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Lingbao Gold Company Ltd.

靈寶黃金股份有限公司

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

(Stock code: 3330)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

The board of directors (the “Board”) of Lingbao Gold Company Ltd. (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2007. The interim financial results is prepared on a basis consistent with the accounting policies and methods adopted in the 2006 audited accounts. The interim financial results 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 Hong Kong Institute of Certified Public Accountants, whose review report is included in the interim report to be sent to shareholders. The interim financial results has also been reviewed by the Company’s Audit Committee.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2007

		Six months ended 30 June	
		2007	2006
	Note	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	2, 10	1,012,917	951,837
Cost of sales	3	<u>(870,988)</u>	<u>(735,775)</u>
Gross profit		141,929	216,062
Other revenue	4	10,962	55,061
Other net loss	5	(6,114)	(9,813)
Selling and distribution expenses		(5,997)	(7,739)
Administrative expenses and other operating expenses		<u>(46,818)</u>	<u>(39,753)</u>
Profit from operations		93,962	213,818
Finance costs	6	<u>(30,799)</u>	<u>(10,966)</u>
Profit before taxation		63,163	202,852
Income tax	7	<u>(24,654)</u>	<u>(69,587)</u>
Profit for the period		<u>38,509</u>	<u>133,265</u>
Attributable to:			
Equity shareholders of the Company		38,464	134,132
Minority interests		<u>45</u>	<u>(867)</u>
Profit for the period		<u>38,509</u>	<u>133,265</u>
Basic and diluted earnings per share (cents)	8	<u>5</u>	<u>18</u>

CONSOLIDATED BALANCE SHEET
at 30 June 2007

	Note	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		409,255	292,115
Construction in progress		313,777	254,533
Intangible assets		324,003	194,878
Goodwill		38,882	4,824
Lease prepayments		37,493	8,976
Other investments		10,504	10,504
Deposits for long term investments		534,276	460,162
Non-current prepayments		112,435	28,267
Deferred tax assets		16,052	12,646
		<u>1,796,677</u>	<u>1,266,905</u>
Current assets			
Inventories		692,357	435,010
Trade and other receivables, deposits and prepayments	11	261,899	199,306
Current tax recoverable		28,968	–
Deposits with banks		–	442,057
Cash and cash equivalents		345,157	431,647
		<u>1,328,381</u>	<u>1,508,020</u>
Current liabilities			
Bank loans		1,110,000	935,000
Trade and other payables	12	332,160	276,189
Current tax payable		4,066	15,446
		<u>1,446,226</u>	<u>1,226,635</u>
Net current (liabilities)/assets		<u>(117,845)</u>	<u>281,385</u>
Total assets less current liabilities		<u>1,678,832</u>	<u>1,548,290</u>
Non-current liabilities			
Bank loans		120,000	–
Other loan		3,270	3,270
Deferred tax liabilities		28,855	1,149
		<u>152,125</u>	<u>4,419</u>
NET ASSETS		<u>1,526,707</u>	<u>1,543,871</u>

CONSOLIDATED BALANCE SHEET*at 30 June 2007 (continued)*

	At 30 June 2007 <i>RMB'000</i> (Unaudited)	At 31 December 2006 <i>RMB'000</i> (Audited)
CAPITAL AND RESERVES		
Share capital	154,050	154,050
Reserves	1,336,954	1,362,163
Total equity attributable to equity shareholders of the Company	1,491,004	1,516,213
Minority interests	35,703	27,658
TOTAL EQUITY	1,526,707	1,543,871

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*for the six months ended 30 June 2007*

	Six months ended 30 June 2007 <i>RMB'000</i> (Unaudited)	2006 <i>RMB'000</i> (Unaudited)
Cash (used in)/generated from operations	(134,668)	126,857
The people's Republic of China ("PRC") income tax paid	(74,431)	(48,017)
Net cash (used in)/generated from operating activities	(209,099)	78,840
Net cash used in investing activities	(121,171)	(10,106)
Net cash generated from financing activities	230,647	897,157
Net (decrease)/increase in cash and cash equivalents	(99,623)	965,891
Cash and cash equivalents at 1 January	347,265	117,861
Effect of foreign exchange rates changes	(1,513)	—
Cash and cash equivalents at 30 June	246,129	1,083,752

Notes:

1 BASIS OF PREPARATION

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, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 13 September 2007. The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

In preparing the unaudited interim financial report, the Directors have considered the future liquidity of the Group in view of its net current liabilities position as at 30 June 2007. The Group has actively discussed with its principal bankers in order to secure continual financial support. The Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due and continual support will be provided by the Group’s principal bankers to finance its future working capital and financial requirements. In addition, when necessary, the Group’s principal bankers allow the Group to extend the repayment dates of bank loans or renew the bank loans when they fall due at higher interest rates. Accordingly, the Directors are of the opinion that it is appropriate to prepare the unaudited interim financial report for the six months ended 30 June 2007 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the unaudited interim financial report.

2 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	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of:		
– Gold	769,413	671,904
– Other metals	227,027	267,224
– Others	18,261	16,026
Less: Sales taxes and levies	(1,784)	(3,317)
	<u>1,012,917</u>	<u>951,837</u>

3 COST OF SALES

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Direct materials	879,062	692,283
Direct labour	16,371	16,675
Electricity	28,416	25,477
Tunnelling/extraction expenses	58,525	34,898
Depreciation and amortisation	27,311	18,019
Resources tax	2,084	1,095
Refinery expenses	12,188	11,171
Movements in inventories	(152,969)	(63,843)
	<u>870,988</u>	<u>735,775</u>

4 OTHER REVENUE

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	5,393	48,994
Delivery income	4,444	5,765
Scrap sales	845	258
Dividend income from unlisted securities	280	–
Sundry income	–	44
	<u>10,962</u>	<u>55,061</u>

5 OTHER NET LOSS

	Six months ended 30 June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Insurance claims	16	–
Net gain/(loss) on disposal of property, plant and equipment	33	(661)
Net foreign exchange loss	(6,242)	(9,155)
Others	79	3
	<u>(6,114)</u>	<u>(9,813)</u>

6 PROFIT BEFORE TAXATION

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

Six months ended 30 June
2007 **2006**
RMB'000 **RMB'000**
(Unaudited) **(Unaudited)**

(a) Finance costs:

Interest expense on bank advances wholly repayable within five years	30,500	10,749
Interest on other loan	45	84
Other borrowing costs	254	133
	<hr/> 30,799 <hr/>	<hr/> 10,966 <hr/>

(b) Other items:

Amortisation of lease prepayments	171	201
Operating lease charges in respect of properties	566	820
	<hr/> 22,524 <hr/>	<hr/> 17,300 <hr/>
Total depreciation	22,524	17,300
Less: Depreciation capitalised into construction in progress	(294)	(915)
	<hr/> 22,230 <hr/>	<hr/> 16,385 <hr/>
Total amortisation of intangible assets	32,232	6,152
Less: Amortisation capitalised into exploration and evaluation assets	(22,857)	(1,769)
	<hr/> 9,375 <hr/>	<hr/> 4,383 <hr/>

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

Six months ended 30 June
2007 **2006**
RMB'000 **RMB'000**
(Unaudited) **(Unaudited)**

Current tax

PRC income tax for the period	34,035	68,302
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Deferred tax

Origination and reversal of temporary differences	(9,381)	1,285
	<hr/> 24,654 <hr/>	<hr/> 69,587 <hr/>

Notes:

- (i) The provision for PRC income tax is based on the statutory rate of 33% of the assessable profit of the Company and its subsidiaries in the PRC the as determined in accordance with the relevant income tax rules and regulations of the PRC (2006: 33%). Taxation for subsidiaries outside the PRC is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (ii) On 1 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, the statutory income tax rate currently adopted by the Company and its subsidiaries in the PRC will change from 33% to 25% with effective from 1 January 2008. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, is reflected in the financial statements of the Group for the six months ended 30 June 2007.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity shareholders of the Company of RMB38,464,000 (six months ended 30 June 2006: RMB134,132,000) and the weighted average number of shares in issue during the six months ended 30 June 2007 of 770,249,000 (six months ended 30 June 2006: 753,046,000), calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2007 '000	2006 '000
Issued ordinary shares at 1 January	770,249	500,000
Effect of shares issued pursuant to the placing and public offering	—	253,046
Weighted average number of ordinary shares at 30 June	<u>770,249</u>	<u>753,046</u>

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2007 and 2006 are not presented as there are no dilutive potential ordinary shares as at the period ends.

9 DIVIDENDS

Dividend attributable to the previous financial year and approved during the interim period:

	Six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Final dividend in respect of the financial year ended 31 December 2006 and approved during the following interim period, of RMB0.08 per ordinary share (year ended 31 December 2005: RMB0.08)	<u>61,620</u>	<u>61,620</u>

Other than the above, the directors do not propose the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

10 SEGMENT REPORTING

Turnover and contribution to the Group's profit from principal activities during the period, after elimination of all material inter-company transactions, are as follows:

Business segments

	Mining <i>RMB'000</i> (Unaudited)	Smelting <i>RMB'000</i> (Unaudited)	Inter- segment elimination <i>RMB'000</i> (Unaudited)	Unallocated <i>RMB'000</i> (Unaudited)	Consolidated <i>RMB'000</i> (Unaudited)
<i>For the six months ended</i>					
<i>30 June 2007</i>					
Revenue from external customers	–	1,012,917	–	–	1,012,917
Inter-segment revenue	164,480	–	(164,480)	–	–
Other revenue from external customers	120	5,169	–	5,673	10,962
Total	<u>164,600</u>	<u>1,018,086</u>	<u>(164,480)</u>	<u>5,673</u>	<u>1,023,879</u>
Segment results	14,748	101,343	(6,283)	5,673	115,481
Unallocated operating income and expenses					<u>(21,519)</u>
Profit from operations					<u>93,962</u>

	Mining <i>RMB'000</i> (Unaudited)	Smelting <i>RMB'000</i> (Unaudited)	Inter- segment elimination <i>RMB'000</i> (Unaudited)	Unallocated <i>RMB'000</i> (Unaudited)	Consolidated <i>RMB'000</i> (Unaudited)
<i>For the six months ended</i>					
<i>30 June 2006</i>					
Revenue from external customers	18,658	933,179	–	–	951,837
Inter-segment revenue	76,612	–	(76,612)	–	–
Other revenue from external customers	10	6,013	–	49,038	55,061
Total	<u>95,280</u>	<u>939,192</u>	<u>(76,612)</u>	<u>49,038</u>	<u>1,006,898</u>
Segment results	7,835	181,748	41	49,038	238,662
Unallocated operating income and expenses					<u>(24,844)</u>
Profit from operations					<u>213,818</u>

Geographical segments

The Group's turnover and operating profit are almost entirely derived from the gold mining and smelting business in the PRC. Accordingly, no analysis by geographical segment has been presented.

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade and other receivables, deposits and prepayments comprise:

	At 30 June 2007 <i>RMB'000</i> (Unaudited)	At 31 December 2006 <i>RMB'000</i> (Audited)
Trade receivables	45,752	26,732
Bills receivable	41,849	24,023
Other receivables	23,395	10,192
Purchase deposits	133,452	97,824
Interest receivable	–	9,668
Other deposits and prepayments	17,451	30,867
	<u>261,899</u>	<u>199,306</u>

Purchase deposits represent amounts paid by the Group in advance to approximately 70 suppliers (2006: 50) 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.

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.

At the balance sheet date, the Group has a certain concentration of credit risk as 44% of trade and bills receivables due from a copper product customer. The Group has no significant credit risk with the customer since the Group maintains long-term and stable business relationship with the customer.

An ageing analysis of trade receivables and bills receivable (net of impairment losses for bad and doubtful debts) is as follows:

	At 30 June 2007 <i>RMB'000</i> (Unaudited)	At 31 December 2006 <i>RMB'000</i> (Audited)
Within 3 months	76,832	38,354
Over 3 months but less than 6 months	9,810	12,277
Over 6 months but less than 1 year	955	124
Over 1 year	4	–
	<u>87,601</u>	<u>50,755</u>

12 TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	At 30 June 2007 <i>RMB'000</i> (Unaudited)	At 31 December 2006 <i>RMB'000</i> (Audited)
Trade payables	121,751	81,681
Other payables	121,895	137,801
Salaries and welfare payable	41,263	35,536
Dividend payable to equity shareholders of the Company	27,927	–
Accruals	14,440	12,928
Interest payable	1,781	1,643
Receipts in advance	3,103	6,600
	<u>332,160</u>	<u>276,189</u>

An ageing analysis of trade payables is as follows:

	At 30 June 2007 <i>RMB'000</i> (Unaudited)	At 31 December 2006 <i>RMB'000</i> (Audited)
Within 3 months	114,173	74,631
Over 3 months but less than 6 months	2,027	2,892
Over 6 months but less than 1 year	3,357	531
Over 1 year but less than 2 years	2,194	3,627
	<u>121,751</u>	<u>81,681</u>

Review of Business and Prospect

In the first half of 2007, the Group produced approximately 5,484 kg (equivalent to approximately 176,315 ounce) of gold including approximately 316 kg (equivalent to approximately 10,160 ounce) of compound gold, representing an increase of approximately 718 kg (equivalent to approximately 23,084 ounce) or 15.1% as compared with the corresponding period of the previous year. The internal sale of compound gold amounted to approximately 316kg (approximately 10,160 ounce). The turnover for the six months ended 30 June 2007 was approximately RMB1,012,917,000, representing an increase of approximately 6.4% as compared with the corresponding period of the previous year. For the six months ended 30 June 2007, the profit attributable to the Company's shareholders was approximately RMB38,464,000, representing a decrease of approximately 71.3% as compared with the corresponding period of the previous year. For the six months ended 30 June 2007, the basic earnings per share was RMB0.05. In the first half of 2007, the decrease of profit attributable to Company's shareholders as compared with the corresponding period of 2006 was the mainly due to the rise of the prices of raw materials, resulting in the drop of gross profit of the Group for the first half of 2007 as compared with the corresponding period of 2006.

During the first half of 2007, the international gold price rose from approximately US\$637 per ounce as at 1 January to approximately US\$649 as at 29 June, peaking at approximately US\$690 during this period. The gold price dropped throughout May and June hitting a low of approximately US\$640 per ounce. The monthly average sales volume and sales amount of the Group decreased in May and June this year when compared to January to April this year, bringing the inventories (finished products) to increase by approximately 249.4% when compared to the year ended 31 December 2006.

Given that raw materials accounted for over 80% of total production cost and in order to minimize the reliance of purchase of raw materials from outsiders, the Group intends to increase the Group's mine production through acquisition and expansion of mine operations, thereby uplifting the production and operation targets.

The Group's mineral resources are mainly scattered in five provinces in the PRC, including Henan, Xinjiang, Jiangxi, Gansu and Inner Mongolia with 42 mining and exploration rights as at 31 August 2007 covering 1,105.08 square kilometers. The total gold reserves and resources as at 30 June 2007 was approximately 121.43 tonnes.

1. Mining Segment

Turnover and production

Our mining business comprises the sales of gold concentrates and other derivative products, such as compound gold and lead concentrates. 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:

		For the six months ended 30 June			
		2007		2006	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates	Kg	826	814	661	599
Compound gold	Kg	<u>316</u>	<u>316</u>	<u>70</u>	<u>60</u>
Total	Kg	1,142	1,130	731	659
Total	Ounce	36,716	36,330	23,502	21,187
Lead concentrates	Kg	–	–	72	72

The Group's revenue from the mining segment for the first half of 2007 was approximately RMB164,600,000, representing an increase of approximately 72.8% from approximately RMB95,280,000 for the same period in 2006. During the period, turnover of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 77.0%, 14.3% and 8.7% of the revenue from the mining segment respectively. The production of compound gold increased by approximately 246 kg to approximately 316 kg while production of gold concentrates increased by approximately 165 kg to approximately 826 kg, primarily because the acquisition of Inner Mongolia Chifeng Jinchan Mining Company Limited ("Chifeng Jinchan") during the end of March 2007 led to an increase in the gold production to the Group.

Segment results

The Group's results of the mining segment for the first half of 2007 was approximately RMB14,748,000, representing an increase of approximately 88.2% from approximately RMB7,835,000 for the same period in 2006. The segment result to segment turnover ratio of the Group's mining segment for the first half of 2007 was approximately 9.0%, representing an increase of approximately 0.8% from approximately 8.2% in the corresponding period in 2006. The main reason of the increase is the overall higher average realisation gold price as compared to the corresponding period in 2006. Moreover, the Group is able to benefit from economics of scale generated from the expansion of the Group's mining operations in the period. In the long term, contribution from mining segment is expected to grow in line with the expansion of the mining subsidiaries of the Group.

Prospect

The Group will complete the expansion of the processing facility of Xinjiang Habahe Huatai Gold Limited Liability Company in the second half of 2007. The expansion will improve the daily ores processing capacity from the current 500 tonnes to 1,500 tonnes. The phase II of the new smelting furnaces of the smelter in Henan region will be put into production in the second half of the year, which will improve the Group's daily processing capacity of gold concentrates from 700 tonnes to 880 tonnes.

The Group will strive to increase its gold reserves by continuous exploration activities in the second half of the year. In order to further increase gold production, the Group will continue to develop the deposits of Henan Nanyang Xingyuan's gold mines, Xinjiang Duolanasayi gold mine, Tuokuzibayi gold mine and Inner Mongolia Autonomous Region, and at the same time, enhance the processing capacity of the Xinjiang's gold mines. In order to increase the gold reserves, our mine operations will be concentrated in Henan Nanyang Xingyuan's gold mines, Xinjiang gold mine and Inner Mongolia Jinchan's gold mines, and the Group will strive to make these three gold mines to support the future mine operations.

2. Smelting Segment

Our smelter is situated in Henan Province, and is capable of processing gold, silver, copper and sulphur. The main products of our smelter 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:

Product	Unit	For the six months ended 30 June			
		2007		2006	
		Production volume	Sales volume	Production volume	Sales volume
Gold bullion	Kg	5,484	4,680	4,696	4,363
	Ounce	176,315	150,465	150,980	140,274
Silver	Kg	17,956	7,029	14,115	10,288
	Ounce	577,298	225,987	453,807	330,767
Copper products	Tonne	4,326	3,938	4,619	4,980
Sulphuric acid	Tonne	64,430	65,839	79,671	82,532

Turnover and production

The Group's total turnover in the smelting segment for the first half of 2007 was approximately RMB1,018,086,000, representing an increase of approximately 8.4% from approximately RMB939,192,000 for the same period of 2006. Such increase was principally attributable to the 16.2% increase in the sales amount of gold bullion as a result of an approximate 8.3% increase in average selling price of gold bullion.

In the first half of 2007, the maximum capacity of the Group's smelter is approximately 700 tonnes of gold concentrates per day, and the utilisation rate for production was approximately 97%. This resulted in a slight increase in the Group's production volume. During the period, the gold recovery rate was approximately 97.18%, the silver recovery rate was approximately 79.26% and the copper recovery rate was approximately 93.99%. All recovery rates continued to remain at a high level.

Segment results

Our smelting segment results for the first half of 2007 was approximately RMB101,343,000, representing an approximate 44.2% decrease from approximately RMB181,748,000 for the same period in 2006. The segment results to segment turnover ratio of our smelting business for the first half of 2007 was approximately 10.0%, decreased by approximately 9.4% from approximately 19.4% for the same period in 2006. During the period, the average selling price of gold bullion increased by approximately 8.3% to approximately RMB164.4 per gram (equivalent to approximately USD664.0 per ounce). Despite the use of efficient cost control and production adjustment, profit margin of smelting segment decreased due to the surge of prices of raw materials.

Prospect

The phase II of the smelter has kicked off smoothly in the second half of 2007, giving an impetus to the sustainable development of the Group. The smelting scale has significantly enhanced as the daily processing capacity of concentrates exceeded 880 tonnes, with an increase of the production volume of gold, silver and sulphuric acid of over 30%. The phase II mainly deals with gold concentrates with high copper element. In the meanwhile, the Group strengthened research in the technology area, such as the recovery of lead and zinc from the gold concentrates.

Consolidated Operating Results

Turnover

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

	For the six months ended 30 June					
	2007			2006		
	Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)	Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)
Gold bullion	769,413	4,680 kg	164,404	662,312	4,363 kg	151,802
Compound gold	-	- kg	-	9,592	60 kg	159,867
Silver	22,288	7,029 kg	3,171	26,836	10,288 kg	2,608
Copper products	204,739	3,938 tonnes	51,991	231,319	4,980 tonnes	46,450
Sulphuric acid	18,261	65,839 tonnes	277	16,026	82,532 tonnes	194
Lead concentrates	-	-	-	9,069	72 kg	125,958
Turnover before sales tax	1,014,701			955,154		
Less: Sales tax	(1,784)			(3,317)		
	<u>1,012,917</u>			<u>951,837</u>		

The Group's turnover for the first half of 2007 was approximately RMB1,012,917,000, representing an approximate 6.4% increase compared with the corresponding period of the previous year. Such increase was principally attributable to the increase of approximately 16.2% in the sales of gold bullion, resulting from an increase of approximately 8.3% in our average selling price of gold bullion during the period.

Outlook for 2007

The international gold price increased slightly in the first half of 2007. For the second half of 2007, the Group will strengthen the acquisition activity so as to enhance the gold production and maintain sales growth. The influence of international politics, economy, other uncertain factors, the steady increase in investors' demand for spot gold and the consumers' demand for jewellery and with the problem of the secondary mortgage of real estates in the U.S., these are factors which will be beneficial to the gold price while the U.S. dollar performs weakly. It is anticipated that these positive factors will support the upward trend of the gold price and bring more development opportunities to the Group.

Financial Review

Acquisition and disposal

On 27 March 2007, the Group acquired the 100% interests in Chifeng Jinchuan based in Inner Mongolia Autonomous Region at a consideration of RMB146,000,000 in cash, adding one mining right and six exploration rights.

On 2 April 2007, the Group and Shenyang Jinlu Materials Company Limited jointly set up Chifeng Lingjin Mining Co. Ltd. with a registered capital of RMB40,000,000. The Group contributes RMB32,000,000, which accounts for its 80% equity interest. This added one exploration right to the Company and the area of the mine is 32.58 square kilometers.

On 29 June 2007, the acquisition of Lingbao Yixin Limited Liability Company (“Lingbao Yixin”) has completed. The Company had acquired 80% equity interest of Lingbao Yixin at RMB13,920,000 which is a legal owner of an exploration right with the area of 25.56 square kilometers. Under a profit sharing arrangement, the Group is entitled to receive a profit of RMB13.92 million initially generated from Lingbao Yixin. Thereafter, the Group shares 55% profit generated from Lingbao Yixin.

Except for the above, on 30 August 2007, the Group entered an agreement to acquire 20% equity interest of Tongbai Xingyuan Mining Company Limited (“Tongbai Xingyuan”) at a cash consideration of RMB4,000,000. Tongbai Xingyuan will become a wholly-owned subsidiary of the Company.

Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 30 June 2007 amounted to RMB345,157,000, of which 14.1% was denominated in Hong Kong dollars.

The shareholders' equity of the Group as at 30 June 2007 amounted to RMB1,491,004,000 (31 December 2006: RMB1,516,213,000). As at 30 June 2007, the Group had current assets of RMB1,328,381,000 (31 December 2006: RMB1,508,020,000) and current liabilities of RMB1,446,226,000 (31 December 2006: RMB1,226,635,000). The current ratio was 0.92 (31 December 2006: 1.23).

In August 2007, a bank loan facility of RMB300,000,000 was granted for a period of 2 years, among which approximately RMB285,000,000 were drawn as short-term loans. After the balance sheet date, the Group has applied for a short-term corporate bond of RMB580,000,000 which are pending for approval. The Directors believe that the Group has sufficient operating funds to cope with the requirements of operations and future expansion.

As at 30 June 2007, the Group had total outstanding bank loans and other borrowings of approximately RMB1,233,270,000, of which approximately RMB1,110,000,000 was repayable within one year, approximately RMB120,000,000 was repayable after one year but not exceeding two years while approximately RMB3,270,000 was repayable after five years. There was no secured bank loans for the period. The gearing ratio as at 30 June 2007 was 39.5% (31 December 2006: 33.8%) which was calculated by total borrowings divided by total assets value.

Market risks

The Group are exposed to various types of market risks, including fluctuations in gold prices, changes in interest rates, foreign exchange rates and inflation.

Gold price and other commodities price risk

The Group's turnover and profit during the period are affected by fluctuations in the gold prices and other commodities price as all of our turnover and profit are generated within the PRC. We do not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of gold and other commodities or for trading purposes. Therefore, fluctuations in the prices of gold and other commodities may have a significant effect on the Group's turnover and profit.

Interest rate

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 increase. 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 all denominated in Renminbi. Fluctuations in exchange rates may affect the international and domestic gold price, which may impact our results of operation. The PRC government may take further actions and implement new measures on free trade of Renminbi. Fluctuations in exchange rates may adversely affect the value of our net assets, earnings and any dividends we declare when such are being converted to Hong Kong dollars.

Contractual obligations

As at 30 June 2007, capital commitments for the period was approximately RMB354,025,000, representing an increase of approximately RMB45,427,000 from approximately RMB308,598,000 as at 31 December 2006.

Capital expenditures

Capital expenditures during the period was approximately RMB377,106,000, including a net capital expenditure of approximately RMB132,523,000 paid for the acquisition of a new subsidiary, capital expenditure of approximately RMB168,768,000 in relation to the acquisition of fixed assets and acquisition of intangible assets of approximately RMB75,815,000.

Contingent liabilities

As at 30 June 2007, the Group had no material contingent liabilities.

Human resources

For the six months ended 30 June 2007, the average number of employees of the Group was 3,316. Being one of the largest integrated gold producing companies based in PRC, the Company highly treasures its human resources and offers competitive remuneration to employees and provides employees with training programs. In the first half of 2007, the Group has paid out cash bonus to most employees of the Group in recognition of their performance in 2006.

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 2007.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

Being one of the largest integrated gold exploration companies based in 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.

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. Zheng Jinqiao, Mr. Ning Jincheng, Mr. Wang Yanwu, Mr. Niu Zhongjie and Mr. Xu Wanmin, 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 2007, 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
13 September 2007

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Xu Gaoming, Mr. Wang Jianguo, Mr. Lu Xiaozhao and Mr. Jin Guangcai; three non-executive directors, namely Mr. Xu Wanmin, Mr. Di Qinghua and Mr. Qi Guozhong; and four independent non-executive directors, namely Mr. Ning Jincheng, Mr. Wang Yanwu, Mr. Niu Zhongjie and Mr. Zheng Jinqiao.

This results announcement is published on the Company’s website at www.irasia.com/listco/hk/lingbao and The Stock Exchange of Hong Kong Limited’s website at www.hkex.com.hk.