



# Lingbao Gold Company Ltd. 靈寶黃金股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

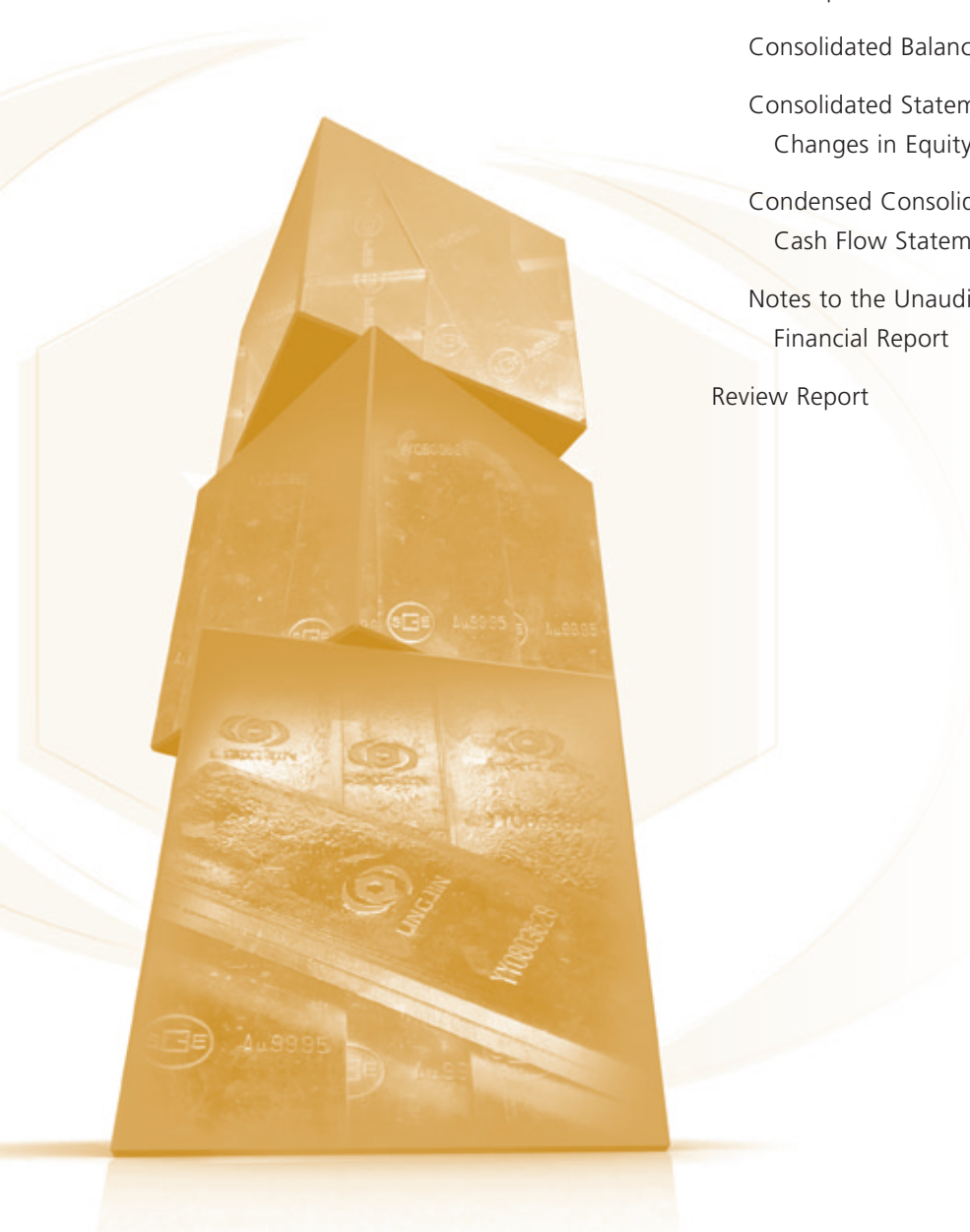
(Stock Code: 3330)

## Interim Report 2011



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# Corporate Information

## Directors

### Executive Directors

Xu Gaoming (*Chairman*)  
Jin Guangcai  
Liu Pengfei  
Zhang Guo  
He Chengqun

### Non-executive Directors

Wang Yumin

### Independent Non-executive Directors

Niu Zhongjie  
Wang Han  
Yan Wanpeng  
Du Liping

## Supervisors

Liu Shengmin (*Chairman of the Supervisory Committee*)  
Meng Fanrui  
Guo Xuchang  
Guo Xurang  
Yang Bo  
Hang Zhanping  
Jiao Xiaoxiao

## Company Secretary

Poon, Lawrence Chi Leung

## Authorised Representatives

Jin Guangcai

## Alternate Authorised Representative

Poon, Lawrence Chi Leung

## Audit Committee

Yan Wanpeng (*Chairman of Audit Committee*)  
Wang Yumin  
Niu Zhongjie  
Wang Han  
Du Liping

## International Auditors

KPMG

## Legal Adviser

*Hong Kong law*  
DLA Piper Hong Kong  
*PRC law*  
Commerce & Finance Law Offices

## Principal Bankers

Bank of China, Lingbao City Branch  
Agricultural Bank of China, Lingbao City Branch  
China Construction Bank, Lingbao City Branch  
Industrial and Commercial Bank of China,  
Lingbao City Branch  
Industrial Bank, Zhengzhou Branch  
Bank of Communications, Zhengzhou Branch  
China Development Bank  
Shenzhen Development Bank  
HSBC

## Share Registrar and Transfer Office for H Shares

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## Registered Office

Xin Village, Yin Zhuang Town  
Daonan Industrial Area  
Lingbao  
Henan  
The PRC

# Corporate Information

## Principal Place of Business in Hong Kong

Room 1902, 19th Floor, MassMutual Tower  
38 Gloucester Road  
Wanchai  
Hong Kong

## Stock Information

Stock code: 3330  
Listing date: 12 January 2006  
Issued shares: 297,274,000 shares  
(H Shares)  
472,975,091 shares  
(Domestic shares)  
Nominal value: RMB0.20 per share  
Stock name: Lingbao Gold  
Website: [www.lbgold.com](http://www.lbgold.com)  
Investors' website: [www.irasia.com/listco/hk/lingbao](http://www.irasia.com/listco/hk/lingbao)

## Investor Relations Contact

### The Company:

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38 Gloucester Road  
Wanchai  
Hong Kong  
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Ms. Qi Haihua  
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Daonan Industrial Area  
Lingbao  
Henan  
The People's Republic of China  
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# Management Discussion and Analysis

## Review of Business and Prospect

In the first half of 2011, Lingbao Gold Company Ltd. ("Lingbao Gold" or the "Company") and its subsidiaries (together with the Company, the "Group") produced approximately 7,073 kg (equivalent to approximately 227,402 ounce) of gold, representing an increase of approximately 183 kg (equivalent to approximately 5,884 ounce) or approximately 2.7% as compared with the corresponding period of the previous year. The Group's turnover for the six months ended 30 June 2011 was approximately RMB2,690,377,000, representing an increase of approximately 27.5% as compared with the corresponding period of the previous year. For the six months ended 30 June 2011, the profit attributable to the Company's shareholders was approximately RMB149,479,000, representing an increase of approximately 85.4% as compared with the corresponding period of the previous year. For the six months ended 30 June 2011, the basic earnings per share was RMB0.19. In the first half of 2011, the increase in profit attributable to the Group's shareholders as compared with the corresponding period of 2010 were mainly due to the commodity prices remaining at a high level, of which, the revenue from gold bullion increased by 12.5%, silver increased by 163.3%, and copper products increased by 86.6% and the strengthening in monitor for the transaction of commodities hedging.

The Group's mineral resources are mainly scattered in regions of Henan, Xinjiang, Inner Mongolia, Jiangxi, Gansu of the People's Republic of China (the "PRC") and Kyrgyz Republic with 55 mining and exploration rights as at 31 July 2011 covering 2,220.76 square kilometers. The total gold reserves and resources as at 30 June 2011 were approximately 57.12 tonnes (1,836,451 ounce) and 100.52 tonnes (3,231,793 ounce) respectively.

### 1. Mining Segment

#### *Turnover and production*

Our mining business comprises the sales of gold concentrates and compound golds. All gold concentrates and compound gold are 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:

	Unit	For the six months ended 30 June			
		2011		2010	
		Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates	kg	1,017	910	889	798
Compound gold	kg	338	291	600	506
Total	kg	1,355	1,201	1,489	1,304
Total	ounce	43,564	38,613	47,872	41,925

# Management Discussion and Analysis

The Group's revenue from the mining segment for the first half of 2011 was approximately RMB331,670,000, representing an increase of approximately 2.3% from approximately RMB324,062,000 for the same period in 2010. During the first half of 2011, revenue of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 81.7%, 17.6% and 0.7% of the revenue from the mining segment respectively. The production of compound gold decreased by approximately 262 kg to approximately 338 kg, while production of gold concentrates increased by approximately 128 kg to approximately 1,017 kg.

## **Segment results**

The Group's results of the mining segment for the first half of 2011 was approximately RMB73,065,000, representing a decrease of approximately 3.2% from approximately RMB75,508,000 for the same period in 2010. The segment result to segment turnover ratio of the Group's mining segment for the first half of 2011 was approximately 22.0%, representing a decrease of approximately 1.3% from approximately 23.3% in the corresponding period in 2010.

## **2. Smelting Segment**

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

		For the six months ended 30 June			
		2011		2010	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold bullion	kg	<b>7,073</b>	<b>6,365</b>	6,890	6,810
	ounce	<b>227,402</b>	<b>204,640</b>	221,519	218,947
Silver	kg	<b>26,172</b>	<b>27,815</b>	17,125	19,267
	ounce	<b>841,449</b>	<b>894,273</b>	550,582	619,448
Copper products	tonne	<b>7,811</b>	<b>7,270</b>	6,137	4,697
Sulphuric acid	tonne	<b>70,819</b>	<b>73,775</b>	79,082	77,729



# Management Discussion and Analysis

## Sales and production

The Group's total turnover in the smelting segment for the first half of 2011 was approximately RMB2,595,989,000, representing an increase of approximately 26.1% from approximately RMB2,058,352,000 for the same period of 2010. Such increase during the reporting period was mainly attributable to the average selling price of gold bullion sold increased by approximately 20.3%, the sales volume and average selling price of silver increased by approximately 44.2% and 82.6% respectively, and the sales volume and average selling price of electrolytic copper increased by approximately 54.8% and 17.6% respectively.

The Group's smelting plants processed approximately 960 tonnes of gold concentrates per day, with an utilisation rate of approximately 100%. During the first half of 2011, the Group continued to maintain the recovery rates of gold, silver and copper at a high level, which were approximately 95.0%, 71.3% and 95.5% respectively.

## Segment results

Our smelting segment results for the first half of 2011 was approximately RMB246,974,000, representing an increase of approximately 13.9% from approximately RMB216,822,000 for the same period in 2010. The segment results to segment turnover ratio of our smelting business for the first half of 2011 was approximately 9.5%, decreased by approximately 1.0% from approximately 10.5% for the same period in 2010.

## Consolidated Operating Results

### Turnover

The following table sets out the Group's sales breakdown by products:

Product name	For the six months ended 30 June					
	2011 Sales Amount (RMB'000)	2011 Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)	2010 Sales Amount (RMB'000)	2010 Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)
Gold bullion	1,960,962	6,365 kg	308,085	1,743,821	6,810 kg	256,068
Silver	175,384	27,786 kg	6,312	66,602	19,267 kg	3,457
Electrolytic coppers	72,231	1,237 tonnes	58,392	151,042	3,041 tonnes	49,669
Copper foils	460,284	5,980 tonnes	76,971	134,310	1,863 tonnes	72,093
Sulphuric acid	28,429	73,499 tonnes	387	17,997	77,729 tonnes	232
Turnover before sales tax	2,697,290			2,113,772		
Less: Sales taxes and levies	(6,913)			(3,476)		
	<u>2,690,377</u>			<u>2,110,296</u>		

## Management Discussion and Analysis

The Group's turnover for the first half of 2011 was approximately RMB2,690,377,000, representing an increase of approximately 27.5% as compared with the corresponding period of the previous year. Such increase was mainly attributable to the increase in the average selling price of gold bullion, silver, copper products by approximately 20.3%, 82.6% and 26.8% during the period, increase in volume of silver sold by approximately 44.2%, which resulted in the increase in sales of gold bullion, silver, and copper products by approximately 12.5%, 163.3% and 86.6% respectively as compared to the corresponding period of last year.

In the first half of 2011, the Group's second phase of the copper foil factory, which is mainly for the production of high-end copper foil, has already fully commenced production. The Group's copper foil production volume amounted to approximately 7,035 tonnes, increasing by 5,509 tonnes or 361.0% as compared with the corresponding period of the previous year. Copper foil sales volume was approximately 5,980 tonnes, increasing by 4,117 tonnes or 221.0% as compared with the corresponding period the previous year. In the first half of 2011, the average selling price of electrolytic copper increased by approximately 17.6% compared with the corresponding period last year, with the average selling price of copper foils increasing by approximately 6.8% compared with the corresponding period last year. In the first half of 2011, demand for the copper foil market was weak. Despite copper prices rose by approximately 17.6% in the first half of 2011, the average selling price of copper foil products cannot catch up with the growth of copper, causing rise in raw material costs and pressure on gross profits.

### Outlook

Influenced by the European and US debt crisis, as well as the market's concern over the economic growth prospects, there will be continuous support for the rise in gold prices. The Group will grasp the opportunity of high gold prices and ensure the operating rate of equipment of the mine processing plant, so that overall production will be stable. Full Gold Mining Limited Liability Company strives to commence operation for its mine processing plant soon, so that there will be certain growth in the mine gold of the company. The Group will grasp the suitable timing for product sales to ensure that the benefit is maximized. The copper foil market will be actively explored, and market research and forecast will be properly carried out to adjust sales strategies in a timely manner. In terms of mine exploration, the Group will focus on enhancing the cooperation with Sinosteel, accelerate the research on the metallogenic regularity of the Xiaohu fracture zone of Nanshan mining area, expedite the progress of peripheral mine exploration of Habahe Huatai Gold Limited Liability Company and Chifeng Jinchan Mining Company Limited, and pay special attention on the progress of several major mine exploration works such as Tongbai Xingyuan Mining Company Limited, Nanshan Gold Mine and Lingbao Hongxin Mining Limited Liability Company. By means of the combination of various mine exploration techniques, the Group will focus on the exploration works, and improve mine exploration results.



# Management Discussion and Analysis

## Financial Review

### Acquisition and disposal

The Group had no material acquisition and disposal during the six months ended 30 June 2011.

### Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds, medium-term notes and bank loans. The cash and bank balances as at 30 June 2011 amounted to RMB544,246,000.

The shareholders' equity of the Group as at 30 June 2011 amounted to RMB2,134,553,000 (31 December 2010: RMB2,066,921,000). As at 30 June 2011, the Group had current assets of RMB2,911,983,000 (31 December 2010: RMB2,139,889,000) and current liabilities of RMB2,297,688,000 (31 December 2010: RMB1,998,745,000). The current ratio was 1.27 (31 December 2010: 1.07).

As at 30 June 2011, the Group had total outstanding bank loans of approximately RMB3,353,456,000 with interest rates ranged from 2.25% to 6.65% per annum, of which approximately RMB1,643,057,000 was repayable within one year, approximately RMB271,053,000 was repayable after one year but not exceeding two years, approximately RMB985,375,000 was repayable after two years but not exceeding five years and approximately RMB453,971,000 was repayable after five years. During the reporting period, the Company issued 5-year medium-term notes of RMB400,000,000 and RMB300,000,000 in two tranches, with interest rate being 5.95% and 6.10%. The gearing ratio as at 30 June 2011 was 53.9% (31 December 2010: 48.4%) which was calculated as total borrowings divided by total assets value.

### Security

As at 30 June 2011, the mining right of Istanbul Gold Mine with carrying value amounting to RMB119,876,000 and the ordinary shares of Full Gold were pledged for the borrowings from the National Development Bank.

### Market risks

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

# Management Discussion and Analysis

## ***Gold price and other commodities price risk***

The Group's turnover and profit for the period were affected by fluctuations in the gold prices and other commodities price as the Group's products are sold at market prices and the fluctuations in prices are not controlled by the Group. The Group does not strictly prohibit the use of commodity derivative instruments or futures for speculative purposes, and all commodity derivative instruments are used to prevent any potential fluctuation in the prices of gold and other products of the Group.

## ***Interest rate risk***

The Group is exposed to risks resulting from fluctuations in interest rates on our debt. The Group undertakes debt obligations for supporting general corporate purposes, including capital expenditure and working capital needs. Our bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant People's Bank of China ("PBOC") regulations. If the PBOC increases interest rates, our finance cost will be increased. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts.

## ***Exchange rate risk***

The Group's transactions are mainly denominated in Renminbi. Fluctuations in exchange rates may affect the international and domestic gold price, which may impact our results of operation. Renminbi is not a free-trade currency and it 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 risks to which the Group exposes are mainly certain bank deposits and bank loans, which are denominated in HK dollars and US dollars. Fluctuations in exchange rates may cast financial impact to the Group.

## ***Contractual obligations***

As at 30 June 2011, capital commitments was approximately RMB96,230,000, representing a decrease of approximately RMB4,605,000 from approximately RMB100,835,000 as at 31 December 2010.

## ***Capital expenditures***

Capital expenditures during the period was approximately RMB197,472,000, including capital expenditure of approximately RMB177,499,000 in relation to the acquisition of fixed assets and construction in progress, and acquisition of intangible assets of approximately RMB19,973,000.

## ***Contingent liabilities***

As at 30 June 2011, the Group had no material contingent liabilities.

## ***Human resources***

For the six months ended 30 June 2011, the average number of employees of the Group was 5,794. The Company highly treasures its human resources and offers competitive remuneration to employees and provides employees with training programs.

# Management Discussion and Analysis

## Purchase, Sale or Redemption of Listed Securities of the Company

There were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the period ended 30 June 2011.

## Directors', Supervisors and Chief Executive's Interests in Shares of the Company

As at 30 June 2011, the interest and short position of each Director, Supervisor and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (for this purpose, the relevant provisions of the SFO will be interpreted as if applicable to Supervisors) were as follows:

Supervisors	Relevant entity	Capacity	Number of domestic shares held (Long position)	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total issued share capital
Mr. Meng Fanrui (孟凡瑞先生)	The Company	Interests of Controlled Corporation (Note 1)	18,000,000	3.80%	2.34%
Mr. Guo Xuchang (郭續長先生)	The Company	Interests of Controlled Corporation (Note 2)	12,250,000	2.58%	1.59%

### Notes:

- Henan Xuanrui Assets Company Limited ("Henan Xuanrui") (河南軒瑞產業股份有限公司), a promoter of the Company, owns approximately 2.34% interest in the Company as at the date of this report. Mr. Meng Fanrui (孟凡瑞先生) owns approximately 61.6% interest in Henan Xuanrui and together with his wife Ms. Ma Xianting (馬仙婷小姐), hold approximately 96.1% of the shareholding in Henan Xuanrui. Under section 316 of the SFO, Mr. Meng Fanrui (孟凡瑞先生) is deemed to be interested in the shares held by Henan Xuanrui.
- Lingbao Guoshi Mining Limited Liability Company (靈寶郭氏礦業有限公司) ("Lingbao Guoshi Mining") owns approximately 1.59% interest in the Company as at the date of this report. Mr. Guo Xuchang (郭續長先生) owns approximately 78.8% interest in Lingbao Guoshi Mining and together with his wife Ms. Yang Yuqin (楊玉琴小姐), hold 100% of the shareholding in Lingbao Guoshi Mining. Under section 316 of the SFO, Mr. Guo Xuchang (郭續長先生) is deemed to be interested in the shares held by Lingbao Guoshi Mining.

# Management Discussion and Analysis

## Substantial Shareholders' Interests in Shares of the Company

As at 30 June 2011, as far as the Directors are aware of, the following persons, other than the Directors, Supervisors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Number of domestic shares	Nature of interest	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total issued share capital
Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司) ("Lingbao State-owned Assets") (Notes 1 and 2)	296,840,620	Beneficial owner	62.76%	38.54%
Huibang Investment Development Company Limited	77,000,000	Beneficial owner	16.28%	10.00%
Beijing Wanlaixin Investment Limited Liability Company (北京萬來鑫投資有限責任公司)	37,698,784	Beneficial owner	7.97%	4.89%

Name of shareholders	Number of H shares	Capacity	Approximate percentage of the total issued H share capital	Approximate percentage of the total share capital
The Bank of New York Mellon Corporation (Note 3)	15,682,000	Interest in controlled corporation	5.28%	2.04%
The Bank of New York Mellon (Note 3)	15,682,000	Beneficial owner	5.28%	2.04%

*Notes:*

- In addition to its direct interest in 296,840,620 domestic shares, Lingbao State-owned Assets has an indirect interest in the Company through its equity interest of approximately 43.4% in Lingbao Gold Machinery Limited Liability Company (靈寶市黃金機械有限責任公司), which in turn holds approximately 21.1% equity interest in Lingbao Jinxiang Auto Parts Limited Liability Company (靈寶市金象汽車零部件有限責任公司) ("Lingbao Jinxiang Motors"). Lingbao Jinxiang Motors is a promoter of the Company, which held approximately 1.7% shareholding in the Company as at the date of this report.
- Mr. Wang Yumin (王育民先生), a non-executive Director, is the general manager of Lingbao State-owned Assets.
- The 15,682,000 shares represent the same block of shares.

# Management Discussion and Analysis

## Interim Dividend

The Board of Directors does not recommend the payment of interim dividend.

## Corporate Governance

Being one of the largest integrated gold mining companies based in the PRC, the Company is committed to achieving high standards of corporate governance practices and has put in place a set of well-defined corporate governance processes to ensure the transparency of the Company and protect the overall interest and rights of shareholders as well as employees.

The Company has complied with all Code Provisions under the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules save for the deviations discussed below:

- (i) **Code Provision A.2.1** (Division of responsibilities between the chairman and chief executive officer)

Code Provision A.2.1 of the Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The chairman is responsible for ensuring that the Directors are properly explained on matters discussing at Board meetings and complete and reliable information had been received by directors.

Mr. Xu Gaoming is the Chairman and Chief Executive Officer of the Company and has considerable industry experience. Thus, there is a deviation from the Code Provision A.2.1. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is capable to guide discussions and brief the Board (in particular, the non-executive Directors) in a timely manner on various issues and developments of the industry. In addition, the Board believes that this structure can assist the Group to implement decisions promptly and more efficiently.

- (ii) **Code Provision A.4.2** (Directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after appointment)

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

# Management Discussion and Analysis

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by Directors. Based on specific enquiry of the Company’s Directors, the Directors have complied with the required standard set out in the Model Code, throughout the period under review.

## Audit Committee

The audit committee (“Audit Committee”) of the Company, comprising four independent non-executive Directors and one non-executive Director, namely, Mr. Niu Zhongjie, Mr. Yan Wanpeng, Mr. Wang Han, Ms. Du Liping and Mr. Wang Yumin has reviewed the accounting principles and practices adopted by the Group and have discussed and reviewed the internal control and financial reporting matters, including the unaudited interim financial report for the six months ended 30 June 2011, with the management and external auditors of the Company. The Audit Committee is of the opinion that such report complies with applicable accounting standards, the Listing Rules and the legal requirements and that adequate disclosures have been made.

By order of the Board

**Xu Gaoming**

*Chairman*

Lingbao City, Henan Province, The PRC

26 August 2011





# Consolidated Income Statement

for the six months ended 30 June 2011 – unaudited

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
<b>Turnover</b>	3, 4	<b>2,690,377</b>	2,110,296
Cost of sales		<b>(2,308,385)</b>	(1,762,613)
<b>Gross profit</b>		<b>381,992</b>	347,683
Other revenue	5	<b>9,609</b>	6,913
Other net income/(loss)	6	<b>20,835</b>	(93,270)
Selling and distribution expenses		<b>(12,036)</b>	(10,593)
Administrative expenses and other operating expenses		<b>(107,913)</b>	(89,583)
<b>Profit from operations</b>		<b>292,487</b>	161,150
Finance costs	7(a)	<b>(70,191)</b>	(40,097)
<b>Profit before taxation</b>	7	<b>222,296</b>	121,053
Income tax	8	<b>(68,722)</b>	(47,727)
<b>Profit for the period</b>		<b>153,574</b>	73,326
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>149,479</b>	80,619
Non-controlling interests		<b>4,095</b>	(7,293)
<b>Profit for the period</b>		<b>153,574</b>	73,326
<b>Basic and diluted earnings per share (cents)</b>	9	<b>19</b>	10

The notes on pages 20 to 39 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 18.

# Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011 – unaudited

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
<i>Note</i>		
<b>Profit for the period</b>	<b>153,574</b>	73,326
<b>Other comprehensive income for the period:</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>(2,329)</b>	3,918
<b>Total comprehensive income for the period</b>	<b>151,245</b>	77,244
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>144,657</b>	84,537
Non-controlling interests	<b>6,588</b>	(7,293)
<b>Total comprehensive income for the period</b>	<b>151,245</b>	77,244

The notes on pages 20 to 39 form part of this interim financial report.

# Consolidated Balance Sheet

at 30 June 2011 – unaudited

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	10	1,432,273	1,495,863
Construction in progress	10	837,861	686,576
Intangible assets	11	676,693	671,323
Goodwill		41,404	41,404
Lease prepayments		136,143	94,239
Other investments		10,504	10,504
Non-current prepayments		73,808	90,253
Deferred tax assets		104,852	99,055
		<b>3,313,538</b>	<b>3,189,217</b>
<b>Current assets</b>			
Inventories	12	1,461,359	1,167,219
Trade and other receivables, deposits and prepayments	13	898,839	648,958
Cash and cash equivalents	14	544,246	323,712
Assets classified as held for sale	15	7,539	–
		<b>2,911,983</b>	<b>2,139,889</b>
<b>Current liabilities</b>			
Bank loans	16	1,643,057	1,393,000
Other loan	16	2,973	3,270
Trade and other payables	17	601,291	547,535
Loan from ultimate holding company		23,800	23,800
Current tax payable		26,567	31,140
		<b>2,297,688</b>	<b>1,998,745</b>
<b>Net current assets</b>		<b>614,295</b>	<b>141,144</b>
<b>Total assets less current liabilities</b>		<b>3,927,833</b>	<b>3,330,361</b>

# Consolidated Balance Sheet (continued)

at 30 June 2011 – unaudited

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
	<i>Note</i>		
<b>Non-current liabilities</b>			
Bank loans	16	1,010,399	1,184,142
Unsecured debentures	16	700,000	–
Other payables	17	23,369	30,624
Deferred tax liabilities		7,755	7,638
		<b>1,741,523</b>	1,222,404
<b>NET ASSETS</b>			
		<b>2,186,310</b>	2,107,957
<b>CAPITAL AND RESERVES</b>			
	18		
Share capital		154,050	154,050
Reserves		1,980,503	1,912,871
<b>Total equity attributable to equity shareholders of the Company</b>			
		<b>2,134,553</b>	2,066,921
<b>Non-controlling interests</b>			
		<b>51,757</b>	41,036
<b>TOTAL EQUITY</b>			
		<b>2,186,310</b>	2,107,957

The notes on pages 20 to 39 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011 – unaudited

	Attributable to equity shareholders of the Company						Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000			
<b>Balance at 1 January 2010</b>	154,050	827,931	119,961	(107)	(858)	731,550	1,832,527	49,610	1,882,137
<b>Changes in equity for the six months ended 30 June 2010:</b>									
Total comprehensive income for the period	-	-	-	3,918	-	80,619	84,537	(7,293)	77,244
Appropriation of safety production funds (note 18(c))	-	-	8,625	-	-	(8,625)	-	-	-
Utilisation of safety production funds (note 18(c))	-	-	(8,625)	-	-	8,625	-	-	-
<b>Balance at 30 June 2010 and 1 July 2010</b>	154,050	827,931	119,961	3,811	(858)	812,169	1,917,064	42,317	1,959,381
<b>Changes in equity for the six months ended 31 December 2010:</b>									
Total comprehensive income for the period	-	-	-	2,537	-	185,832	188,369	(1,281)	187,088
Appropriation of safety production funds (note 18(c))	-	-	12,071	-	-	(12,071)	-	-	-
Utilisation of safety production funds (note 18(c))	-	-	(12,071)	-	-	12,071	-	-	-
Profit appropriation	-	-	20,694	-	-	(20,694)	-	-	-
Dividends approved in respect of the previous year (note 18(b))	-	-	-	-	-	(38,512)	(38,512)	-	(38,512)
<b>Balance at 31 December 2010</b>	154,050	827,931	140,655	6,348	(858)	938,795	2,066,921	41,036	2,107,957
<b>Balance at 1 January 2011</b>	<b>154,050</b>	<b>827,931</b>	<b>140,655</b>	<b>6,348</b>	<b>(858)</b>	<b>938,795</b>	<b>2,066,921</b>	<b>41,036</b>	<b>2,107,957</b>
<b>Changes in equity for the six months ended 30 June 2011:</b>									
Total comprehensive income for the period	-	-	-	(4,822)	-	149,479	144,657	6,588	151,245
Acquisition of a subsidiary (note 22)	-	-	-	-	-	-	-	4,133	4,133
Appropriation of safety production funds (note 18(c))	-	-	8,845	-	-	(8,845)	-	-	-
Utilisation of safety production funds (note 18(c))	-	-	(9,562)	-	-	9,562	-	-	-
Dividends approved in respect of the previous year (note 18(b))	-	-	-	-	-	(77,025)	(77,025)	-	(77,025)
<b>Balance at 30 June 2011</b>	<b>154,050</b>	<b>827,931</b>	<b>139,938</b>	<b>1,526</b>	<b>(858)</b>	<b>1,011,966</b>	<b>2,134,553</b>	<b>51,757</b>	<b>2,186,310</b>

The notes on pages 20 to 39 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2011 – unaudited

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Cash (used in)/generated from operations		<b>(105,388)</b>	159,016
PRC income tax paid		<b>(79,016)</b>	(77,679)
Net cash (used in)/generated from operating activities		<b>(184,404)</b>	81,337
Net cash used in investing activities		<b>(275,885)</b>	(266,665)
Net cash generated from/(used in) financing activities		<b>682,108</b>	(50,142)
Net increase/(decrease) in cash and cash equivalents		<b>221,819</b>	(235,470)
Cash and cash equivalents at 1 January	14	<b>323,712</b>	685,321
Effect of foreign exchange rate changes		<b>(1,285)</b>	(1,582)
Cash and cash equivalents at 30 June	14	<b>544,246</b>	448,269

The notes on pages 20 to 39 form part of this interim financial report.



# Notes to the Unaudited Interim Financial Report

## 1 Basis of preparation

The Company has a financial year end date of 31 December. This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these 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.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 40.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2011.

## Notes to the Unaudited Interim Financial Report (continued)

### 2 Changes in accounting policies

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

- HKAS 24 (revised 2009), Related party disclosures
- Improvements to HKFRSs (2010)

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

### 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 the following 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 (the "PRC"). |
| Mining – KR       | – | Gold mining and mineral ores processing operations in Kyrgyz Republic ("KR").                     |
| Smelting          | – | Gold and other metal smelting and refinery operations carried out in the PRC.                     |
| Copper processing | – | Copper processing operation carried out in the PRC.   |

## Notes to the Unaudited Interim Financial Report (continued)

### 3 Segment reporting (continued)

#### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, deferred tax assets and current assets with the exception of investments in financial assets and other corporate assets managed by head office. Segment liabilities include trade creditors and accruals attributable to the activities of the individual segments and bank and other borrowings managed directly by the segments with the exception of bank borrowings managed by head office.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of goods, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

## Notes to the Unaudited Interim Financial Report (continued)

### 3 Segment reporting (continued)

#### (a) Segment results, assets and liabilities (continued)

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 period is set out below.

	Mining – PRC		Mining – KR		Smelting		Copper Processing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>For the six months ended 30 June</i>										
Revenue from external customers	-	-	-	-	2,237,005	1,979,462	460,285	134,310	2,697,290	2,113,772
Inter-segment revenue	331,695	324,119	-	-	365,017	82,307	-	-	696,712	406,426
Sales tax	(25)	(57)	-	-	(6,033)	(3,417)	(855)	(2)	(6,913)	(3,476)
<b>Reportable segment revenue</b>	<b>331,670</b>	<b>324,062</b>	<b>-</b>	<b>-</b>	<b>2,595,989</b>	<b>2,058,352</b>	<b>459,430</b>	<b>134,308</b>	<b>3,387,089</b>	<b>2,516,722</b>
<b>Reportable segment profit/(loss)</b>	<b>73,065</b>	<b>75,508</b>	<b>(2,254)</b>	<b>(2,243)</b>	<b>246,974</b>	<b>216,822</b>	<b>49,580</b>	<b>20,202</b>	<b>367,365</b>	<b>310,289</b>
<i>At 30 June/31 December</i>										
<b>Reportable segment assets</b>	<b>1,904,711</b>	<b>1,666,490</b>	<b>784,577</b>	<b>690,500</b>	<b>2,067,754</b>	<b>1,659,162</b>	<b>1,428,197</b>	<b>1,124,017</b>	<b>6,185,239</b>	<b>5,140,169</b>
<b>Reportable segment liabilities</b>	<b>793,614</b>	<b>852,511</b>	<b>783,370</b>	<b>711,667</b>	<b>917,406</b>	<b>276,080</b>	<b>1,197,223</b>	<b>905,525</b>	<b>3,691,613</b>	<b>2,745,783</b>
<b>Other segment information</b>										
<i>For the six months ended 30 June</i>										
Interest expenses	(14,525)	(11,092)	-	(1,821)	(10,980)	(9,363)	(17,463)	(1,392)	(42,968)	(23,668)
Net foreign exchange (losses)/gain	(33)	-	27,766	(29,510)	(500)	-	(1,471)	(24)	25,762	(29,534)
Depreciation and amortisation for the period	(53,744)	(67,812)	(78)	(77)	(17,638)	(18,014)	(22,028)	(5,221)	(93,488)	(91,124)
Reversal/(provision) of impairment on:										
– trade and other receivables	(175)	1,695	-	-	-	50	-	442	(175)	2,187
– purchase deposits	-	-	-	-	(1,727)	(2,965)	-	-	(1,727)	(2,965)
– intangible assets	(4,922)	-	-	-	-	-	-	-	(4,922)	-

## Notes to the Unaudited Interim Financial Report (continued)

### 3 Segment reporting (continued)

#### (b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
<b>Revenue</b>		
Reportable segment revenue	<b>3,387,089</b>	2,516,722
Elimination of inter-segment revenue	<b>(696,712)</b>	(406,426)
Consolidated turnover	<b>2,690,377</b>	2,110,296
<b>Profit</b>		
Reportable segment profit	<b>367,365</b>	310,289
Elimination of inter-segment profits	<b>(70,236)</b>	(35,916)
Reportable segment profit derived from the Group's external customers	<b>297,129</b>	274,373
Other net income/(loss)	<b>20,835</b>	(93,270)
Finance costs	<b>(70,191)</b>	(40,097)
Unallocated head office and corporate expenses	<b>(25,477)</b>	(19,953)
Consolidated profit before taxation	<b>222,296</b>	121,053

## Notes to the Unaudited Interim Financial Report (continued)

### 3 Segment reporting (continued)

#### (b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
<b>Assets</b>		
Reportable segment assets	6,185,239	5,140,169
Elimination of inter-segment receivables	(382,225)	(260,082)
Elimination of unrealised profits	(61,104)	(51,419)
	<b>5,741,910</b>	4,828,668
Other investments	10,504	10,504
Cash and cash equivalents managed by head office	205,988	272,514
Unallocated head office and corporate assets	267,119	217,420
	<b>6,225,521</b>	5,329,106
<b>Liabilities</b>		
Reportable segment liabilities	3,691,613	2,745,783
Elimination of inter-segment payables	(382,225)	(260,082)
	<b>3,309,388</b>	2,485,701
Unallocated head office and corporate liabilities	729,823	735,448
	<b>4,039,211</b>	3,221,149



## Notes to the Unaudited Interim Financial Report (continued)

### 4 Turnover

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

Turnover represents the sales value of goods sold to customers, net of sales tax and value added tax. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Sales of:		
– gold	<b>1,960,962</b>	1,743,821
– other metals	<b>707,899</b>	351,954
– others	<b>28,429</b>	17,997
Less: Sales taxes and levies	<b>(6,913)</b>	(3,476)
	<b>2,690,377</b>	2,110,296

### 5 Other revenue

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Bank interest income	<b>1,844</b>	1,707
Delivery service income	<b>3,971</b>	2,683
Scrap sales	<b>1,887</b>	1,595
Dividend income from unlisted securities	–	560
Government grants	<b>1,114</b>	–
Sundry income	<b>793</b>	368
	<b>9,609</b>	6,913

## Notes to the Unaudited Interim Financial Report (continued)

### 6 Other net income/(loss)

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Net realised gain/(loss) on financial instruments at fair value	3,617	(38,059)
Net unrealised loss on financial instruments at fair value	–	(22,865)
Net loss on disposal of property, plant and equipment	(1,697)	(78)
Write-off of construction in progress	–	(1,780)
Write-off of intangible assets	–	(1,417)
Impairment of intangible assets	(4,922)	–
Net foreign exchange gain/(loss)	23,265	(29,538)
Others	572	467
	<b>20,835</b>	<b>(93,270)</b>

### 7 Profit before taxation

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

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	69,321	56,331
Interest expense on corporate debentures	6,920	–
Less: Interest expense capitalised into construction in progress	(8,017)	(19,406)
	<b>68,224</b>	<b>36,925</b>
Interest expense on financial liabilities measured at amortised cost	–	2,206
Other borrowing costs	1,967	966
	<b>70,191</b>	<b>40,097</b>

## Notes to the Unaudited Interim Financial Report (continued)

### 7 Profit before taxation (continued)

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

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
(b) Other items:		
Amortisation of lease prepayments	1,150	1,072
Operating lease charges in respect of properties	1,119	911
Impairment losses on prepayments and purchase deposits	3,214	2,965
Environmental rehabilitation fee	7,931	5,788
Total depreciation	92,120	90,628
Less: Depreciation capitalised into construction in progress	(2,473)	(6,225)
	89,647	84,403
Total amortisation of intangible assets	4,345	90,470
Less: Amortisation capitalised into exploration and evaluation assets	–	(82,595)
	4,345	7,875

### 8 Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
<b>Current tax</b>		
PRC income tax for the period	74,442	48,869
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(5,720)	(1,142)
	68,722	47,727

## Notes to the Unaudited Interim Financial Report (continued)

### 8 Income tax in the consolidated income statement (continued)

- (a) The Company and the Group's subsidiaries established in the PRC are subject to PRC income tax.

One of the subsidiaries, Lingbao Wason Copper-Foil Company Ltd. was accredited as an "Advanced and New Technology Enterprise" in 2009 and entitled to an income tax rate of 15% from 2009 to 2011.

The provisions for PRC income tax for the Company and the rest of the Group's subsidiaries in the PRC is calculated at a rate of 25% (2010: 25%) of the estimated assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC. Taxation for subsidiaries outside the PRC is charged at the appropriate current rates of taxation ruling in the relevant countries.

- (b) The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%). No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2011 and 2010 in the financial statements as the Group did not earn any income which is subject to Hong Kong Profits Tax.
- (c) The provision for KR Profits Tax for 2011 is calculated at 10% (2010: 10%). No provision for KR Profits Tax is made for the six months ended 30 June 2011 and 2010 in the financial statements as the Group did not earn any income which is subject to KR Profits Tax.
- (d) The provision for Laos Profits Tax for 2011 is calculated at 35% (2010: 35%). No provision for Laos Profits Tax is made for the six months ended 30 June 2011 and 2010 in the financial statements as the Group did not earn any income which is subject to Laos Profits Tax.

### 9 Earnings per share

#### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company of RMB149,479,000 (six months ended 30 June 2010: RMB80,619,000) and 770,249,091 ordinary shares in issue during the six months ended 30 June 2011 (six months ended 30 June 2010: 770,249,091 ordinary shares).

#### (b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2011 and 2010 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the periods.

## Notes to the Unaudited Interim Financial Report (continued)

### 10 Property, plant and equipment and construction in progress

#### Acquisitions and disposals

During the six months ended 30 June 2011, additions of property, plant and equipment and construction in progress made by the Group amounted to RMB23,633,000 (six months ended 30 June 2010: RMB27,064,000) and RMB153,866,000 (six months ended 30 June 2010: RMB272,356,000) respectively. Items of property, plant and equipment with an aggregate net book value of RMB3,572,000 were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB1,064,000), resulting in a loss on disposal of RMB1,697,000 (six months ended 30 June 2010: loss on disposal of RMB78,000).

### 11 Intangible assets

#### Acquisitions and disposals

During the six months ended 30 June 2011, additions of exploration and evaluation assets made by the Group amounted to RMB19,973,000 (six months ended 30 June 2010: RMB14,649,000) including certain exploration and evaluation assets acquired through acquisition of a subsidiary of RMB10,280,000 (note 22). Impairment loss of certain exploration and evaluation assets of RMB4,922,000 was made during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB Nil). In addition, certain items of exploration and evaluation assets of RMB7,539,000 were transferred to assets classified as held for sale during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB Nil) (note 15).

### 12 Inventories

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Raw materials	843,436	870,284
Work in progress	73,435	65,149
Finished goods	467,209	160,604
Spare parts and materials	77,279	71,182
	<b>1,461,359</b>	1,167,219

The analysis of the amount of inventories recognised as an expense is as follows:

	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Carrying amount of inventories sold	2,308,578	1,756,076
(Reversal of write-down)/write-down of inventories	(193)	6,537
	<b>2,308,385</b>	1,762,613

## Notes to the Unaudited Interim Financial Report (continued)

### 13 Trade and other receivables, deposits and prepayments

Included in trade and other receivables, deposits and prepayments are debtors and bills receivable (net of allowances for doubtful debts) with the following ageing analysis:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 3 months	328,929	238,102
Over 3 months but less than 6 months	140,748	43,452
Over 6 months but less than 1 year	1,423	4,164
Over 1 year	100	–
Trade debtors and bills receivable, net of allowance for doubtful debts	471,200	285,718
Other receivables, net of allowance for doubtful debts	226,442	190,788
Purchase deposits, net of allowance for non-delivery (note (a))	176,154	128,165
Deposits for derivative financial instruments (note (b))	25,043	44,287
	<b>898,839</b>	<b>648,958</b>

The Group requests customers to pay cash or settle by bills in full prior to delivery of goods. Subject to negotiation, credit term of a maximum of 180 days is only available for certain major customers with well-established trading records.

- (a) Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in future periods. The directors of the Company consider that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.
- (b) The Group placed deposits with independent futures trading agents for commodity derivative contracts entered into by the Group in the normal course of business primarily to protect the Group from the impact of price fluctuations in gold and copper commodities.

### 14 Cash and cash equivalents

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash and cash equivalents in the condensed consolidated cash flow statement	544,246	323,712

## Notes to the Unaudited Interim Financial Report (continued)

### 15 Assets classified as held for sale

The Group entered into an agreement with a third party to dispose of certain exploration and evaluation assets at a consideration of RMB10,200,000, and the disposal is expected to be completed in the second half of 2011. As a result, such exploration and evaluation assets are presented as assets classified as held for sale at carrying amount of RMB7,539,000 at 30 June 2011.

#### Assets classified as held for sale

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Intangible assets	<b>7,539</b>	–

### 16 Interest-bearing borrowings

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
<b>Current portion:</b>		
Bank loans	<b>1,643,057</b>	1,393,000
Other loan	<b>2,973</b>	3,270
	<b>1,646,030</b>	1,396,270
<b>Non-current portion:</b>		
Bank loans	<b>1,010,399</b>	1,184,142
Unsecured debentures (note 16(b))	<b>700,000</b>	–
	<b>1,710,399</b>	1,184,142

## Notes to the Unaudited Interim Financial Report (continued)

### 16 Interest-bearing borrowings (continued)

- (a) The analysis of the carrying amount of interest-bearing borrowings is as follows:  
(continued)

As at 30 June 2011, the bank loans were secured as follows:

	<b>At 30 June 2011 RMB'000</b>	<b>At 31 December 2010 RMB'000</b>
Secured	<b>349,346</b>	361,142
Unsecured	<b>2,304,110</b>	2,216,000
	<b>2,653,456</b>	2,577,142

At 30 June 2011, bank loans of the Group amounting to RMB349,346,000 (31 December 2010: RMB361,142,000) were secured by the mining right of Istanbul Gold Mine with a carrying amount of RMB119,876,000 (31 December 2010: RMB118,070,000) and the ordinary shares of Full Gold Mining Limited Liability Company (the "Full Gold"), a subsidiary of the Group established in KR.

### (b) Debentures

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

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



## Notes to the Unaudited Interim Financial Report (continued)

### 17 Trade and other payables

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 3 months	186,205	155,732
Over 3 months but less than 6 months	5,191	3,898
Over 6 months but less than 1 year	1,552	1,946
Over 1 year but less than 2 years	338	813
Over 2 years	1,748	1,811
<b>Total trade creditors</b>	<b>195,034</b>	164,200
Other payables	107,441	145,093
Payable for mining rights	90,343	92,594
Salary and welfare payable	43,621	57,234
Deferred income	47,040	43,411
Accruals	22,402	14,796
Interest payable	17,836	12,994
Receipts in advance	2,844	7,408
Payable to non-controlling interests ( <i>note a</i> )	27,432	9,805
Dividend payable ( <i>note 18(b)</i> )	47,298	–
	<b>601,291</b>	547,535
<b>Non-current other payables</b>		
Payable for mining rights	8,012	7,869
Decommissioning costs	4,542	4,410
Payable to non-controlling interests ( <i>note a</i> )	–	18,345
Deferred income	10,815	–
	<b>23,369</b>	30,624

Note:

- a. The current portion of the payable to non-controlling interests amounting to RMB27,432,000 (31 December 2010: RMB9,805,000) and the non-current portion of the payable to non-controlling interests amounting to RMB Nil (31 December 2010: RMB18,345,000) is unsecured, interest-free and repayable on 24 June 2012.

## Notes to the Unaudited Interim Financial Report (continued)

### 18 Capital, reserves and dividends

#### (a) Share capital

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
<b>Registered, issued and fully paid:</b>		
472,975,091 (2010: 472,975,091) Non-circulating domestic shares of RMB0.20 each	<b>94,595</b>	94,595
297,274,000 (2010: 297,274,000) H shares of RMB0.20 each	<b>59,455</b>	59,455
	<b>154,050</b>	154,050

All domestic shares and H shares are ordinary shares and rank pari passu with same rights and benefits.

#### (b) Dividends

Pursuant to a resolution passed at the shareholders' annual general meeting on 3 June 2011, a final dividend in respect of the year ended 31 December 2010 of RMB0.10 (2009: RMB0.05) per share totalling RMB77,024,909 (2009: RMB38,512,455) was approved and declared by the Company. Dividends of RMB29,727,000 were paid in June 2011 and unpaid dividends of RMB47,298,000 were accrued as at 30 June 2011.

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB Nil).

#### (c) Statutory reserve – specific reserve

Pursuant to the relevant regulations in the PRC, the Group is required to provide for safety production fund based on volume of ores excavated and sales amount of certain products.

For the six-month period ended 30 June 2011, the Group transferred RMB8,845,000 (six months ended 30 June 2010: RMB8,625,000) from retained earnings to specific reserve as appropriation for the safety production fund and transferred RMB9,562,000 (six months ended 30 June 2010: RMB8,625,000) from reserves to retained earnings on utilisation for the period.

## Notes to the Unaudited Interim Financial Report (continued)

### 19 Capital commitments and contingencies

#### (a) Capital commitments

Capital commitments, representing purchase of property, plant and equipment, outstanding at 30 June 2011 not provided for in the interim financial report are as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Contracted for	96,230	100,835
Authorised but not contracted for	184,040	239,297

#### (b) Environmental contingencies

To date, the Company and the Company's PRC subsidiaries have not incurred any significant expenditures for environment remediation and are currently not involved in any environmental remediation. In addition, the Company and the Company's PRC subsidiaries have not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants whether they are operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material. The Group paid normal routine pollutant discharge fees of RMB442,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB666,000) and environmental rehabilitation expenses of RMB7,931,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB5,788,000).

In accordance with the laws and regulations of KR, the Company's subsidiaries in KR have present obligation with regards to dismantling of mine site facilities and equipment and site rehabilitation. Provision for decommissioning costs of RMB4,542,000 was made as at 30 June 2011 (31 December 2010: RMB4,410,000). The Company's subsidiaries in KR do not have present obligation in respect of reclamation of damage to the lands as there are no mining activities up to 30 June 2011.

## Notes to the Unaudited Interim Financial Report (continued)

### 20 Related party transactions

Particulars of significant transactions with related parties during the period are as follows:

#### (a) Transactions with state-controlled entities in the PRC

The Group is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government (collectively referred as "state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Transactions with state-controlled entities include but are not limited to the following:

- sales and purchase of goods and ancillary materials;
- rendering and receiving services;
- lease of assets, purchase of property, plant and equipment;
- placing deposits and obtaining finance; and
- use of public utilities.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled.

#### (b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors and supervisors, is as follows:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Short-term employee benefits	1,775	1,544
Contributions to retirement benefit schemes (note (c))	55	27
	<b>1,830</b>	1,571

#### (c) Contribution to retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at the rate of 20% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with those Schemes beyond the annual contributions described above. The Group's contributions to the Schemes for the six months ended 30 June 2011 were RMB6,351,000 (six months ended 30 June 2010: RMB4,869,000).

## Notes to the Unaudited Interim Financial Report (continued)

### 21 Business risks

The KR has been experiencing political and economic change that has affected, and may continue to affect, the activities of the Company's subsidiaries, Full Gold and Palladex KR Limited Liability Company ("Palladex"), operating under such environment. The contraction in the capital and credit markets and its impact on the economy of the KR have increased the level of economic uncertainty in the environment. Consequently, operations in the KR involve business risks that typically do not exist in other markets.

As at 30 June 2011, the Company holds 82% and 70% equity interests in Full Gold and Palladex, respectively. The aggregated summarised financial information of Full Gold and Palladex at 100 per cent as at 30 June 2011 are as follows:

	<b>At 30 June 2011 RMB'000</b>
Current assets	<b>130,184</b>
Non-current assets	<b>685,617</b>
Total assets	<b>815,801</b>
Current liabilities	<b>462,009</b>
Non-current liabilities	<b>352,586</b>
Total liabilities	<b>814,595</b>

The management has assessed the impact of the KR business environment and concluded that there is no material impact on the operations and financial positions of Full Gold and Palladex as at 30 June 2011. The future business environment may differ from management's assessment as at 30 June 2011.

## Notes to the Unaudited Interim Financial Report (continued)

### 22 Acquisition of a subsidiary

On 16 May 2011, the Group acquired certain assets through acquisition of 60% equity interests in Habahe Huayuan Mining Company Limited (“Huayuan”) from an independent third party for a consideration of RMB6,200,000. Huayuan mainly owns an exploration right of unexploited natural mines located in Xinjiang. The acquisition was accounted for as acquisition of assets.

The assets acquired at the date of acquisition were as follows:

	<b>RMB'000</b>
Fair value of assets acquired	
Intangible assets	<b>10,280</b>
Cash and cash equivalents	<b>53</b>
Net assets acquired	<b>10,333</b>
Non-controlling interests	<b>(4,133)</b>
Total consideration	<b>6,200</b>
<i>Satisfied by</i>	
Cash	<b>3,200</b>
Other payables	<b>3,000</b>
	<b>6,200</b>
Net cash outflows arising from acquisition	
Cash consideration paid	<b>(3,200)</b>
Cash and cash equivalents acquired	<b>53</b>
	<b>(3,147)</b>

# Review Report



## **Review report to the board of directors of Lingbao Gold Company Ltd.**

*(Incorporated in the People's Republic of China with limited liability)*

### **Introduction**

We have reviewed the interim financial report set out on pages 14 to 39 which comprises the consolidated balance sheet of Lingbao Gold Company Ltd. as at 30 June 2011 and the related consolidated income statement, statement of comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

#### **KPMG**

Certified Public Accountants  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

26 August 2011