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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of Lingbao Gold Group 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 2018, which have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 *RMB'000*	2017 (Restated) *(Note 7)* *RMB'000*
Continuing operations:			
Revenue	3	**3,781,660**	4,176,572
Cost of sales		**(3,615,797)**	(3,860,994)
Gross profit		**165,863**	315,578
Other revenue	4	**23,143**	35,132
Other net loss	5	**(334,011)**	(35,972)
Selling and distribution expenses		**(6,125)**	(7,349)
Administrative expenses and other operating expenses		**(940,754)**	(295,170)
(Loss)/profit from operations		**(1,091,884)**	12,219
Finance costs		**(256,277)**	(199,516)
Loss before taxation		**(1,348,161)**	(187,297)
Income tax	6	**169,236**	(17,885)
Loss for the year from continuing operations		**(1,178,925)**	(205,182)
Discontinued operations:			
Profit for the year from discontinued operations	7	**1,956,759**	255,820
Profit for the year		**777,834**	50,638

	Note	2018	2017 (Restated) *(Note 7)*
		RMB'000	*RMB'000*
Attributable to:			
Equity shareholders of the Company			
— continuing operations		**(1,160,046)**	(178,336)
— discontinued operations		**1,956,208**	258,170
		796,162	79,834
Non-controlling interests			
— continuing operations		**(18,879)**	(26,846)
— discontinued operations		**551**	(2,350)
		(18,328)	(29,196)
Profit for the year		**777,834**	50,638
Basic and diluted (loss)/earnings per share (RMB cents)	9		
— continuing operations		**(135.7)**	(23.1)
— discontinued operations		**228.8**	33.5
		93.1	10.4

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017 (Restated) *(Note 7)*
	RMB'000	*RMB'000*
Profit for the year	**777,834**	50,638
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		
— continuing operations	**(31,228)**	31,120
— discontinued operations	**—**	—
Total comprehensive income for the year	**746,606**	81,758
Attributable to:		
Equity shareholders of the Company		
— continuing operations	**(1,185,215)**	(153,383)
— discontinued operations	**1,956,208**	258,170
	770,993	104,787
Non-controlling interests		
— continuing operations	**(24,938)**	(20,679)
— discontinued operations	**551**	(2,350)
	(24,387)	(23,029)
Total comprehensive income for the year	**746,606**	81,758

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**1,325,917**	2,111,998
Construction in progress		**395,590**	526,191
Intangible assets		**630,205**	730,398
Goodwill		**4,717**	7,302
Lease prepayments		**122,737**	209,660
Interest in associates		**22,531**	21,531
Other financial assets		**4,520**	10,504
Investment deposits		**84,600**	—
Non-current prepayments		**10,571**	185,980
Deferred tax assets		**347,025**	187,299
Other non-current assets		**27,347**	33,361
		2,975,760	4,024,224
Current assets			
Inventories		**1,029,544**	1,375,052
Trade and other receivables, deposits and prepayments	10	**2,833,085**	1,204,982
Assets classified as held for sale		**—**	5,423
Current tax recoverable		**13,349**	6,601
Pledged deposits		**549,841**	874,958
Cash and cash equivalents		**811,237**	455,427
		5,237,056	3,922,443
Current liabilities			
Bank and other borrowings		**3,804,767**	3,380,986
Trade and other payables	11	**1,369,338**	1,499,349
Contract liabilities		**32,621**	—
Loan from shareholders		**—**	13,800
Current tax payable		**131,475**	7,227
		5,338,201	4,901,362
Net current liabilities		**(101,145)**	(978,919)
Total assets less current liabilities		**2,874,615**	3,045,305

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	**2018** **RMB'000**	2017 *RMB'000*
Non-current liabilities			
Bank and other borrowings		**765,184**	1,512,425
Other payables	11	**166,169**	144,860
Deferred tax liabilities		**5,836**	4,658
		937,189	1,661,943
NET ASSETS		**1,937,426**	1,383,362
CAPITAL AND RESERVES			
Share capital		**172,850**	154,050
Reserves		**1,893,599**	1,069,881
Total equity attributable to equity shareholders of the Company		**2,066,449**	1,223,931
Non-controlling interests		**(129,023)**	159,431
TOTAL EQUITY		**1,937,426**	1,383,362

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 2018, the Group had net current liabilities of RMB101 million, total borrowings of RMB4,570 million and capital commitments of RMB567 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 31 December 2018, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities of RMB1,262 million, ability to renew or refinance the banking facilities upon maturity, 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.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, Financial instruments

(ii) HKFRS 15, Revenue from contracts with customers

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The Group has been impacted by HKFRS 9 in relation to classification and measurement of financial assets, and impacted by HKFRS 15 in relation to presentation of contract liabilities. Other developments has not had a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented in the financial report.

(i) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Fair value adjustment for other financial assets	3,121
Related tax	(780)
Net increase in retained earnings at 1 January 2018	2,341

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(i) HKFRS 9, Financial instruments *(continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(a) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 *RMB'000*	Reclassification *RMB'000*	Remeasurement *RMB'000*	**HKFRS 9 carrying amount at 1 January 2018** ***RMB'000***
Financial assets carried at costs				
Other financial assets *(note (i))*	10,504	(10,504)	—	**—**
Financial assets carried at FVPL				
Other financial assets *(note (i))*	—	10,504	3,121	**13,625**

Notes:

(i) Under HKAS 39, equity securities not held for trading were classified as other financial assets. These equity securities are classified as at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(i) HKFRS 9, Financial instruments *(continued)*

(b) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except that, information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018. Under the transition method chosen, there is no significant cumulative effect of the initial application of HKFRS 15 recognised by the Group as an adjustment to the opening balance of equity at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(a) Presentation of contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustment at 1 January 2018, as a result of the adoption of HKFRS 15:

"Advances received" amounting to RMB32,669,000 as at 1 January 2018, which were mainly related to sales of goods and previously included in "trade and other payables" are now included under "contract liabilities".

3 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.

(i) Disaggregation of Revenue

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

	2018	2017
		(Note)
		(Restated)
		(Note 7)
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
Continuing operations:		
— Sales of gold	**2,985,892**	3,584,325
— Sales of other metals	**680,275**	470,768
— Others	**118,116**	126,532
Less: Sales taxes and levies	**(2,623)**	(5,053)
	3,781,660	4,176,572
Discontinued operations:		
— Sales of copper foil	**1,593,083**	1,726,660
— Other	**17,343**	15,903
Less: Sales taxes and levies	**(8,059)**	(8,039)
	1,602,367	1,734,524
	5,384,027	5,911,096

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information was prepared in accordance with HKAS 18.

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

The Group has only one customer with whom transactions have exceeded 10% of the Group's revenues (2017: one). In 2018, revenues from sales of gold products to this customer amounted to approximately RMB2,695,472,000 (2017: RMB3,537,906,000) arose in the Henan Province, the PRC.

3 REVENUE *(continued)*

ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for other metals such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations under the contracts for sales of other metals that had an original expected duration of one year or less.

4 OTHER REVENUE

	2018	2017
		(Restated)
		(Note 7)
	RMB'000	*RMB'000*
Continuing operations:		
Interest income on financial assets measured at amortised cost	**11,410**	25,594
Government grants	**5,529**	5,318
Scrap sales	**4,946**	4,138
Others	**1,258**	82
	23,143	35,132
Discontinued operations:		
Interest income on financial assets measured at amortised cost	**5,383**	2,644
Government grants	**2,971**	2,226
Scrap sales	**—**	675
Others	**483**	—
	8,837	5,545
	31,980	40,677

5 OTHER NET (LOSS)/INCOME

	2018	2017
		(Restated)
		(Note 7)
	RMB'000	*RMB'000*
Continuing operations:		
Net unrealised loss on unlisted equities at fair value	**(9,125)**	—
Net realised and unrealised loss on other financial instruments at fair value	**(426)**	(20,275)
Net income/(loss) on disposal of property, plant and equipment and intangible assets	**146**	(708)
Net foreign exchange loss	**(4,155)**	(13,373)
Impairment losses of:		
— property, plant and equipment *(note a)*	**(30,087)**	—
— intangible assets *(note b)*	**(21,551)**	—
— non-current prepayments *(note c)*	**(174,580)**	—
Net loss on disposal of a subsidiary	**(89,718)**	
Others	**(4,515)**	(1,616)
	(334,011)	(35,972)

(a) Impairment loss of RMB30,087,000 was recognised in respect of a cash-generating unit ("CGU"), Full Gold Mining Limited Liability Company ("Full Gold"), which is under the mining — KR reportable segment, during the year ended 31 December 2018. 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 the CGU 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 16% and reflect specific risks relating to the mining segment and country.

(b) An impairment loss of RMB21,551,000 were recognised on certain exploration and evaluation assets of the Group, which are under the mining — PRC reportable segment, during the year ended 31 December 2018.

The Group's management concluded that the possibility of extending the related exploration rights is low. As a result, a full impairment loss of RMB21,551,000 (2017: Nil) in respect of the related assets was recognised during the year ended 31 December 2018.

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

(c) The prepayments for taxes were mainly related to resource tax, urban maintenance and construction tax, property tax and land use tax paid to tax authorities in the PRC, which were used to offset future tax liabilities of the same nature in the same tax authorities.

Pursuant to the discussion between the Group and the tax authorities in December 2018, the Group's management concluded that the possibility of utilising the above prepayments for taxes in the future is low. As a result, a full impairment loss of RMB174,580,000 has been recognised for the year ended 31 December 2018.

	2018	2017 (Restated) *(Note 7)*
	RMB'000	*RMB'000*
Discontinued operations:		
Net realised and unrealised gain/(loss) on financial instruments at fair value	**599**	(1,968)
Net income/(loss) on disposal of property, plant and equipment and intangible assets	**65**	(2,158)
Net foreign exchange gain/(loss)	**17,727**	(2,402)
Others	**842**	544
	19,233	(5,984)
	(314,778)	(41,956)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Continuing operations

(i) Taxation in the consolidated statement of profit or loss represents:

	2018	2017 (Restated) *(Note 7)*
	RMB'000	*RMB'000*
Current tax — PRC income tax		
Provision for the year	**2,044**	16,994
Under-provision in respect of prior years	**1,028**	358
	3,072	17,352
Deferred tax		
Origination and reversal of temporary differences	**(172,308)**	533
	(169,236)	17,885

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(a) Continuing operations *(continued)*

(ii) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Note	2018 RMB'000	2017 (Restated) (Note 7) RMB'000
Loss before taxation		**(1,348,161)**	(187,297)
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	(i), (ii), (iii)	**(313,514)**	(16,246)
Effect of non-deductible expenses		**4,981**	3,964
Utilisation of temporary differences not recognised in previous years		**(3,454)**	(5,385)
Tax losses and temporary differences not recognised	(iv)	**24,109**	35,785
Current year's tax losses of continuing operations utilised in discontinued operations		**117,058**	—
Under-provision in prior years		**1,028**	358
Others		**556**	(591)
Actual tax expense		**(169,236)**	17,885

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(a) Continuing operations *(continued)*

Note:

(i) 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 continuing operations and its PRC subsidiaries are subject to income tax at the statutory rate of 25%, unless otherwise specified.

(ii) Hong Kong profits tax rate for 2018 is 16.5% (2017: 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.

(iii) Kyrgyzstan corporate income tax rate ("KR CIT") in 2018 is 0% (2017: 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".

(iv) Considering the uncertainty of the future available taxable profits against which certain tax benefits can be utilised in the relevant tax jurisdiction and entity, the continuing operations of the Group has not recognised deferred tax assets of RMB24,109,000 (2017: RMB35,785,000) in respect of unused tax losses of RMB75,216,000 and temporary differences of RMB21,218,000 as at 31 December 2018.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(b) Discontinued operations

(i) Taxation in the consolidated statement of profit or loss represents:

	2018	2017
		(Restated)
		(Note 7)
	RMB'000	*RMB'000*
Current tax — PRC income tax		
Provision for the year	**172,144**	45,823
Over-provision in respect of prior years	**(1,226)**	—
	170,918	45,823
Deferred tax		
Origination and reversal of temporary differences	**3,313**	(3,040)
	174,231	42,783

(ii) Reconciliation between tax expense and accounting profit at applicable tax rates:

		2018	2017
			(Restated)
			(Note 7)
	Note	***RMB'000***	*RMB'000*
Profit before taxation		**2,130,990**	298,603
Notional tax on profit before taxation		**532,747**	74,651
Effect of tax concessions	(i)	**(28,905)**	(28,088)
Additional deduction for qualified research and development expenses	(i)	**(9,610)**	(6,560)
Effect of non-deductible expenses		**604**	856
Utilisation of tax losses and temporary differences not recognised in previous years		**(202,590)**	(170)
Current year's tax losses of continuing operations utilised in discontinued operations		**(117,058)**	—
Tax losses and temporary differences not recognised		**269**	2,094
Over-provision in prior years		**(1,226)**	—
Actual tax expense	(ii)	**174,231**	42,783

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(b) Discontinued operations *(continued)*

Notes:

(i) 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 discontinued operations and its PRC subsidiaries are subject to income tax at the statutory rate of 25%, unless otherwise specified.

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

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

Wason Copper-Foil and Hongyu Electronics are currently applying for an extension of such preferential income tax treatment for another three years from 2018 to 2020. The Directors of the Company believe that Wason Copper-Foil and Hongyu Electronics will continue to enjoy such preferential tax rate of 15% pursuant to current applicable PRC tax laws and regulation.

Under the CIT Law and its relevant regulation, additional tax deduction is allowed for qualified research and development expenses.

(ii) The amount includes the tax expense on the operation results from the discontinued operations of RMB42,756,000 and the tax expense on the gain on disposal of the discontinued operations of RMB131,475,000.

7 DISCONTINUED OPERATIONS

Pursuant to an announcement dated 30 August 2018, the Company entered into an equity transfer agreement with Shenzhen Londian Electrics Co., Ltd. ("Shenzhen Londian"), to dispose of its entire equity interests in Lingbao Wason Copper-Foil Company Ltd. ("Wason Copper-Foil") and its subsidiaries (collectively, the "Disposal Group") for a cash consideration of RMB2,558,197,000. The Disposal Group comprises the Group's copper processing segment. The very substantial disposal (the "VSD") transaction was approved by independent shareholders on 16 October 2018.

Pursuant to an announcement dated 2 January 2019, the Company entered into a supplemental agreement with Shenzhen Londian on 31 December 2018. Pursuant to the agreement, the Company completed the disposal of its entire equity interests in the Disposal Group on 31 December 2018, on which date control of the Disposal Group passed to Shenzhen Londian, and the retained profits of Wason Copper-Foil incurred prior to 31 December 2018 (inclusive) shall be attributable to the Company (see note c) whilst the retained profits of Wason Copper-Foil incurred thereafter shall be attributable to Shenzhen Londian. The disposal resulted in net gain of RMB1,667,901,000

As a result, a single amount in the consolidated statement of profit or loss was presented (with comparative figures restated) in respect of the Disposal Group's profit for the year and net gain recognized on disposal of the Disposal Group as follow:

	2018	2017 (Restated)
	RMB'000	*RMB'000*
Profit for the year from discontinued operations	**288,858**	255,820
Profit on disposal of discontinued operations	**1,667,901**	—
	1,956,759	255,820

7 DISCONTINUED OPERATIONS *(continued)*

(a) Analysis of the results of discontinued operations is as follows:

	Note	**2018** ***RMB'000***	2017 (Restated) *RMB'000*
Revenue	3	**1,602,367**	1,734,524
Cost of sales		**(1,160,997)**	(1,264,125)
Gross profit		**441,370**	470,399
Other revenue	4	**8,837**	5,545
Other net income/(loss)	5	**19,233**	(5,984)
Selling and distribution expenses		**(19,131)**	(40,778)
Administrative expenses and other operating expenses		**(75,379)**	(83,447)
Profit from operations		**374,930**	345,735
Finance costs		**(43,316)**	(47,132)
Profit before taxation		**331,614**	298,603
Income tax	6	**(42,756)**	(42,783)
Profit for the year		**288,858**	255,820
Other comprehensive income for the year (after tax and reclassification adjustments)		**—**	—
Total comprehensive income for the year		**288,858**	255,820
Attributable to:			
Equity shareholders of the discontinued operations		**288,307**	258,170
Non-controlling interests		**551**	(2,350)
Total comprehensive income for the year		**288,858**	255,820

(b) Analysis of the cash flows of discontinued operations is as follows:

	2018 ***RMB'000***	2017 (Restated) *RMB'000*
Net cash used in operating activities	**(78,919)**	(265,383)
Net cash used in investing activities	**(621,887)**	(10,846)
Net cash generated from financing activities	**642,753**	130,481
Net cash used in discontinued operations	**(58,053)**	(145,758)

7 DISCONTINUED OPERATIONS *(continued)*

(c) Analysis of the assets and liabilities of discontinued operations is as follows:

	At 31 December 2018 *RMB'000*
Property, plant and equipment	**746,831**
Construction in progress	**279,534**
Lease prepayment	**82,168**
Non-current prepayments	**1,795**
Deferred tax assets	**9,666**
Inventories	**271,151**
Trade and other receivables, deposits and prepayments (excluding current portion of lease prepayments)	**1,069,259**
Pledged deposits	**572,945**
Cash and cash equivalents	**48,909**
Bank and other borrowings	**(268,395)**
Trade and other payables	**(1,477,486)**
Contract liabilities	**(50,635)**
Current tax payable	**(1,234)**
Other non-current payables	**(10,469)**
Net assets disposed of	**1,274,039**
Profit on disposal of discontinued operations:	
Cash consideration	**2,558,197**
Transaction costs directly attributable to the disposal	**(5,261)**
Net assets disposed of	**(1,274,039)**
Non-controlling interests	**50,164**
Retained profits of discontinued operations incurred prior to 31 December 2018 (inclusive) attributable to the Company	**470,315**
Gain on disposal of discontinued operations	**1,799,376**
Tax effect in relation with the gain on disposal of discontinued operations	**(131,475)**
	1,667,901
Net cash inflow arising from disposal:	
Consideration received as at 31 December 2018	**1,528,531**
Transaction costs directly attributable to the disposal	**(5,261)**
Cash and cash equivalents disposed of	**(48,909)**
	1,474,361

8 DIVIDENDS

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

	2018	2017
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.20 per ordinary share (2017: nil)	**172,850**	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

No final dividend in respect of the previous financial year has been approved during the year (2017: nil).

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic earnings per share is based on the earnings attributable to equity shareholders of the Company of RMB796,162,000 (2017: earnings of RMB79,834,000) and the weighted average of 854,720,324 ordinary shares (2017: 770,249,091 ordinary shares) in issue during the year ended 31 December 2018, calculated as follows:

(i) Weighted average number of ordinary shares

	2018	2017
	RMB'000	*RMB'000*
Issued ordinary shares at 1 January	**770,249,091**	770,249,091
Effect of new domestic shares issued on 7 February 2018	**84,471,233**	—
Weighted average number of ordinary shares	**854,720,324**	770,249,091

(ii) Consolidated (loss)/profit attributable to ordinary equity shareholders of the Company

	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit attributable to equity shareholders		
— continuing operations	**(1,160,046)**	(178,336)
— discontinued operations	**1,956,208**	258,170
	796,162	79,834

9 (LOSS)/EARNINGS PER SHARE *(continued)*

(a) Basic (loss)/earnings per share *(continued)*

(iii) (Loss)/earnings per share (RMB cents)

	2018	2017
	RMB cents	*RMB cents*
Basic (loss)/earnings per share		
— continuing operations	**(135.7)**	(23.1)
— discontinued operations	**228.8**	33.5
	93.1	10.4

(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.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	RMB'000	*RMB'000*
Trade receivables, net of loss allowance	**10,376**	313,493
Bills receivable	**569,889**	268,209
	580,265	581,702
Other receivables, net of loss allowance	**63,739**	80,397
Amounts due from related parties	**1,896,965**	—
	1,960,704	80,397
Financial assets measured at amortised cost	**2,540,969**	622,099
Deposits and prepayments	**56,606**	65,869
Purchase deposits *(note (b))*	**1,023,844**	608,590
Less: Allowance for non-delivery	**(788,334)**	(131,576)
	235,510	477,014
Amounts due from Beijing Jiuyi *(note (c))*	**—**	—
	2,833,085	1,204,982

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

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

(a) Ageing analysis

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.

	2018	2017
	RMB'000	*RMB'000*
Within three months	**122,515**	460,783
Over three months but less than six months	**156,650**	109,487
Over six months but less than one year	**300,000**	9,374
Over one year	**1,100**	2,058
At 31 December	**580,265**	581,702

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

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

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**131,576**	138,788
Impairment loss recognised/(reversed)	**656,758**	(7,212)
At 31 December	**788,334**	131,576

During the second half of 2018, certain suppliers of mineral sand has ceased production, and were in financial difficulty, they ceased the supply of mineral sand to the Group. At 31 December 2018, the Group reassessed the recoverability of purchase deposits and concluded that purchase deposits of RMB858,334,000 (31 December 2017: RMB131,576,000) were individually determined to be impaired and therefore relevant provision of RMB788,334,000 (31 December 2017: RMB131,576,000) 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.

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

(c) Amounts due from Beijing Jiuyi

	2018	2017
	RMB'000	*RMB'000*
Amounts 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 concluded that the balance of RMB30,800,000 would not be recoverable and accordingly, an impairment loss was provided.

11 TRADE AND OTHER PAYABLES

Current trade and other payables

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
Bills payable	**190,000**	160,000	160,000
Trade payables	**291,635**	620,752	620,752
Other payables and accruals	**317,814**	416,186	416,186
Advances received *(note (a))*	**—**	—	32,669
Interest payables	**11,526**	35,203	35,203
Payable for mining rights	**83,559**	79,554	79,554
Deferred income *(note (b))*	**80,406**	80,390	80,390
Payable to non-controlling interests *(note (c))*	**22,623**	23,335	23,335
Payable to D&R Fund *(note (e))*	**15,000**	50,000	50,000
Dividend payable	**1,260**	1,260	1,260
Amounts due to related parties	**327,865**	—	—
Financial liabilities at fair value through profit or loss	**27,650**	—	—
	1,369,338	1,466,680	1,499,349

Non-current other payables			
Decommissioning costs *(note (d))*	**52,625**	50,147	50,147
Deferred income *(note (b))*	**78,544**	94,713	94,713
Payable to D&R Fund *(note (e))*	**35,000**	—	—
	166,169	144,860	144,860

11 TRADE AND OTHER PAYABLES *(continued)*

Current trade and other payables *(continued)*

Note:

(a) As a result of the adoption of HKFRS 15, "advances received" is included in "contract liabilities".

(b) 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.

(c) Payable to non-controlling interests is unsecured, interest free and repayable on demand.

(d) 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 RMB52,625,000 (2017: RMB50,147,000) in total as at 31 December 2018.

(e) On 14 December 2017, an investment agreement was entered into between the Company, D&R Xinwei Advanced Manufacturing Fund (LP) ("D&R Fund") and Lingxin Gold Metallurgical in respect of increasing the registered capital of RMB50,000,000 in Lingxin Gold Metallurgical invested by D&R Fund. Pursuant to the investment agreement, the Group also granted a written put option to D&R Fund, giving it the right to sell its entire interest in Lingxin Gold Metallurgical at a consideration which comprises the capital injection of RMB50,000,000 and related interests with an annual interest rate of 9%.

    On 29 December 2018, an agreement was entered into between the Company, D&R Fund and Lingxin Gold Metallurgical in respect of repurchasing the investment in Lingxin Gold Metallurgical from D&R Fund at a consideration of RMB50,000,000. The consideration carries an interest rate at 9% per annum and is payable by instalments within two years.

    At 31 December 2018, RMB15,000,000 was presented as current payables and the remaining consideration of RMB35,000,000 was included in non-current payables.

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

	2018	2017
	RMB'000	*RMB'000*
Within three months	**243,378**	498,912
Over three months but less than six months	**7,481**	30,515
Over six months but less than one year	**18,512**	62,753
Over one year but less than two years	**15,774**	19,684
Over two years	**6,490**	8,888
	291,635	620,752

12 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 8(i).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business

In 2018, the Group produced approximately 10,736 kg (equivalent to approximately 345,170 ounce) gold, representing a decrease of approximately 1,966 kg (equivalent to approximately 63,208 ounce) or 15.5% as compared with the previous year. The Group's revenue decreased by 9.5% to approximately RMB3,781,660,000 for continuing operations. During the year, the Company recorded net profit of approximately RMB777,834,000, representing an increase of approximately 1,436.1% from the net profit of approximately RMB50,638,000 for the year ended 31 December 2017, which is mainly due to the net effect of (i) the profit of RMB1,667,901,000 generated from the disposal of the entire issued share capital of Lingbao Wason Copper-Foil Company Ltd. ("Wason Copper-Foil"); (ii) the impairment loss of property, plant and equipment and intangible assets of approximately RMB51,638,000; (iii) the impairment loss of tax prepayments related to resource tax, municipal maintenance tax, property tax and land use tax of approximately RMB174,580,000; (iv) the loss of approximately RMB89,718,000 resulting from the disposal of 70% equity interests in Palladex KR Limited Liability Company; and (v) the impairment loss of purchase deposits of approximately RMB656,758,000.

Given that raw materials accounted for over 82% 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:

		2018		2017	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	**814**	**932**	1,379	1,338
Compound gold	kg	**932**	**852**	1,185	1,229
Total	kg	**1,746**	**1,784**	2,564	2,567
Total	ounce	**56,135**	**57,357**	82,435	82,531

The total revenue of the mining segment of the Group for 2018 was approximately RMB528,963,000, representing a decrease of approximately 25.5% from approximately RMB709,820,000 in 2017. During the year, revenue of gold mines in Henan, Xinjiang, Inner Mongolia and Kyrgyzstan represented approximately 39.9%, 36.5%, 8.4% and 15.2% of the total revenue of the mining segment, respectively. The production volume of compound gold of the Group decreased by approximately 253 kg to approximately 932 kg while the production volume of its gold concentrates decreased by approximately 565 kg to approximately 814 kg.

The decrease in production volume of gold concentrates was mainly due to the suspended production of Tongbai Xingyuan Mining Company Limited in the first half of 2018 as a result of the expiration of its production and safety permits.

Segment results

The total profit of the Group's mining segment in the year of 2018 was approximately RMB2,442,000, and the total loss for the year 2017 was approximately RMB53,073,000. The segment results to segment revenue ratio of the Group's mining segment for 2018 was approximately 0.5%, as compared to approximately (7.5)% in 2017.

In 2018, Full Gold Mining Limited Liability Company continued to improve its production process to improve the surrounding environment, standardize its internal management, and strengthen cost control for the purpose of continuous and stable production from the commence of production in August 2018.

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:

		2018		2017	
Products	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold bullion	kg	**10,736**	**10,790**	12,702	12,864
	ounce	**345,170**	**346,906**	408,378	413,587
Silver	kg	**19,543**	**19,494**	21,838	22,698
	ounce	**628,322**	**626,747**	702,108	729,758
Copper products	tonne	**9,302**	**19,702**	10,542	10,504
Sulphuric acid	tonne	**86,947**	**85,367**	103,492	107,112

Sales and production

The Group's total revenue from the smelting segment for 2018 was approximately RMB3,875,208,000, representing a decrease of approximately 4.6% from approximately RMB4,062,843,000 in 2017.

The daily processing capacity of gold concentrates of the Group was approximately 735 tonnes, at a production utilisation rate of approximately 66.8%. The Group's production volume of gold, silver, copper and sulphuric acid decreased by approximately 15.5%, 10.5%, 11.8% and 16.0%, respectively as compared with the previous year. During the year, the gold recovery rate was approximately 96.7%, the silver recovery rate was approximately 72.6% and the copper recovery rate was approximately 96.2%. The recovery rates of the Group remained at a relatively high level.

Segment results

The total loss of the Group's smelting segment in the year of 2018 was approximately RMB705,578,000, and the total profit for 2017 was approximately RMB146,142,000. The segment results to segment revenue ratio of our smelting business in 2018 was approximately (18.2)%, as compared to approximately 3.6% in 2017.

The smelting segment recorded losses in 2018, which was mainly due to the net effect of (i) insufficient working capital for the purchase of gold concentrates to maintain a high utilization rate of smelting plant, as well as suspension of smelting production for approximately one month due to maintenance and environmental protection equipment upgrade; (ii) some gold concentrate suppliers ceased production due to facing financial difficulties. As a result, they stopped supplying gold concentrates to the Group. The impairment loss of the smelting purchase deposit in 2018 was approximately RMB656,758,000.

3. Discontinued business operation − copper processing

Disposal of copper processing was completed on 31 December 2018. As a result, production and business of copper foils and flexible copper clad laminates was classified as a discontinued business operation.

Outlook

In 2019, the Group's strategic direction is return to the principal business of gold, further improve the mining business, and expand the smelting business, which is a strategic position that must be adhered to for a long time. For the mining segment, we will focus on increasing the production volume of mine-produced gold and continually dedicate its exploration work to increase the reserve level, with a view to gaining new breakthrough from high-quality resources. Explore new resources based on its existing mines and promote the expansion of mining rights with full efforts. In this regard, we will, internally, increase efforts in the integration, mergers and acquisitions of resources at the surrounding of the old mines and strengthen the supplementary exploration of potential mining rights, as well as carry out major projects for production exploration, so as to achieve major breakthroughs in existing resources. Acquire a mine with high quality or a resource and reserve base every year. For the smelting business, by virtue of the well-established raw material market and stabilize the process technology to ensure that the production is running at full capacity.

FINANCIAL INFORMATION

1. Operating Results — Continuing operations

Revenue

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

	2018			2017		
	Amount	**Sales volume**	**Unit price**	Amount	Sales volume	Unit price
	(RMB'000)	***(kg/tonne)***	***(RMB per kg/ tonne)***	*(RMB'000)*	*(kg/tonne)*	*(RMB per kg/ tonne)*
Gold bullion	**2,943,819**	**10,790 kg**	**272,828**	3,537,906	12,864kg	275,024
Silver	**59,418**	**19,423 kg**	**3,059**	74,275	22,466kg	3,306
Copper cathode	**620,857**	**14,167 tonnes**	**43,824**	396,493	9,312tonnes	42,579
Sulphuric acid	**14,071**	**85,367 tonnes**	**165**	10,947	107,112tonnes	102
Gold concentrates	**146,118**	**1,378 kg**	**106,036**	162,004	1,152kg	140,628
Revenue before tax	**3,784,283**			4,181,625		
Less: Sales tax	**2,623**			5,053		
	3,781,660			4,176,572		

The Group's revenue for 2018 was approximately RMB3,781,660,000, representing a decrease of approximately 9.5% as compared with the previous year, of which the revenue of gold bullion accounted for 77.8% of its total revenue. Such decrease was mainly attributable to the decrease in sales volume of gold bullion by approximately 16.1% during the year.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for 2018 were RMB165,863,000 and 4.4%, respectively, the gross profit and gross profit margin for 2017 were RMB315,578,000 and 7.6%, respectively. As the central and local governments continue to improve the administrative standards and requirements in safety and environment, inspection teams at all levels frequently pay a visit to the mines for inspection and urge prompt rectification, which has a significant impact on our normal production and operation, resulting in increased production costs.

Other revenue

The Group's other revenue for 2018 was approximately RMB23,143,000, representing a decrease of approximately 34.1% as compared with approximately RMB35,132,000 for 2017. Such decrease was mainly attributable to the decrease in interest income by RMB14,184,000.

Other net loss

The Group's other net loss for 2018 was approximately RMB334,011,000 representing an increase of approximately 828.5% as compared with other net loss of approximately RMB35,972,000 for 2017. The increase in other net loss was mainly due to(i)the impairment loss of property, plant and equipment and intangible assets of approximately RMB51,638,000; (ii) the impairment loss of tax prepayments related to resource tax, municipal maintenance tax, property tax and land use tax of approximately RMB174,580,000; and(iii) the loss of approximately RMB89,718,000 resulting from the disposal of 70% equity interests in Palladex KR Limited Liability Company.

Selling and distribution expenses

The Group's selling and distribution expenses for 2018 were approximately RMB6,125,000, representing a decrease of approximately 16.7% as compared with the previous year. The decrease in the selling and distribution expenses was consistent with the decrease in the Group's revenue.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses for 2018 were approximately RMB940,754,000, representing an increase of approximately 218.7% as compared with approximately RMB295,170,000 for 2017. The increase in administrative expenses and other operating expenses was mainly due to the impairment loss of purchase deposits of approximately RMB656,758,000.

Finance costs

The Group's finance costs for 2018 were approximately RMB256,277,000, representing an increase of approximately 28.5% as compared with approximately RMB199,516,000 for 2017. Such increase was mainly attributable to the increase in interest expense of discounted bank bills.

Profit attributable to the Company's equity shareholders

The profit from continuing business operations and discontinued business operations attributable to equity shareholders of the Company for 2018 was approximately RMB796,162,000 (2017: approximately RMB79,834,000). The basic earnings per share from continuing business operations and discontinued business operations was RMB0.93. The Group recommended the payment of final dividend of RMB0.20 per share for the year ended 31 December 2018.

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 2018 amounted to RMB1,361,078,000 (31 December 2017: RMB1,330,385,000).

The total equity of the Group as at 31 December 2018 amounted to RMB1,937,426,000 (31 December 2017: RMB1,383,362,000). As at 31 December 2018, the Group had current assets of RMB5,237,056,000 (31 December 2017: RMB3,922,443,000) and current liabilities of RMB5,338,201,000 (31 December 2017: RMB4,901,362,000). The current ratio was 0.98 (31 December 2017: 0.80).

As at 31 December 2018, the Group had total outstanding bank and other borrowings of approximately RMB4,569,951,000 with interest rates ranging from 2.2% to 6.38% per annum, of which approximately RMB3,804,767,000 was repayable within one year, approximately RMB369,793,000 was repayable after one year but within two years, and approximately RMB395,391,000 was repayable after two years. The gearing ratio as at 31 December 2018 was 55.6% (31 December 2017: 61.6%), which was calculated by total borrowings divided by total assets.

As at 31 December 2018, the Group had unutilised bank facilities of RMB1,262,000,000 which could be drawn down by the Group to finance its operation.

3. Security

At 31 December 2018, a loan from a leasing company amounting to RMB131,561,000 was secured by the mining shafts in subsidiaries and pledged deposits, and was also guaranteed by Wason Copper-Foil.

At 31 December 2018, bank loans of the Group amounting to RMB634,264,000 (2017: RMB999,763,000) were secured by pledged deposits with the carrying amount of RMB409,861,000 (2017:RMB578,345,000).

At 31 December 2018, bank loans of the Group amounting to RMB610,404,000 (2017: nil) and RMB105,546,000 were guaranteed by Lingbao State-owned Assets Operation Company Limited ("Lingbao State-owned Assets") and by Wason Copper-Foil, respectively.

4. Material Acquisition or Disposal

Pursuant to an announcement dated 30 August 2018, the Company entered into an equity transfer agreement with Shenzhen Londian to dispose of its entire equity interests in Wason Copper-Foil and its subsidiaries (collectively, the "Disposal Group") for a cash consideration of RMB2,558,197,000. The Disposal Group comprises the Group's copper processing segment.

On 31 December 2018, the Company completed the disposal of the Disposal Group. After the completion of the transaction, the Company ceased to hold any equity interest in the disposal companies, and each of these companies ceased to be a subsidiary of the Group and its assets and liabilities and its profits were no longer incorporated into the consolidated financial statements of the Group.

For details, please refer to the announcements of the Company dated 30 August 2018 and 2 January 2019, respectively.

Save as disclosed above, there was no material acquisition or disposal during the year.

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 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

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 2018, the Group's total capital commitments in respect of the construction costs which were not provided for in the financial statements were approximately RMB73,933,000, representing a decrease of approximately RMB9,834,000 from approximately RMB83,767,000 as at 31 December 2017.

As at 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB18,643,000, of which approximately RMB3,697,000 was payable within one year, approximately RMB10,928,000 was payable after one year but within five years, and approximately RMB4,018,000 was payable after five years.

7. Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

8. Capital Expenditure

In 2018, the Group's capital expenditure was approximately RMB375,021,000, representing an increase of approximately 11.7% from approximately RMB335,831,000 in 2017.

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 2018, the average number of employees of the Group was 5,394. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules. Save as disclosed below, none of the Directors is aware of any information which would reasonably indicate that the Company has not, during the 12 months ended 31 December 2018, complied with all applicable code provisions of the Code.

Code A.2.1 of the Code stipulates that the roles of the chairman and the 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. The Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer on the same person can facilitate execution of the Group's business strategies and boost effectiveness of its operation.

Code 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 2018, 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.

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 and discussed with the management the accounting principles and practices adopted by the Company, auditing, internal controls and financial report matters, and the Company's policies and practices on corporate governance. The Annual Results has been reviewed and confirmed by the Audit Committee. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

The financial figures in respect of our Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in our Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PURCHASE, SALES OR REDEMPTION OF SHARES OF THE COMPANY

For the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

DIVIDENDS

Relevant resolution was passed at the Board meeting held on 29 March 2019 to propose to distribute a final dividend of RMB0.20 per share (tax inclusive) for the year ended 31 December 2018 (2017: nil). Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the final dividend is expected to be payable before or after 31 July 2019.

According to the Law on Corporate Income Tax of the People's Republic of China and the relevant implementing rules which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H share register of shareholders of the Company. Any shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees or other groups and organisations will be treated as being held by non-resident enterprise shareholders and therefore the dividend payable therein will be subject to the withholding of the corporate income tax.

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementing rules as well as the Tax Notice (《稅收通知》), the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of individual holders of H Shares:

- for the H share individual shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such shareholders in the distribution of final dividend;

- for the H share individual shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of such shareholders in the distribution of final dividend, while such shareholders may apply for rebate of the additional payment to the tax authorities in accordance with the actual tax rate under such tax treaties;

- for the H share individual shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;

- for the H share individual shareholders whose country (region) of domicile is a country (region) which has not entered into any tax treaties with the PRC, or a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such shareholders in the distribution of final dividend.

If a H share individual shareholder considers that his/her individual income tax withheld by the Company does not comply with the tax rate stipulated by the tax treaties between country(ies) or region(s) in which he/she is domiciled and the PRC, he/she should file a timely authorisation letter together with the reporting materials relating to him/her being a resident of the related country or region, to Computershare Hong Kong Investor Services Limited, the Company's H Share Registrar in Hong Kong by no later than 4:30 p.m. on Wednesday, 27 June 2018. The materials will be submitted to the competent tax authority by the Company, for subsequent taxation handling.

Non-resident enterprise shareholders or overseas resident individual shareholders of the Company may seek advice from their tax advisor in relation to the tax impact of the mainland China, Hong Kong and other countries (regions) involved in owning and disposing of H shares of the Company if they have any doubts on the above arrangements.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Monday, 13 May 2019 to Wednesday, 12 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents of shares accompanied by the relevant share certificates must be lodged with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at shops 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, 10 May 2019.

The register of members of the Company will be closed from Tuesday, 18 June 2019 to Saturday, 22 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents of shares accompanied by the relevant share certificates must be lodged with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at shops 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 Monday, 17 June 2019.

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 2018.

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 2018 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 Group Company Ltd.
Chen Jianzheng
Chairman

Hong Kong, 29 March 2019

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