,480

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 2016, the Group had net current liabilities of RMB889,036,000 (which included cash and cash equivalents of RMB1,164,569,000), total borrowings of RMB5,073,509,000 and capital commitments of RMB258,712,000. 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 2016, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that 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 accordingly, the financial statements have been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

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

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

3 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:

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of:		
– Gold	4,534,592	4,523,816
– Other metals	1,524,732	1,208,283
– Others	5,969	33,699
Less: Sales taxes and levies	(10,673)	(9,204)
	<u>6,054,620</u>	<u>5,756,594</u>

The Group has only one customer with whom transactions have exceeded 10% of the Group's revenues (2015: one). In 2016, revenues from sales of gold products to this customer amounted to approximately RMB4,534,592,000 (2015: RMB4,523,816,000) arose in the Henan Province, the PRC.

4 OTHER REVENUE

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Total interest income on financial assets not at fair value through profit or loss	11,576	7,610
Government grants	8,022	26,197
Scrap sales	7,125	7,292
Sundry income	953	1,534
	<u>27,676</u>	<u>42,633</u>

5 OTHER NET LOSS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Net realised and unrealised (loss)/gain on financial instruments at fair value	(75,036)	11,350
Net (loss)/gain on disposal of property, plant and equipment and intangible assets	(13,813)	6,588
Net foreign exchange (loss)/gain	(5,129)	13,057
Impairment losses of:		
– property, plant and equipment	–	(126,294)
– construction in progress (<i>note (a)</i>)	(4,021)	(28,598)
– intangible assets (<i>note (b)</i>)	(28,781)	(18,202)
Net gain on disposal of other investments	773	–
Others	(1,209)	1,222
	<u>(127,216)</u>	<u>(140,877)</u>

- (a) The construction project of Lingbao Gold Yili Metallurgical Company Limited (“Yili”), which is under the mining – PRC reportable segment has been suspended. The Group determined that the recoverable amounts for the construction in progress is RMB nil. As a result, full impairment loss provision of RMB4,021,000 in respect of the related assets was made and recognised in “other net loss” during the year ended 31 December 2016.
- (b) Impairment loss of RMB28,781,000 was recognised on certain exploration and evaluation assets of Habahe Huatai Gold Company Limited (“Huatai”), which is under the mining – PRC reportable segment, during the year ended 31 December 2016. The Group’s management concluded that the possibility of extending the related exploration rights is low. As a result, a full impairment loss of RMB28,781,000 in respect of the related assets was recognised in “other net loss” during the year ended 31 December 2016.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Current tax – PRC income tax		
Provision for the year	36,508	18,351
Over-provision in respect of prior year	(428)	–
	<u>36,080</u>	<u>18,351</u>
Deferred tax		
Origination and reversal of temporary differences	(21,462)	129,286
	<u>14,618</u>	<u>147,637</u>

7 DIVIDENDS

No dividend attributable to the year was declared in 2016 or proposed after the end of the reporting period (2015: Nil). No dividend attributable to previous year was approved or paid in 2016 (2015: Nil).

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB77,456,000 (2015: loss of RMB462,162,000) and 770,249,091 ordinary shares (2015: 770,249,091 shares) in issue during the year ended 31 December 2016.

(b) Diluted loss per share

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

9 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	472,641	381,531
Bills receivable	215,978	324,500
Less: Allowance for doubtful debts	(73,833)	(52,171)
	<u>614,786</u>	<u>653,860</u>
Other receivables, deposits and prepayments	119,885	114,834
Less: Allowance for doubtful debts	(7,318)	(1,934)
	<u>112,567</u>	<u>112,900</u>
Purchase deposits (<i>note (d)</i>)	491,774	396,915
Less: Allowance for non-delivery	(138,788)	(100,406)
	<u>352,986</u>	<u>296,509</u>
Financial assets at fair value through profit or loss	4,873	1,652
Amount due from Beijing Jiuyi (<i>note (e)</i>)	—	—
	<u>1,085,212</u>	<u>1,064,921</u>

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

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

(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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within three months	472,066	395,181
Over three months but less than six months	114,222	207,906
Over six months but less than one year	18,448	31,055
Over one year	10,050	19,718
	<u>614,786</u>	<u>653,860</u>
At 31 December	<u>614,786</u>	<u>653,860</u>

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) 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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Neither past due nor impaired	289,799	542,294
Less than one year past due	2,119	96,607
Over one year past due	–	14,959
	<u>291,918</u>	<u>653,860</u>

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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
At 1 January	54,105	15,952
Impairment loss recognised	35,472	38,153
Impairment loss written off	(8,426)	–
	<u>81,151</u>	<u>54,105</u>
At 31 December	<u>81,151</u>	<u>54,105</u>

At 31 December 2016, the Group's trade and other receivables of RMB64,135,000 (2015: RMB54,105,000) were individually determined to be impaired.

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

(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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
At 1 January	100,406	30,707
Impairment loss recognised	38,382	69,699
At 31 December	138,788	100,406

At 31 December 2016, the Group assessed the recoverability of purchase deposits and concluded that purchase deposits of RMB138,788,000 (2015: RMB100,406,000) were individually determined to be impaired, and therefore full provision was made. The management considered 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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
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 Group determined that 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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> <i>(Note 12)</i>
Bills payable	80,000	40,000
Trade payables	369,704	430,474
Other payables and accruals	517,500	406,681
Payable for mining rights	86,539	82,956
Deferred income <i>(note (a))</i>	73,020	59,522
Dividend payable	1,260	1,260
Payable to non-controlling interests <i>(note (b))</i>	43,808	41,008
Financial liabilities at fair value through profit or loss	44	–
	<u>1,171,875</u>	<u>1,061,901</u>

Non-current other payables

Decommissioning costs <i>(note (c))</i>	51,192	14,844
Deferred income <i>(note (a))</i>	101,444	100,606
	<u>152,636</u>	<u>115,450</u>

- (a) Deferred income represents grants received from the government for the exploration of mines, construction of mining related assets and machinery of copper products. When certain conditions are met, the government grants are recognised as income over the periods necessarily to match them with the related costs of assets constructed which they are intended to compensate over the periods and in the proportion in which depreciation on those assets is charged.
- (b) Payable to non-controlling interests is unsecured, interest free and repayable on demand.
- (c) The decommissioning costs relate to reclamation and closure costs relating to the Group's mine operations. The decommissioning costs are calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, discounted at 4.9% which amounted to RMB51,192,000 (2015: RMB14,844,000) in total, as at 31 December 2016.

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within three months	318,557	381,304
Over three months but less than six months	18,585	30,504
Over six months but less than one year	10,056	4,627
Over one year but less than two years	11,622	8,425
Over two years	10,884	5,614
	<u>369,704</u>	<u>430,474</u>

11 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 25 January 2017, the Company's smelting branch in Lingbao City, Henan Province received an "Emergency notice in relation to immediate suspension of production of enterprises involving emission of heavy metals pollutant" (《關於對轄區內涉及含重金屬污染物排放企業立即進行停產整治的緊急通知》) (the "Emergency Notice") issued by Lingbao Municipal Environmental Protection Commission Office (《靈寶市環境保護委員會辦公室》) (the "Commission"). Due to the excessive levels of emission of heavy metals pollutant in the Hongnongjian river, Yangping river and Zaoxiang river, there is a serious threat to the water quality of the downstream Sanmenxia reservoir. With effect from the date of the Emergency Notice, the Commission ordered the suspension of the production of seven enterprises including the Company's smelting branch to eliminate the pollution and restore the river water quality and safety.

Since the above suspension, the Company has actively carried out rectification work and upgraded the pollution control facilities. After the Commission's on-site inspection of the Company smelting branch, the Company received a notice from the Commission on 20 March 2017 to relieve the suspension of production of the Company smelting branch and allows the Company to start the trial production.

12 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 2016, the Group produced approximately 17,032 kg (equivalent to approximately 547,591 ounce) gold, representing a decrease of approximately 2,072 kg (equivalent to approximately 66,617 ounce) or 10.8% as compared with the previous year. The Group's revenue increased by 5.2% to approximately RMB6,054,620,000. The loss attributable to the equity shareholders of the Company for the year was approximately RMB77,456,000, while the loss attributable to the equity shareholders of the Company for the previous year was RMB462,162,000. The Company's basic loss per share was RMB0.10. The decrease in loss as compared to the previous year was mainly due to (i) the increase in prices of gold, copper and other products as compared to 2015; and (ii) the significant decrease in the impairment of property, plant and equipment as compared to 2015;

Given that raw materials accounted for over 79% of total production cost, the Group intends to increase its self-produced output of gold mine through expansion of mining operation scale, 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 within the Group.

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

		2016		2015	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	1,684	1,609	1,851	1,900
Compound gold	kg	1,273	1,156	1,216	1,190
Total	kg	2,957	2,765	3,067	3,090
Total	ounce	95,070	88,897	98,606	99,346

The total revenue of the mining segment of the Group for 2016 was approximately RMB734,733,000, representing an increase of approximately 8.7% from approximately RMB676,157,000 in 2015. During the year, revenue of gold mines in Henan, Xinjiang, Inner Mongolia and Kyrgyzstan represented approximately 52.5%, 32.6%, 10.8% and 4.1% of the total revenue of the mining segment, respectively. The production volume of compound gold of the Group increased by approximately 57 kg to approximately 1,273 kg while the production volume of its gold concentrates decreased by approximately 167 kg to approximately 1,684 kg.

Segment results

The Group's results of the mining segment for 2016 was loss of approximately RMB3,668,000, as compared to the profit of approximately RMB5,714,000 in 2015. The segment result to segment revenue ratio of the Group's mining segment for 2016 was approximately (0.5)%, as compared to approximately 0.8% in 2015. The increase in the average selling price of gold was less than the increase in the average cost in year 2016, which resulted in the decrease in gross profit margin with the increased revenue of the mining segment.

The technology upgrading of the processing plant of Full Gold Mining Limited Liability Company ("**Full Gold**") had been completed. The processing plant had been put into production in the second half of 2016, and had produced contained gold of approximately 85 kg (approximately 2,733 ounce) and compound gold of approximately 121 kg (approximately 3,890 ounce). In 2017, Full Gold will continuously optimize its production procedure in the new upgraded processing plant.

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:

Product	Unit	2016		2015	
		Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold bullion	kg	17,032	17,105	19,104	19,213
	ounce	547,591	549,938	614,208	617,712
Silver	kg	40,824	41,695	36,050	35,117
	ounce	1,312,522	1,340,525	1,159,034	1,129,038
Copper products	tonne	12,666	13,410	16,308	15,450
Sulphuric acid	tonne	172,204	175,080	193,955	191,314

Sales and production

The Group's total revenue from the smelting segment for 2016 was approximately RMB5,093,715,000, representing a decrease of approximately 2.0% from approximately RMB5,199,665,000 in 2015.

The daily processing capacity of gold concentrates of the Group was approximately 953 tonnes, at a production utilisation rate of approximately 100%. The Group's production volume of gold, silver, copper and sulphuric acid increased/(decreased) by approximately (10.8)%, 13.2%, (22.3)% and (11.2)%, respectively as compared with the previous year. During the year, the gold recovery rate was approximately 96.3%, the silver recovery rate was approximately 71.3% and the copper recovery rate was approximately 91.6%. The recovery rates of the Group remained at a relatively high level.

Segment results

The Group's result of the smelting segment for 2016 was a total profit of approximately RMB189,612,000, as compared to the total profit of approximately RMB19,548,000 in 2015. The segment results to segment revenue ratio of our smelting business in 2016 was approximately 3.7%, as compared to approximately 0.4% in 2015. The profits of segment results in 2016 increased significantly as compared with the previous year was mainly due to the increase in our average selling price of gold bullion.

Outlook

In 2017, the Group is aiming to facilitate production with reformation, and increase efficiency through management. We will follow the reformation as the guide, and utilize technology and management as our binary measure. We will set the goal to broaden sources of income, reduce expenditures and enhance the efficiency. We will monitor our business with planning and inspections, and ensure the safety and environment protection of our business. We will actively and stably develop the Company in a high-quality, high-efficiency, environmental friendly, civilized and sustainable way. The Group will make full use of its advantages, and resolve the problems occur during development through a series of reformation and the enhancement of management. Instead of an impulse action or a blind action, the Group will seize the opportunity and proactively follow the trend. The Group will spare no efforts in anything, while knowing its limits. The Group will focus on risks, and pay more attention to chances, since chances can only be discovered but not sought. We will keep the spirit of persistent to develop our national layout based on Lingbao. We will stride forward step by step to bring forth the name of Lingbao Gold as a new corporate of gold with international view.

FINANCIAL INFORMATION

1. Operating Results

Revenue

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

	2016			2015		
	Amount	Sales volume	Unit price	Amount	Sales volume	Unit price
	(RMB'000)	(kg/tonne /m ²)	(RMB per kg/tonne/m ²)	(RMB'000)	(kg/tonne)	(RMB per kg/tonne)
Gold bullion	4,534,592	17,105 kg	265,103	4,523,816	19,213 kg	235,456
Silver	133,459	41,695 kg	3,201	101,583	35,019 kg	2,901
Copper cathode	56,985	1,820 tonnes	31,310	73,215	2,050 tonnes	35,715
Copper foils	1,168,659	19,493 tonnes	59,953	982,090	16,716 tonnes	58,752
Flexible copper clad laminate	10,968	100,725m ²	85	8,773	85,025m ²	103
Sulphuric acid	5,969	175,080 tonnes	34	33,699	191,314 tonnes	176
Gold concentrates	154,661	659 kg	234,690	42,622	222 kg	191,991
Revenue before tax	6,065,293			5,765,798		
Less: Sales tax	(10,673)			(9,204)		
	<u>6,054,620</u>			<u>5,756,594</u>		

The Group's revenue for 2016 was approximately RMB6,054,620,000, representing an increase of approximately 5.2% as compared with the previous year, of which the revenue of gold bullion accounted for 74.9% of its total revenue. Such increase was mainly attributable to (i) the increase in our average selling price of gold bullion during the year of approximately 12.6%; and (ii) the increase in our average selling price of copper foils of approximately 2.2%.

The Group commenced its copper processing business during the year 2008, mainly involving the production of copper foil. In 2016, the Group continued to accelerate the transformation of lithium battery copper foil products and expanded 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 18,874 tonnes and 19,493 tonnes, respectively, representing an increase of approximately 15.9% and 16.6%, respectively as compared with those of previous year.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for 2016 were approximately RMB660,595,000 and 10.9%, respectively, as compared to the gross profit and gross profit margin for 2015 of RMB448,532,000 and 7.8%, respectively. In 2016, the increase in our average selling price of products of the Group resulted in the increase in the profit margin of the Group of 3.1% as compared with that of the previous year.

Other revenue

The Group's other revenue for 2016 was approximately RMB27,676,000, representing a decrease of approximately 35.1% as compared with approximately RMB42,633,000 for 2015. Such decrease was mainly attributable to the decrease in government grants of RMB18,175,000.

Other loss

The Group's other net loss for 2016 was approximately RMB127,216,000 as compared with other net loss of approximately RMB140,877,000 for 2015. Such decrease was mainly attributable to (i) a decrease in the impairment losses of property, plant and equipment construction in progress and intangible assets of approximately RMB140,292,000; and (ii) an increase in the realised and unrealised losses on financial instruments at fair value of approximately RMB86,386,000.

Selling and distribution expenses

The Group's selling and distribution expenses for 2016 were approximately RMB37,746,000, representing an increase of approximately 28.1% as compared with the previous year. Such increase was mainly attributable to the increase of the copper foils business, and corresponding increase in selling and distribution expenses.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses for 2016 were approximately RMB370,831,000, representing a decrease of approximately 13.8% as compared with approximately RMB430,387,000 for 2015. The decrease was mainly due to (i) the decrease in the impairment losses of purchase deposits and trade receivables of approximately RMB33,999,000 in 2016; and (ii) the decrease of suspension loss of Full Gold of approximately RMB10,390,000.

Finance costs

The Group's finance costs for 2016 were approximately RMB230,232,000, representing a decrease of approximately 6.2% as compared with approximately RMB245,358,000 for 2015. Such decrease was mainly attributable to the decrease in average bank loans interest rate during the reporting period.

Loss attributable to the Company's equity shareholders

The loss attributable to our equity shareholders of the Company in 2016 was approximately RMB77,456,000, as compared to the loss attributable to our equity shareholders of the Company in 2015 of approximately RMB462,162,000. The basic loss per share was RMB0.10. The Group does not recommend the payment of final dividend for the year ended 31 December 2016.

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 2016 amounted to RMB1,322,843,000 (31 December 2015: RMB1,240,352,000).

The total equity of the Group as at 31 December 2016 amounted to RMB1,051,604,000 (31 December 2015: RMB1,172,480,000). As at 31 December 2016, the Group had current assets of RMB3,573,497,000 (31 December 2015: RMB3,818,730,000) and current liabilities of RMB4,462,533,000 (31 December 2015: RMB5,558,914,000). The current ratio was 0.80 (31 December 2015: 0.69).

As at 31 December 2016, the Group had total outstanding bank and other borrowings of approximately RMB5,073,509,000 with interest rates ranging from 2.20% to 5.75% per annum, of which approximately RMB3,255,771,000 was repayable within one year, approximately RMB498,395,000 was repayable after one year but within two years, and approximately RMB1,319,343,000 was repayable after two years. The gearing ratio as at 31 December 2016 was 67.7% (31 December 2015: 68.3%) which was calculated by total borrowings including Medium Term Notes divided by total assets.

As at 31 December 2016, the Group had unutilised bank facilities of RMB2,155,866,000 which could be drawn down by the Group to finance its operation when necessary.

3. Security

As at 31 December 2016, bank loans of the Group amounting to RMB175,506,000 were secured by the mining right of Istanbul Gold Mine with a carrying amount amounting to RMB81,637,000 and equity interests in Full Gold, a subsidiary located in KR.

As at 31 December 2016, Lingbao State-owned Assets Management Co, Ltd. acted as a guarantor of bank loans of RMB603,519,000.

As at 31 December 2016, the machinery and equipment with carrying value amounting to RMB389,238,000 and equity interests in Lingbao Wason Copper-Foil Company Ltd. were pledged for a loan of RMB385,000,000 from a leasing company.

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, as well as 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 were sold at the market prices, where such fluctuation was beyond our control. The Group do not use and strictly prohibit 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

The Group is exposed to risks associated with the fluctuation in interest rates on our debt obligations. The Group undertakes debt obligations for supporting capital expenditure and general 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 price, and our operation results 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 2016, the Group's total capital commitments in respect of the construction costs which were not provided for in the financial statements were approximately RMB43,283,000, representing a decrease of approximately RMB121,890,000 from approximately RMB165,173,000 as at 31 December 2015.

As at 31 December 2016, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB14,148,000, of which approximately RMB2,700,000 was payable within one year, approximately RMB9,137,000 was payable after one year but within five years, and approximately RMB2,311,000 was payable after five years.

7. Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

8. Capital Expenditure

In 2016, the Group's capital expenditure was approximately RMB411,229,000, representing an increase of approximately 50.2% from approximately RMB273,858,000 in 2015.

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

9. Employees

In 2016, the average number of employees of the Group was 6,566. 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 one meeting 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 one meeting with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year 2016, 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 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 listing issuer. 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 four independent non-executive directors, namely Yang Dongsheng (Chairman), Shi Yuchen, Han Qinchun, Wang Jiheng and Wang Guanghua.

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 2016 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 accounting standards and appropriate disclosures have been made.

PURCHASE, SALES OR REDEMPTION OF SHARES OF THE COMPANY

For the year ended 31 December 2016, 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 31 March 2017, the directors do not recommend the payment of final dividend for the year ended 31 December 2016 (2015: RMB nil).

CLOSURE OF REGISTER

The register of members of the Company will be closed from Monday, 15 May 2017 to Tuesday, 13 June 2017, 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 17M 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, 12 May 2017.

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 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 2016.

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 2016 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.
Chen Jianzheng
Chairman

Hong Kong, 31 March 2017

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Chen Jianzheng, Mr. Wang Leo, Ms. Zhou Xing, Mr. Zhao Kun, and Mr. Xing Jiangze; 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.