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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of Lingbao Gold Group Company Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”, “**we**” or “**our**”) for the six months ended 30 June 2024 (the “**Current Period**”). The interim financial results have been reviewed by the Company’s audit committee (the “**Audit Committee**”). In addition, the Group’s external auditor has reviewed the interim financial report in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi Yuan)

		Six months ended 30 June 2024	Six months ended 30 June 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	4,281,228	5,838,583
Cost of sales		<u>(3,873,542)</u>	<u>(5,483,207)</u>
Gross profit		407,686	355,376
Other revenue		32,165	27,793
Other net (losses)/gains	5(b)	(24,680)	49,158
Selling and distribution expenses		(574)	(2,609)
Administrative expenses and other operating expenses		<u>(158,027)</u>	<u>(147,074)</u>
Profit from operations		256,570	282,644
Finance costs	5(a)	(74,059)	(86,286)
Share of losses of associates		<u>—</u>	<u>(1,512)</u>
Profit before taxation	5	182,511	194,846
Income tax	6	<u>(29,853)</u>	<u>(74,379)</u>
Profit for the period		<u>152,658</u>	<u>120,467</u>
Profit/(loss) attributable to:			
Equity shareholders of the Company		152,538	140,352
Non-controlling interests		<u>120</u>	<u>(19,885)</u>
Profit for the period		<u>152,658</u>	<u>120,467</u>
Basic and diluted earnings per share (<i>RMB cents</i>)	7	<u>12.54</u>	<u>16.24</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*for the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi Yuan)*

	Six months ended 30 June 2024 RMB'000	Six months ended 30 June 2023 RMB'000
Profit for the period	152,658	120,467
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss: Exchange differences on translation of financial statements of overseas subsidiaries	<u>(7,522)</u>	<u>(31,900)</u>
Total comprehensive income for the period	<u>145,136</u>	<u>88,567</u>
Attributable to:		
Equity shareholders of the Company	146,257	115,525
Non-controlling interests	<u>(1,121)</u>	<u>(26,958)</u>
Total comprehensive income for the period	<u>145,136</u>	<u>88,567</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 — unaudited

(Expressed in Renminbi Yuan)

		At 30 June 2024 <i>RMB'000</i>	31 December 2023 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	2,042,770	2,031,326
Construction in progress	9	458,220	351,296
Intangible assets	10	973,299	973,689
Goodwill		4,717	4,717
Right-of-use assets		204,113	171,301
Financial assets at fair value through profit or loss ("FVTPL")		5,398	5,398
Non-current prepayments		8,464	15,196
Deferred tax assets		306,311	318,673
		4,003,292	3,871,596
Current assets			
Inventories	11	1,443,835	1,590,875
Trade and other receivables	12	563,185	413,884
Financial assets at FVTPL		—	3,191
Pledged deposits		1,559,300	699,880
Cash and cash equivalents		331,854	256,724
		3,898,174	2,964,554
Current liabilities			
Bank and other borrowings	13	3,544,224	2,725,108
Trade and other payables	14	844,532	880,158
Contract liabilities		9,329	3,430
Lease liabilities		4,631	5,205
Financial liabilities at FVTPL	14	19,390	53,213
Current tax payable		48,382	39,208
		4,470,488	3,706,322
Net current liabilities		(572,314)	(741,768)
Total assets less current liabilities		3,430,978	3,129,828

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

*at 30 June 2024 — unaudited
(Expressed in Renminbi Yuan)*

		At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i> (Audited)
	<i>Note</i>		
Non-current liabilities			
Bank and other borrowings	13	300,305	128,000
Other payables	14	498,595	537,514
Lease liabilities		13,745	14,915
Deferred tax liabilities		6,222	12,845
		<u>818,867</u>	<u>693,274</u>
NET ASSETS		<u>2,612,111</u>	<u>2,436,554</u>
CAPITAL AND RESERVES			
	15		
Share capital		248,695	236,804
Reserves		2,590,330	2,425,347
		<u>2,839,025</u>	<u>2,662,151</u>
Total equity attributable to equity shareholders of the Company		2,839,025	2,662,151
Non-controlling interests		<u>(226,914)</u>	<u>(225,597)</u>
TOTAL EQUITY		<u>2,612,111</u>	<u>2,436,554</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and in compliance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It has been reviewed by the audit committee of Lingbao Gold Group Company Ltd. (the “Company”) and was authorised for issue on 28 August 2024.

Going concern

As at 30 June 2024, the Group had net current liabilities of RMB572,314,000 and capital commitment of RMB344,032,000. Included in the current liabilities were bank and other borrowings of RMB3,544,224,000 due within one year. The Group is dependent on the support from its bankers and most of the banking facilities will be subject to renewal within one year. The Group was able to renew or refinance banking facilities upon maturity in the past years. However, although the Group was continuously making profits and generating positive operating cash inflows in recent years, it is not guaranteed that the Group will always be able to successfully renew or refinance the banking facilities in coming years.

For the six-month period ended 30 June 2024, the Group’s net cash generated from operating activities was RMB168,088,000, and the Group had cash and cash equivalents and pledged deposits amounting to RMB331,854,000 and RMB1,559,300,000, respectively, as at 30 June 2024. The Group will be unable to repay the bank and other borrowings and meet other liquidity requirements in full when they fall due unless the Group is able to draw down unutilised facilities and to renew or refinance the banking facilities upon maturity.

In view of these circumstances, the Directors of the Company (the “Directors”) 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. The Directors have reviewed the Group’s cash flow projections prepared by management, which covers a period of at least twelve months from 30 June 2024. Certain plans and measures have been taken to mitigate the liquidity pressures and to improve its financial position which include, but not limited to, the following:

- (a) As at 30 June 2024, the Group had uncommitted unutilised banking facilities related to unsecured bank borrowings, of RMB626,970,000. Management would consider to draw down those unutilised bank facilities when necessary to secure the financial condition of the Group;
- (b) Management is actively negotiating with the banks for renewal or extension of existing banking facilities to secure financing for the Group.

1 BASIS OF PREPARATION (Continued)

Going concern (Continued)

The plans and measures as described above incorporate assumptions about future events and conditions. If the above plans and measures are successful, the Group will be able to generate sufficient cash inflows to meet its liquidity requirements for at least the next twelve months from the end of the reporting period.

Based on the Directors' intentions and assuming the success of the above plans and measures, the Directors are of the opinion that it is appropriate to prepare the Group's interim financial report for the six months ended 30 June 2024 on a going concern basis.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (together "the Group") since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new and amended HKFRSs and guidance 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:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback

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 or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (production processes, products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments for the six months ended 30 June 2024 (2023: four reportable segments). Operating segments with similar nature of the production process, products and services have been aggregated to form the following reportable segments.

Mining — PRC	Gold mining and mineral ores processing operations in the People's Republic of China (“ PRC ”)
Mining — KR	Gold mining and mineral ores processing operations in the Kyrgyz Republic (“ KR ”)
Smelting	Gold and other metal smelting and refinery operations carried out in the PRC
Retailing	Gold and other jewellery retailing operations in the PRC

(a) Segment results, assets and liabilities

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

	Mining — PRC		Mining — KR		Smelting		Retailing		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June										
Revenue from external customers	40,939	—	—	—	4,274,486	5,862,920	5,095	7,305	4,320,520	5,870,225
Inter-segment revenue	666,191	1,177,770	110,113	99,491	16,566	—	—	—	792,870	1,277,261
Sales taxes and levies	(553)	(158)	(38,592)	(30,993)	(47)	(376)	(100)	(115)	(39,292)	(31,642)
Reportable segment revenue	706,577	1,177,612	71,521	68,498	4,291,005	5,862,544	4,995	7,190	5,074,098	7,115,844
Reportable segment profit/(loss)	267,377	519,190	5,900	(115,034)	(24,444)	(28,707)	61	(466)	248,894	374,983
Provision of impairment of other receivables:	70	—	—	—	—	—	—	—	70	—
As at 30 June/31 December										
Reportable segment assets	3,947,776	2,993,954	554,828	551,890	4,251,408	3,093,973	14,210	29,457	8,768,222	6,669,274
Reportable segment liabilities	1,555,824	925,392	1,671,733	1,673,283	3,734,387	2,591,415	170	18,652	6,962,114	5,208,742

3 SEGMENT REPORTING (Continued)

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

	Six months ended 30 June 2024 <i>RMB'000</i>	Six months ended 30 June 2023 <i>RMB'000</i>
Revenue		
Reportable segment revenue	5,074,098	7,115,844
Elimination of inter-segment revenue	<u>(792,870)</u>	<u>(1,277,261)</u>
Consolidated revenue	<u><u>4,281,228</u></u>	<u><u>5,838,583</u></u>
Profit or loss		
Reportable segment profit	248,894	374,983
Elimination of inter-segment loss/(profit)	<u>49,810</u>	<u>(114,645)</u>
Reportable segment profit derived from the Group's external customers	298,704	260,338
Share of losses of associates	—	(1,512)
Other net (losses)/gains	(24,680)	49,158
Finance costs	(74,059)	(86,286)
Unallocated head office and corporate expenses	<u>(17,454)</u>	<u>(26,852)</u>
Consolidated profit before taxation	182,511	194,846
Income tax	<u>(29,853)</u>	<u>(74,379)</u>
Profit for the period	<u><u>152,658</u></u>	<u><u>120,467</u></u>

4 REVENUE

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

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

Disaggregation of Revenue

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

	Six months ended 30 June 2024 RMB'000	Six months ended 30 June 2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
— Sales of gold	4,232,540	5,639,239
— Sales of other metals	81,098	191,375
— Sales of jewellery	2,347	6,777
— Others	4,535	32,834
Less: Sales taxes and levies	<u>(39,292)</u>	<u>(31,642)</u>
	<u>4,281,228</u>	<u>5,838,583</u>

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

5 PROFIT BEFORE TAXATION

	Six months ended 30 June 2024 RMB'000	Six months ended 30 June 2023 RMB'000
(a) Finance costs:		
Interest expenses on bank loans	28,546	66,286
Interest expenses on lease liabilities	392	814
Other borrowing costs	45,121	19,186
	<u>74,059</u>	<u>86,286</u>
(b) Other net (losses)/gains:		
Net realised and unrealised (loss)/gain on financial instruments at FVTPL	(20,324)	908
Net foreign exchange gain	5,732	49,793
Provision for impairment of other receivables	(70)	—
Fines and penalties	(6,077)	—
Gain on disposal of property, plant and equipment	873	—
Others	(4,814)	(1,543)
	<u>(24,680)</u>	<u>49,158</u>
(c) Other items:		
Profit before taxation is arrived at after charging/(crediting):		
Depreciation of right-of-use assets	<u>12,303</u>	<u>5,823</u>
Amortisation of intangible assets	<u>26,096</u>	<u>29,870</u>
Depreciation of property, plant and equipment	99,264	108,442
Less: Depreciation capitalised into construction in progress	—	(478)
	<u>99,264</u>	<u>107,964</u>
Government grants	(2,795)	(9,122)
Bank interest income	<u>(14,150)</u>	<u>(13,434)</u>

6 INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June 2024 <i>RMB'000</i>	Six months ended 30 June 2023 <i>RMB'000</i>
Current tax — PRC income tax		
Provision for the period	43,449	88,402
Over-provision in respect of prior years	(19,335)	(6,453)
Deferred taxation	5,739	(7,570)
	<u>29,853</u>	<u>74,379</u>

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

One of the subsidiaries, Habahe Huatai Gold Company Limited (“**Huatai**”) was accredited as a “High and New Technology Enterprise” in December 2023 with 3-year validity period. Huatai was entitled to a preferential income tax rate of 15% since 1 January 2023.

- (b) Hong Kong profits tax rate for 2024 is 16.5% (2023: 16.5%). No provision for Hong Kong profits tax is made as the subsidiary located in Hong Kong still has accumulated tax losses.
- (c) Kyrgyzstan corporate income tax rate (“**KR CIT**”) in 2024 is 0% (2023: 0%).

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2024 is based on the earnings attributable to equity shareholders of the Company of RMB152,538,000 (six-month period ended 30 June 2023: RMB140,352,000) and weighted average number of 1,216,246,829 ordinary shares in issue during the six-month period ended 30 June 2024 (six-month period ended 30 June 2023: 864,249,091 ordinary shares).

(b) Diluted earnings per share

The diluted earnings per share for the six-month period ended 30 June 2024 and 2023 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the periods.

8 DIVIDENDS

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

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

A dividend in respect of the year ended 31 December 2023 of HKD0.071 (equivalent to RMB0.065 per share), amounted to approximately RMB79,076,000 (based on the exchange rate as at dividend proposal date) has been approved by the board of directors after the reporting date. The final dividend was approved at the annual general meeting of the Company held on 29 May 2024. The relevant dividend amount of RMB80,826,000 is charged to the condensed consolidated statement of changes in equity based on the approval date exchange rate.

No final dividend in respect of the financial year ended 31 December 2022 has been approved during the six months ended 30 June 2023.

9 PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

Acquisitions and disposals of owned assets

During the six months ended 30 June 2024, acquisitions of property, plant and equipment and additions of construction in progress of the Group amounted to RMB10,099,000 and RMB207,136,000, respectively (six months ended 30 June 2023: RMB35,627,000 and RMB126,080,000, respectively). Items of property, plant and equipment with an aggregate net book value of RMB766,000 was disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB164,000), resulting in a gain on disposal of RMB873,000 (six months ended 30 June 2023: resulting in a loss on disposal of RMB3,000).

10 INTANGIBLE ASSETS

Acquisitions and disposals

During the six months ended 30 June 2024, additions of exploration and evaluation assets and mining rights made by the Group amounted to RMB25,706,000 and RMB Nil, respectively (six months ended 30 June 2023: RMB3,507,000 and RMB61,367,000, respectively). There is no disposal of intangible assets during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

11 INVENTORIES

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i> (Audited)
Raw materials	902,747	1,005,064
Work in progress	103,352	98,560
Finished goods	415,059	325,645
Spare parts and materials	22,677	161,606
	<u>1,443,835</u>	<u>1,590,875</u>

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

	Six months ended 30 June 2024 <i>RMB'000</i>	Six months ended 30 June 2023 <i>RMB'000</i>
Carrying amount of inventories sold	3,872,711	5,389,049
Write down of inventories	831	94,158
	<u>3,873,542</u>	<u>5,483,207</u>

12 TRADE AND OTHER RECEIVABLES

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:

	<i>Note</i>	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i> (Audited)
Within three months		216,263	235,752
Over three months but within one year		<u>10,882</u>	<u>1,251</u>
Trade debtors and bills receivable, net of loss allowance	(a)	<u>227,145</u>	<u>237,003</u>
Other receivables, net of loss allowance		57,705	59,690
Amounts due from related parties		<u>632</u>	<u>470</u>
		<u>58,337</u>	<u>60,160</u>
Financial assets measured at amortised cost		<u>285,482</u>	<u>297,163</u>
Deposits and prepayments		<u>246,027</u>	<u>69,375</u>
Purchase deposits		782,294	797,964
Less: Allowance for non-recoverability		<u>(750,618)</u>	<u>(750,618)</u>
		<u>31,676</u>	<u>47,346</u>
		<u>563,185</u>	<u>413,884</u>

- (a) For sales of gold and jewellery, 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.

13 BANK AND OTHER BORROWINGS

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

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i> (Audited)
Short-term bank and other borrowings:		
— Bank and other borrowings	3,195,729	2,533,108
— Add: Current portion of long-term bank and other borrowings	<u>348,495</u>	<u>192,000</u>
	<u>3,544,224</u>	<u>2,725,108</u>
Long-term bank and other borrowings:		
— Bank and other borrowings	648,800	320,000
— Less: Current portion of long-term bank and other borrowings	<u>(348,495)</u>	<u>(192,000)</u>
	<u>300,305</u>	<u>128,000</u>
	<u>3,844,529</u>	<u>2,853,108</u>

At 30 June 2024 and 31 December 2023, the bank and other borrowings were repayable as follows:

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i> (Audited)
Within one year or on demand	3,544,224	2,725,108
Over one year but within two years	<u>300,305</u>	<u>128,000</u>
	<u>3,844,529</u>	<u>2,853,108</u>

13 BANK AND OTHER BORROWINGS (Continued)

At 30 June 2024 and 31 December 2023, the bank and other borrowings were secured as follows:

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i> (Audited)
Bank and other borrowings		
— Secured	1,495,000	647,000
— Guaranteed	893,629	975,990
— Unsecured	1,455,900	1,230,118
	<u>3,844,529</u>	<u>2,853,108</u>

At 30 June 2024 and 31 December 2023, the bank and other borrowings were pledged and guaranteed as follows:

At 30 June 2024			At 31 December 2023			Guaranteed/secured by
Borrowing amounts <i>RMB'000</i>	Pledged deposits <i>RMB'000</i>	Maximum guarantees <i>RMB'000</i>	Borrowing amounts <i>RMB'000</i>	Pledged deposits <i>RMB'000</i>	Maximum guarantees <i>RMB'000</i>	
47,000	—	47,000	—	—	—	The Company
646,629	40,000	606,629	635,990	100,000	535,990	D&R Investment and pledged deposits (<i>Note</i>)
—	—	—	50,000	—	50,000	D&R Investment and Huatai
140,000	—	140,000	90,000	—	90,000	Huatai and Xingyuan (<i>Note</i>)
100,000	—	100,000	400,000	100,000	300,000	Xingyuan
1,737,000	1,455,000	—	447,000	447,000	—	Pledged deposits
1,173,900	—	—	1,230,118	—	—	Unsecured
<u>3,844,529</u>	<u>1,495,000</u>	<u>893,629</u>	<u>2,853,108</u>	<u>647,000</u>	<u>975,990</u>	

Note:

On 20 February 2024 and 28 February 2024, D&R Asset Management Group Company Limited (“D&R Investment”) transferred 185,339,000 domestic shares and 319,772,164 H shares of the Company, respectively, to Shenzhen Jiesi Weiye Holdings Co., Ltd. After the transfer, D&R Investment no longer held any equity interest of the Company.

Tongbai Xingyuan Mining Co., Ltd. (“Xingyuan”) is a subsidiary of the Company incorporated in PRC and principally engaged in gold mining.

14 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	<i>Notes</i>	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i> (Audited)
Current trade and other payables			
Within 3 months		324,509	274,468
Over 3 months but within 6 months		19,001	92,676
Over 6 months but within one year		33,006	35,731
Over 1 year but within 2 years		17,797	17,747
Over 2 years		35,072	20,875
		<u>429,385</u>	<u>441,497</u>
Total trade creditors		429,385	441,497
Other payables and accruals		255,719	271,812
		<u>255,719</u>	<u>271,812</u>
Total creditors		685,104	713,309
		<u>685,104</u>	<u>713,309</u>
Interest payables		5,231	20,461
Payable for mining rights		42,247	80,074
Deferred income	(b)	23,987	57,817
Payable to non-controlling interest		3,296	3,296
Amount due to related parties		3,841	443
Dividend payable		80,826	4,758
		<u>80,826</u>	<u>4,758</u>
		<u>844,532</u>	<u>880,158</u>
Financial liabilities at FVTPL			
Gold future and forward		19,390	14,786
Gold lease contracts		—	38,427
		<u>19,390</u>	<u>38,427</u>
		<u>19,390</u>	<u>53,213</u>
Non-current other payables			
Payable for long-term assets	(a)	285,260	344,423
Deferred income	(b)	126,312	66,905
Decommissioning costs	(c)	87,023	126,186
		<u>87,023</u>	<u>126,186</u>
		<u>498,595</u>	<u>537,514</u>

14 TRADE AND OTHER PAYABLES (Continued)

Notes:

- (a) Payable for long-term assets represents non-current payables in respect of procurement of property, plant and equipment, construction in progress and mining right.
- (b) Deferred income represents grants received from the government for the exploration of mines and construction of mining related assets. When certain conditions are met, the government grants are recognised as income over the periods necessarily to match them with the related costs of assets constructed which they are intended to compensate over the periods and in the proportion in which depreciation on those assets is charged.
- (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% (31 December 2023: 4.9%), which amounted to RMB87,023,000 (31 December 2023: RMB126,186,000) in total as at 30 June 2024.

15 CAPITAL AND RESERVE

(a) Share capital

	Number of domestic shares of RMB0.20 each	Number of H shares of RMB0.20 each	Total number of shares	Amounts RMB'000
Registered, issued and fully paid:				
As at 1 January 2023	566,975,091	297,274,000	864,249,091	172,850
Subscription and issuance of H shares on 18 August 2023	—	319,772,164	319,772,164	63,954
As at 31 December 2023 (Audited)	566,975,091	617,046,164	1,184,021,255	236,804
Subscription and issuance of H shares on 28 February 2024	—	32,538,000	32,538,000	6,508
Subscription and issuance of H shares on 25 April 2024	—	26,916,800	26,916,800	5,383
As at 30 June 2024	566,975,091	676,500,964	1,243,476,055	248,695

15 CAPITAL AND RESERVE (Continued)

(a) Share capital (Continued)

All Domestic shares and H shares are ordinary shares and rank pari-passu with the same rights and benefits.

Pursuant to a subscription agreement completed on 18 August 2023, 319,772,164 H Shares were issued to a corporate subscriber, an indirect wholly-owned subsidiary of another corporate subscriber which is owned by a connected person, at the subscription price of HKD0.85 per H Share. Gross proceeds and net proceeds from the subscription amounted to approximately HKD271,800,000 (or RMB256,000,000 equivalent) and HKD265,600,000 (or RMB250,169,000 equivalent), respectively.

Pursuant to a placing agreement entered into on 21 February 2024, 32,538,000 H Shares were issued at the price of HKD1.34 per H Share. Gross proceeds and net proceeds from the subscription amounted to approximately HKD43,600,000 (or RMB40,300,000 equivalent) and HKD42,400,000 (or RMB39,200,000 equivalent), respectively. The placement of share was completed on 28 February 2024.

Pursuant to a placing agreement entered into on 17 April 2024, 26,916,800 H Shares were issued at the price of HKD3.02 per H Share. Gross proceeds and net proceeds from the subscription amounted to approximately HKD81,300,000 (or RMB74,065,000 equivalent) and HKD79,300,000 (or RMB72,243,000 equivalent), respectively. The placement of share was completed on 25 April 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS AND PROSPECT

In the first half of 2024, the Group produced approximately 7,950 kg (equivalent to approximately 255,580 ounces) of gold bullion, representing a decrease of approximately 5,068 kg (equivalent to approximately 162,935 ounces) as compared with the corresponding period of the previous year. The decrease in the production volume of gold bullion was primarily due to the combined effect of the facts that the Group's mine production was affected by the unified regulatory requirements imposed by relevant authorities of Henan Province on mining enterprises across the province, and the Group took the initiative to reduce the procurement and production volume of compound gold in the first half of the year. For the Current Period, the Group's revenue decreased by approximately 26.67% to approximately RMB4,281,228,000 as compared with that of the corresponding period of the previous year, due to an overall decrease in the production of gold bullion. Despite the lower production volume of gold bullion, the net profit of the Group for the Current Period was approximately RMB152,658,000 (six months ended 30 June 2023: net profit of RMB120,467,000), among which, the Company's operating mines were all profitable for the first time, thanks to an increase in the sales price of gold. The basic earnings per share of the Company for the Current Period was RMB0.13 (six months ended 30 June 2023: RMB0.16).

The Group's mineral resources are mainly scattered in the regions of Henan, Xinjiang, Inner Mongolia, Jiangxi and Gansu of the People's Republic of China (the "PRC") and Kyrgyz Republic ("KR") with 37 mining and exploration rights as at 30 June 2024, covering 217.88 square kilometers. The total gold reserves and resources as at 30 June 2024 were approximately 136.34 tonnes (4,383,013 ounces).

1. Mining Segment

Revenue and production

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

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

		For the six months ended 30 June			
		2024		2023	
	Unit	<i>Approximate production volume</i>	<i>Approximate sales volume</i>	<i>Approximate production volume</i>	<i>Approximate sales volume</i>
Gold concentrates (contained gold)	kg	1,456	1,378	2,556	2,642
Compound gold	kg	348	347	368	350
Total	kg	1,805	1,725	2,924	2,992
Total	Ounce	58,022	55,465	94,007	96,193

The Group's total revenue from the mining segment for the Current Period was approximately RMB778,098,000, representing a decrease of approximately 37.56% from approximately RMB1,246,110,000 for the corresponding period in 2023, decrease in revenue from the mining was mainly due to: (1) Full Gold Mining Limited Liability Company ("Full Gold"), Chifeng Jinchan Mining Company Limited ("Jinchan") strengthened their exploration and mining efforts, resulting in a period-on-period increase in both production and revenue; Habahe Huatai Gold Company Limited ("Huatai") maintained stable production, and saw an increase in revenue period-on-period due to higher gold prices; (2) the Group's Nanshan branch and Tongbai Xingyuan Mining Company Limited ("Xingyuan") were affected by the unified regulatory requirements of Henan Province, resulting in a period-on-period decrease in both production and revenue. Among them, revenue from Mining — PRC was approximately RMB706,577,000 (six months ended 30 June 2023: RMB1,177,612,000), and revenue from Mining — KR was approximately RMB71,521,000 (six months ended 30 June 2023: RMB68,498,000). During the Current Period, the turnover in Henan, Xinjiang, KR and Inner Mongolia accounted for approximately 61.49%, 22.32%, 9.19% and 7% of the total turnover from the mining segment, respectively. Compared to the corresponding period of the previous year, the production of compound gold in mining segment decreased by

approximately 20 kg to approximately 348 kg, while the production of gold concentrates decreased by approximately 1,099 kg to approximately 1,456 kg during the Current Period.

Segment results

The Group's total profit of the mining segment for the Current Period was approximately RMB273,277,000, representing a decrease of approximately 32.38% as compared with the total profit of approximately RMB404,156,000 for the corresponding period in 2023, among which, the profit from Mining — PRC was approximately RMB267,377,000 (six months ended 30 June 2023: RMB519,190,000), and the profit from Mining — KR was approximately RMB5,900,000 (six months ended 30 June 2023: loss of approximately RMB115,034,000). The segment result to segment revenue ratio of the Group's mining segment for the Current Period was approximately 35.12%, compared with approximately 32.43% in the corresponding period in 2023.

During the Current Period, the profit of the Mining — PRC segment significantly decreased by approximately 48.50% as compared with that in the corresponding period in 2023, mainly attributable to the period-on-period decrease in production volume and revenue of Nanshan branch and Xingyuan as a result of the impact of unified regulatory requirements of Henan Province. However, various mines continued to optimize their production, strengthen mining and exploration and refine management, among which, Jinchan and Huatai recorded an increase in revenue as compared with that in the corresponding period of the last year. The overall production volume decreased as compared with that in the corresponding period in 2023. The Group completed the production of 1,502 kg of gold concentrates (contained gold) and compound gold in the first half of 2024, representing a decrease of 1,180 kg and a period-on-period decrease of 44.01%.

During the Current Period, thanks to increase in profit by strengthening mining and exploration, increasing production volume and focusing on refine management, the Mining — KR segment, being Full Gold Mining Limited Liability Company, recorded revenue of RMB5,900,000 (30 June 2023: segment loss of approximately RMB115,034,000).

Based on the above, the production volume of the Group's mining segment decreased as compared with that of the corresponding period in 2023, and the overall profit of the mining segment decreased by approximately 32.38% as compared with that of the corresponding period in 2023.

2. *Smelting Segment*

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

		For the six months ended 30 June			
		2024		2023	
	Unit	<i>Approximate production volume</i>	<i>Approximate sales volume</i>	<i>Approximate production volume</i>	<i>Approximate sales volume</i>
Gold bullion	kg	4,802	4,795	5,278	5,000
(processed from gold concentrates)	ounce	154,373	154,153	169,689	160,750
Gold bullion	kg	3,148	3,119	7,740	8,009
(processed from compound gold purchased externally)	ounce	101,207	100,275	248,843	257,489
Silver	kg	4,785	4,860	11,556	10,168
	ounce	153,837	156,249	371,525	326,901
Copper products	tonne	775	792	2,259	2,404
Sulphuric acid	tonne	53,165	51,597	52,322	55,769

Sales and production

The Group's total revenue from the smelting segment for the Current Period was approximately RMB4,291,005,000, representing a decrease of approximately 26.81% from approximately RMB5,862,544,000 for the corresponding period in 2023.

The decrease in the total revenue of the smelting segment for the Current Period was mainly due to the decrease in production volume of the mining segment, as well as the reduction in the quantity of compound gold purchased and produced in accordance with the Group's requirements, which collectively resulted in a decrease in the period-on-period revenue.

Segment results

The Group's smelting segment recorded a loss of RMB24,444,000 for the Current Period, compared to a loss of approximately RMB28,707,000 for the corresponding period in 2023. The smelting segment recorded a decrease in overall losses, benefiting from a period-on-period increase in the price of by-products including silver, copper products and sulphuric acid, and the measures of cost reduction and efficiency enhancement.

CONSOLIDATED OPERATING RESULTS

Revenue

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

Product name	For the six months ended 30 June					
	2024			2023		
	Amount (RMB'000)	Sales volume	Average unit price (RMB per kg/ tonne)	Amount (RMB'000)	Sales volume	Average unit price (RMB per kg/ tonne)
Gold bullion	4,063,064	7,914 kg	513,402	5,546,828	13,018 kg	426,089
Silver	29,642	4,860 kg	6,099	48,324	10,168 kg	4,753
Copper products	51,456	792 tonnes	64,970	143,051	2,404 tonnes	59,507
Sulphuric acid	2,419	51,597 tonnes	47	1,787	55,769 tonnes	32
Gold concentrates	169,476	332 kg	510,470	91,883	253 kg	363,174
Others	4,463			38,352		
Revenue before tax	4,320,520			5,870,225		
Less: Sales taxes and levies	(39,292)			(31,642)		
	<u>4,281,228</u>			<u>5,838,583</u>		

The Group's revenue for the Current Period was approximately RMB4,281,228,000, representing a decrease of 26.67% as compared with the corresponding period in 2023. The decrease was primarily attributable to compound gold purchased externally and a decrease in the production volume of the mining segment.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for the Current Period were RMB407,686,000 and 9.52%, respectively, and the gross profit and gross profit margin for the corresponding period of the previous year were RMB355,376,000 and 6.09%, respectively. The increase in gross profit margin was due to an improvement in the gross profit of Full Gold, a turnaround to profit of Jinchan and a decrease in the loss of the smelting segment.

OUTLOOK AND PLANNING FOR THE SECOND HALF OF 2024

Since the beginning of this year, gold prices have continued to rise, with international spot gold prices reaching new highs in recent years, providing favorable conditions for the steady development of the Group. From the perspective of the internal environment, the Group has deepened internal reforms, and a series of significant reform measures have gradually been implemented and shown results, which laid a solid foundation for the achievement of our work objectives in the second half of the year and for future development. In the second half of the year, we will maintain unwavering confidence in our development while preparing to tackle various challenges, strive to seek opportunities amidst uncertainties, and seize initiative to gain an advantage.

I. To consolidate the current positive development trend and organize the production and operation as well as mineral exploration and reserves enhancement in the second half of the year.

In the first half of the year, the Group continued to increase investment in the development of key mining enterprises, with a total of RMB95 million invested for their resource exploration, safety and environmental protection, technological innovation, application and promotion of new technologies and other aspects. As a result, both resource exploitation efficiency and utilization rate were effectively enhanced while the safety risk was reduced. Specifically, with an increasing mechanization level, the monthly one-side excavation length of Huatai and Nanshan branch has increased to 150m from 50m and 80m respectively. The transformation project of flotation machines has raised the recovery rate of ore processing of Xingyuan to 92.8%. Through optimization of production organization and management, Full Gold completed the construction of excavation project of 7,139.19 meters, with a new high record for ore output in the first half of the year. Besides, through various technical and engineering upgrades, key production capacities of mines such as Nanshan branch's hoisting capability and Huatai's grinding volume improved significantly in the first half of the year.

In the second half of the year, the Group will make good use of the current favorable market conditions, strictly organize production, strengthen cost control, and at the same time accelerate the renovation and upgrading of equipment and facilities and the construction of related projects in our mines, so as to lay a solid foundation for increasing production and efficiency.

Meanwhile, in order to further intensify mineral exploration and reserves enhancement, thereby ensuring the achievement of the Group's long-term strategies, in the second half of the year, the Group will strengthen the comprehensive research on the metallogenic potential of existing mining rights, increase efforts to explore quality mining rights, and further optimize the asset portfolio of mining rights. Therefore, we will, among others, cooperate with domestic well-known research institutions and exploration units and increase investment in the mining rights with great metallogenic potential; dispose of the mining rights that cannot meet the requirements under the Company's development strategy for optimization, and invest in the mining rights with greater scale and higher quality through continuous merger and acquisition. The Group will also formulate an exploration plan for a term of three years for Lingjin No. 1 Mine, the major production base of Nanshan branch, intending to make an investment of approximately RMB200 million as the exploration fund, with an aim to further enhance the reserves and production of the national renowned gold mine cluster in Xiaoqinling region, so as to solidify the Company's foundation for development and expansion.

II. To accelerate the “digitalization” transformation of production and speed up the construction of green mines (ESG).

The Group is steadily advancing the pace of intelligent mining, with a total of RMB21 million having been invested. The Group updated the dispatching and commanding center of Nanshan branch, Xingyuan, Jinchan and Huatai to integrate with the six systems of hoisting, transportation, ventilation, pressurized air, drainage, and power supply and distribution, realizing the unattended remote control of the six systems and the unified management and sharing of information. Ten gigabit industrial ring network, wireless WIFI coverage, accurate positioning of personnel, monitoring and controlling, and emergency broadcasting have been realized in underground mine.

In the first half of the year, the Group launched a transaction management system, which was integrated with the Yonyou NC financial system, achieving the effect of efficiency improvement and risk control. At the same time, in order to improve the efficiency of contract management and achieve comprehensive compliance management, the Group launched a contract management system to standardize the approval process and improve working efficiency.

In the first half of the year, the mine “MES” system was completed and put into use for the first time. The system connects various business processes such as mine planning, mining, transfer, processing, storage and sales, runs through the whole life cycle of mining and processing, and achieves the unification of ore flow, data flow and business flow. Currently, it has been put into trial operation in Nanshan branch and Xingyuan, and is planned to be launched in Huatai in mid-September this year, and the system construction of Full Gold will be launched in October. At the same time, the MES system of the smelting branch will also be completed in the second half of the year, further improving the overall digitization level of the Company.

In the second half of the year, the Group will continue to promote the “digitalization” transformation strategy of production for the digitization and intellectualization of the entire process, so as to strengthen production and operational effectiveness and accelerate production and operation activities and achieve management upgrading.

The Group adheres to the development concept of mutual growth and cares for the interests of all parties involved in the project locations. We have constructed a new materials industrial park in Lingbao while simultaneously increasing our investments in Kyrgyzstan to promote local economic development, employment, and improvements in people’s livelihoods. We have also provided strong support in areas such as infrastructure, culture and education, rural revitalization, as well as sports and health, which has garnered widespread recognition and praise from all sectors of society.

The Group upholds the philosophy that “lucid waters and lush mountains are invaluable assets” and actively responds to the “dual carbon” goals. We fully fulfill our social responsibilities, promote green and sustainable development, and adhere to the principle of “extraction while restoration”. We have invested nearly RMB7 million to take practical and feasible restoration measures tailored to local conditions. In this way, 470 acres of vegetation have been restored, 27 acres of land have been rehabilitated, and 7,530 trees have been planted. Our ecological protection and restoration standard in mining areas has also been improved. In the second half of the year, the Group will continue to ensure the deep integration of environmental management with corporate governance, and further plan and advance the construction of its green mines. Key issues such as environment, ecology, water resources, safety, community, and corporate governance will be integrated throughout the entire process of mining activities to achieve a virtuous cycle of environmental, social, and economic benefits.

III. To strengthen the construction of headquarters platform and address key technical and management issues.

The Group will continue to strengthen our technical platform in terms of design, construction and geotechnical surveys, to give full play to the role of experts in solving key technical issues, with an aim to meet the needs of our subsidiaries for technical services and management. In the first half of the year, the Group organized experts in mining, metallurgy, electromechanics, safety and environment, finance and auditing to help enterprises solve technical and management issues in the first line, and carried out on-site services for more than 50 times, providing real-time professional guidance.

Under the guidance of the expert team, Huatai adjusted its mining methods in the first half of the year, and the grade of the ore extracted by Huatai using the cemented filling mining method was 17% higher than the average mining grade of Huatai in the same period. In the second half of the year, Huatai will increase the proportion of cemented filling mining, aiming to account for more than 65% of the annual plan by May next year. At the same time, Xingyuan built the first gold ore intelligent sorting system in China's gold industry under the guidance of the expert team. Through the X-ray irradiation, body vision detection technology, big data deep learning technology, millisecond transmission and other artificial intelligence technology, the system can realize the intelligent sorting of ore and waste rock. After being put into use, the system effectively improved the feed grade by 0.2 grams and the waste rock throwing rate by 13.76%, and was honored as the second prize of Science and Technology Achievement Award by China Gold Association.

The smelting branch implemented a number of technological transformations such as replacement plate and frame gold sludge washing and zinc powder precious liquid purification with the advice and assistance of the expert team, which improved the quality of gold sludge and the leaching rate of smelted silver, and lowered the production cost of refining and smelting, and continued to push forward the greening upgrading and optimization of the process of electro-copper and wastewater treatment, in order to further enhance the level of environmental protection and reduce the cost of production.

Meanwhile, the Group introduced Deloitte and other leading management consulting firms in the first half of the year to comprehensively sort out and improve the Group's human resources management system, process authorization system and internal control of branches and subsidiaries. In the second half of the year, the head office of the Group will continue to improve the management level of the Group through cooperation with leading consulting firms and absorbing cutting-edge advanced experience and excellent practices in the industry.

IV. To promote internal reforms and implement the strategy of developing a robust company through talents.

The Group has been adhering to the corporate philosophy of "putting talents first". By constructing a talent pool of middle and senior talents in the nonferrous industry and enhancing the capability on searching for and recruiting top talents in the industry, the Group has not only successfully recruited dozens of senior and high-potential talents from the industry and benchmarking enterprises in related fields during the first half of the year, but also introduced management, finance and investment related talents from Deloitte, PricewaterhouseCoopers and other professional organizations. At the same time, the Group has also attracted technology talents from technology enterprises such as Accenture and Tencent. In the second half of the year, the Group will keep on strengthening its employer branding and continue to promote its employer branding in industry forums, universities and other channels in order to attract the attention of more outstanding talents.

Meanwhile, the Group aims to rejuvenate its cadres by selecting more than 10 young middle-level cadres with strong business capability and high comprehensive quality to take up key positions in major mining enterprises, and continues to increase the proportion of professional, young and highly educated personnel by introducing fresh graduates.

Adhering to the principle and mindset of “value creation, loyalty integration, focus on talents and long-term retention”, the Group will actively promote the share incentive scheme for eligible persons in order to provide incentives and rewards to eligible persons for their contributions, retain eligible persons to serve the Group and attract key talents for the Group’s further development.

In the second half of the year, the Group will continue to optimize staffing and improve the matching of employees and positions through scientific posting and a sound cadre selection mechanism to maximize the efficiency of human resources. The Group will continue to improve the remuneration system and realize full performance appraisal to stimulate the motivation of employees.

V. To steadfastly implement the “going global” strategy.

The Group will steadfastly implement the “going global” strategy and focus on making effective progress in resource M&A, exploration and management, ensuring that the Group realizes the strategic objective of increasing resource reserves.

In the first half of the year, the Group established an Overseas Business Department, which is fully responsible for the entire process of overseas project collection and screening, preliminary assessments, selection of intermediaries, on-site due diligence, business negotiations, and contract signing and handover. The department would also form operational teams for prospective projects, which may further strengthen the Group’s efforts in overseas resource M&A. The Overseas Business Department has organized teams to conduct seven on-site due diligence and assessments in regions such as the South Pacific and Southern Africa.

In the second half of the year, the Group will enhance its team of professionals in overseas M&A, as well as exploration and development, including experts in geology, mining, mineral processing, investment, legal affairs, commerce, and geoinformatics. The Group will conduct more project assessments focused on key resource M&A areas in the South Pacific, Southern Africa and West Africa, aiming to secure new resource development bases overseas through investments or M&As.

VI. To continuously intensify safety and environmental protection efforts.

In the first half of the year, the Group strictly adhered to national safety production and environmental protection laws and regulations, as well as superior policies, comprehensively advanced the processing of licenses and safety special operations, thus the safety and environmental protection situation of the Company remained stable and under control, with no major accidents occurring. During the first half of the year, the Group invested a total of RMB41.82 million in improving safety protection addressing hidden risks, promoting the application of new technologies and equipment, assessing and monitoring hazardous sources, obtaining safety licenses, maintenance of closed tailings ponds, and environmental protection projects. Among which, the Group led the establishment of an inspection team to provide on-site guidance for the work and production resumption of Xingyuan, which successively passed the safety inspections at county, city, and provincial levels, becoming the first mining enterprise to resume operations in Nanyang City after the Spring Festival.

Meanwhile, the smelting branch adhered to the control of sulfur dioxide, nitrogen oxide, etc. in daily operation to ensure the minimization of exhaust emissions and stable monitoring data, and initiated the cyanide-containing wastewater desalination project to conduct in-depth treatment of cyanide-containing wastewater, metallurgy wastewater and denitrification wastewater in the system. Regarding solid waste disposal, the Group had continued to increase production and construction investments in Lingbao Xinan Solid Waste Disposal Co., Ltd. (靈寶鑫安固體廢物處置有限責任公司) to ensure efficient and environment-friendly treatment of smelting residues.

In the second half of the year, the Group will continue to strengthen the supervision of safety and environmental protection risks, organize and carry out relevant special investigation and rectification, and strengthen supervision and assessment, so as to provide robust safeguards for the smooth progress of production.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group generally finances its operations with internally generated funds, bank loans and loans from other financial institutions. The cash and cash equivalents as at 30 June 2024 amounted to RMB331,854,000 (31 December 2023: RMB256,724,000).

The total equity of the Company as at 30 June 2024 amounted to RMB2,612,111,000 (31 December 2023: RMB2,436,554,000). As at 30 June 2024, the Group had current assets of RMB3,898,174,000 (31 December 2023: RMB2,964,554,000) and current liabilities of RMB4,470,488,000 (31 December 2023: RMB3,706,322,000). The current ratio was 87.2% (31 December 2023: 80.0%).

As at 30 June 2024, the Group had total outstanding bank and other borrowings of approximately RMB3,844,529,000 (with interest rates ranging from 1.1% to 4.0% per annum). Approximately RMB3,544,224,000 should be repayable within one year and approximately RMB300,305,000 should be repayable over one year but within two years. The gearing ratio as at 30 June 2024 was 48.7% (31 December 2023: 41.7%), which was calculated by total borrowings divided by total assets.

As at 30 June 2024, the Group had unutilised banking facilities related to unsecured bank borrowings of approximately RMB626,970,000, which could be drawn down by the Group to finance its operation. Based on the past experience and the communication with banks, the Directors believes that the Company has the ability to renew or secure banking facilities upon maturity, to ensure its continuing operation for the 12-month period from 1 July 2024 to 30 June 2025.

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

- 1) Strengthening management and optimising production to continuously enhance the Company's profitability;
- 2) Strengthening the equity financing capabilities;
- 3) Broadening financing channels to stabilize the total amount of financing and reducing financing costs.

Security and Guarantee

For details of securities and guarantees of the Group as at 30 June 2024, please refer to Note 13 "Bank and Other Borrowings" to these financial statements in this announcement.

Market Risks

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

Gold price and other commodities price risk

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

Interest rate risk

The Group is exposed to risks associated with the fluctuation in interest rates on our debt obligations. The Group undertakes debt obligations for general corporate purposes such as support of capital expenditure and working capital requirements. 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 costs will increase accordingly. In addition, to the extent that we may need to raise our debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt.

Exchange rate risk

The Group's transactions are mainly denominated in Renminbi. As such, fluctuations in exchange rates may affect the international and domestic gold prices, and our operational results may be affected.

In addition to the foregoing, the exchange rate risks to which the Group exposes are mainly caused by certain bank deposits, trade and other receivables, trade and other payables and bank loans, which are denominated in foreign currencies. The currency risk is primarily United States dollars.

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

Contractual Obligations

As at 30 June 2024, the Group's total capital commitments in respect of the contracted costs which was not provided for in the financial statements was approximately RMB344,032,000 (31 December 2023: RMB376,043,000), representing a decrease of approximately RMB32,011,000.

Capital Expenditure

For the Current Period, the Group's capital expenditure was approximately RMB288,056,000, representing an increase of approximately 42.9% from approximately RMB201,619,000 for the corresponding period in 2023.

The Group's capital expenditure mainly relates to the construction of mining shafts and renewal of mining rights for other relevant subsidiaries, expansion of project equipment and upgrading of production equipment.

Contingent Liabilities

As at 30 June 2024, the Group had no material contingent liabilities.

Human Resources

The emolument policy of the employees of the Group is set up by the management on the basis of their merits, qualifications and competence.

As at 30 June 2024, the Group had an aggregate of 3,646 employees (as at 31 December 2023: 4,103 employees). The Group recruited and promoted individual persons according to their capabilities and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and prevailing market salary scale.

The Group is dedicated to the training and development of its employees, and provides its employees with abundant training opportunities and diversified training programs. The Group provides introductory training and orientation for all new employees, as well as on-the-job training to continually improve its employees' technical, professional and management skills. The Company has also developed salary incentive policies for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations.

Funding and Treasury Policy

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks and licensed financial institution. To manage liquidity risk, the Board of Directors closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Significant Investments

As at 30 June 2024, the Group did not hold any material investments.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

As at 30 June 2024, there was no material acquisition or disposal of subsidiaries or associated companies.

Future Plans for Material Investments or Capital Assets

Save as disclosed otherwise in this announcement, the Group did not have any other future plans relating to material acquisitions, investments or capital assets as at the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

There were no material events occurred after the Current Period to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's shares (including sale of treasury shares) by the Company or any of its subsidiaries for the six months ended 30 June 2024. As at 30 June 2024, the Company did not hold any of treasury shares.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

CORPORATE GOVERNANCE

The Company is committed to maintaining a solid, transparent and sensible framework of corporate governance for the Company and its subsidiaries and will continue to review its effectiveness.

The Company has adopted the Code Provisions (the “**Code Provisions**”) as stated in the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as the corporate governance code of the Company. The Board is committed to complying with the Code Provisions as stated in the CG Code to the extent that the Directors consider it is applicable and practical to the Company.

During the Current Period, the Company has complied with the Code Provisions in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the Company's code of conduct for securities transactions by the Directors and supervisors of the Company (the “**Supervisors**”). Based on specific enquiry made to all Directors and Supervisors, the Directors and Supervisors have complied with the required standard set out in the Model Code throughout the Current Period.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive Directors and one non-executive Director, namely, Mr. Yeung Chi Tat (Chairman), Mr. Zhang Feihu, Mr. Tan Chong Huat, Mr. Bo Shao Chuan and Mr. Guo Michael Xinsheng. An Audit Committee meeting was held on 28 August 2024 to review the unaudited interim financial report for the six months ended 30 June 2024. BDO Limited, the Group's external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2024 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement has been published on the website of The Hong Kong Exchanges and Clearing Limited (the "HK Exchange"), www.hkexnews.hk, and the website of the Company, www.irasia.com/listco/hk/lingbao. The 2024 Interim Report will be despatched (if requested) to shareholders in due course and published on the websites of the HK Exchange and the Company.

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

Lingbao City, Henan Province, the PRC
28 August 2024

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Chen Jianzheng, Mr. Xing Jiangze, Mr. He Chengqun, Mr. Wu Liming and Ms. Zhao Li; two non-executive directors, namely Mr. Zhang Feihu and Mr. Wang Guanran; and four independent non-executive directors, namely Mr. Yeung Chi Tat, Mr. Tan Chong Huat, Mr. Bo Shao Chuan and Mr. Guo Michael Xinsheng.