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Lingbao Gold Company Ltd.

靈寶黃金股份有限公司

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

(Stock code: 3330)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

FINANCIAL HIGHLIGHTS

- Turnover of the Group in 2007 was RMB2,844,560,000, representing an increase of RMB609,585,000 or 27.3% compared to the year of 2006.
- Profit attributable to equity shareholders of the Group for the year was RMB222,270,000, compared to RMB219,836,000 for 2006.
- Earnings per share of the Group were RMB29 cents (based on 770,249,091 shares).
- The Board recommends the distribution of a final dividend of RMB77,025,000 or RMB10 cents per share for the year of 2007 (based on 770,249,091 shares).

The Board of Directors (the "Directors") of Lingbao Gold Company Ltd. (the "Company"), is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007, which have been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Turnover	2	2,844,560	2,234,975
Cost of sales		<u>(2,391,647)</u>	<u>(1,792,220)</u>
Gross profit		452,913	442,755
Other revenue	3	142,861	76,290
Other net loss	4	(4,494)	(26,718)
Selling and distribution expenses		(14,340)	(15,545)
Administrative expenses and other operating expenses		<u>(136,329)</u>	<u>(108,228)</u>
Profit from operations		440,611	368,554
Finance costs	5(a)	<u>(101,613)</u>	<u>(31,213)</u>
Profit before taxation	5	338,998	337,341
Income tax	6	<u>(115,669)</u>	<u>(116,509)</u>
Profit for the year		<u>223,329</u>	<u>220,832</u>
Attributable to:			
Equity shareholders of the Company		222,270	219,836
Minority interests		<u>1,059</u>	<u>996</u>
Profit for the year		<u>223,329</u>	<u>220,832</u>
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	7	<u>77,025</u>	<u>61,620</u>
Basic earnings per share (cents)	8	<u>29</u>	<u>29</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment		634,551	292,115
Construction in progress		302,451	254,533
Intangible assets		362,112	194,878
Goodwill		38,882	4,824
Lease prepayments		36,940	8,976
Other investments		10,504	10,504
Non-current prepayments		36,212	28,267
Investment deposits		89,122	460,162
Deferred tax assets		23,093	12,646
		<u>1,533,867</u>	<u>1,266,905</u>
Current assets			
Inventories		591,443	435,010
Trade and other receivables, deposits and prepayments	10	663,360	199,306
Available-for-sale investment		40,000	—
Cash restricted for use		181,982	—
Deposits with banks		—	442,057
Cash and cash equivalents		389,651	431,647
		<u>1,866,436</u>	<u>1,508,020</u>
Current liabilities			
Bank loans		599,861	935,000
Unsecured debenture		580,000	—
Trade and other payables	11	346,666	276,189
Current tax payables		28,426	15,446
		<u>1,554,953</u>	<u>1,226,635</u>
Net current assets			
		<u>311,483</u>	<u>281,385</u>
Total assets less current liabilities			
		<u>1,845,350</u>	<u>1,548,290</u>
Non-current liabilities			
Bank loans		120,000	—
Other loan		3,270	3,270
Deferred tax liabilities		23,697	1,149
		<u>146,967</u>	<u>4,419</u>
NET ASSETS			
		<u>1,698,383</u>	<u>1,543,871</u>
CAPITAL AND RESERVES			
Share capital		154,050	154,050
Reserves		1,517,996	1,362,163
Total equity attributable to equity shareholders of the Company			
		<u>1,672,046</u>	<u>1,516,213</u>
Minority interests		26,337	27,658
TOTAL EQUITY			
		<u>1,698,383</u>	<u>1,543,871</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation

These consolidated financial statements have been prepared in accordance with the requirements of all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted in the preparation of the financial statements for the years ended 31 December 2006 and 2007 do not have any material changes. Except that additional disclosures were required after the adoption of HKFRS 7 “Financial Instruments: Disclosures” and the Amendment to the Hong Kong Accounting Standard 1 “The Presentation of Financial Statements: Capital Disclosures”, the adoption of HKFRS 7 and the Amendment to the Hong Kong Accounting Standard 1 do not have any material impact on the classification, recognition and measurement of these financial statements.

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 turnover recognized during the year is analysed as follows:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Sales of:		
– Gold	2,208,327	1,640,064
– Other metals	586,523	569,351
– Others	55,637	32,862
Less: Sales taxes and levies	(5,927)	(7,302)
	<u>2,844,560</u>	<u>2,234,975</u>

3. Other revenue

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Bank interest income	9,023	64,708
Other interest income	3,821	–
	<u>12,844</u>	<u>64,708</u>
Total interest income on financial assets not at fair value through profit or loss	12,844	64,708
Compensation income (<i>note 10</i>)	112,900	–
Delivery income	8,787	10,426
Government grants	4,470	250
Scrap sales	3,550	852
Dividend income from unlisted securities	280	–
Sundry income	30	54
	<u>142,861</u>	<u>76,290</u>

4. Other net loss

	2007 RMB'000	2006 RMB'000
Net gain/(loss) on disposal of property, plant and equipment	2,581	(941)
Net foreign exchange loss	(7,371)	(25,689)
Others	296	(88)
	<u>(4,494)</u>	<u>(26,718)</u>

5. Profit before taxation

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

	2007 RMB'000	2006 RMB'000
(a) Finance costs:		
Net realised and unrealised loss on financial instruments at fair value	28,458	–
Interest expense on bank advances wholly repayable within five years	63,408	30,726
Interest on other loan	115	89
Interest on unsecured debenture	6,661	–
Other borrowing costs	2,971	398
	<u>101,613</u>	<u>31,213</u>
Interest expense on financial liabilities measured at		
– amortised cost	70,108	31,213
– fair value	31,505	–
	<u>101,613</u>	<u>31,213</u>
(b) Other items:		
Amortisation of lease prepayments	724	329
Operating lease charges in respect of properties	5,139	3,140
Research and development expenses	1,400	2,500
Net impairment losses on trade and other receivables made	8,991	22
Pollution discharge fee	1,877	1,051
Environmental rehabilitation fee	5,584	2,270
	<u>3,928</u>	<u>2,289</u>
Auditors' remuneration		
– audit services	3,928	2,289
– other services	891	750
	<u>97,884</u>	<u>17,510</u>
Amortisation of intangible assets	97,884	17,510
Less: Amortisation capitalised into exploration and evaluation assets	(71,395)	(6,699)
	<u>26,489</u>	<u>10,811</u>
Depreciation	64,801	31,522
Less: Depreciation capitalised into construction in progress	(584)	(380)
	<u>64,217</u>	<u>31,142</u>

6. Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Current tax – PRC income tax		
Provision for the year	136,874	114,067
Underprovision in respect of prior year	–	24
	<u>136,874</u>	<u>114,091</u>
Deferred tax		
Origination and reversal of temporary differences	(21,205)	2,418
	<u>115,669</u>	<u>116,509</u>

7. Dividends

Dividends payable to equity shareholders of the Company attributable to the year

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Final dividend proposed after the balance sheet date of RMB0.10 (2006: RMB0.08) per ordinary share	<u>77,025</u>	<u>61,620</u>

Pursuant to a resolution passed at the directors' meeting on 22 April 2008, a final dividend in respect of the year ended 31 December 2007 of RMB0.10 (2006: RMB0.08) per share totalling RMB77,025,000 (2006: RMB61,620,000) was proposed for shareholders' approval at the annual general meeting. Final dividend of RMB77,025,000 (2006: RMB61,620,000) proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

8. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB222,270,000 (2006: RMB219,836,000) and the weighted average of 770,249,000 ordinary shares in issue during the year (2006: 761,718,000), calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2007 <i>'000</i>	2006 <i>'000</i>
Issued ordinary shares at 1 January	770,249	500,000
Effect of shares issued pursuant to the placing and public offering	–	261,718
	<u>770,249</u>	<u>761,718</u>
Weighted average number of ordinary shares at 31 December	<u>770,249</u>	<u>761,718</u>

(b) *Diluted earnings per share*

The diluted earnings per share for the current and previous years are not presented as there are no dilutive potential ordinary shares during the years.

9. Segment information

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Mining – The mining operation of the Group.

Smelting – The smelting and refinery operation of the Group.

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

	Mining	Smelting	Inter- segment elimination	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended					
31 December 2007					
Revenue and expenses					
Revenue from external customers	107	2,844,453	–	–	2,844,560
Inter-segment revenue	461,942	–	(461,942)	–	–
Other revenue from external customers	2,007	14,830	–	126,024	142,861
Total	464,056	2,859,283	(461,942)	126,024	2,987,421
Segment result	78,971	290,129	(4,700)	126,024	490,424
Unallocated operating income and expenses					(49,813)
Profit from operations					440,611
Finance costs					(101,613)
Income tax					(115,669)
Profit for the year					223,329

	Mining RMB'000	Smelting RMB'000	Inter- segment elimination RMB'000	Unallocated RMB'000	Consolidated RMB'000
As at 31 December 2007					
Assets and liabilities					
Segment assets	1,274,426	1,049,836	(44,463)	–	2,279,799
Unallocated assets					1,120,504
Total assets					<u>3,400,303</u>
Segment liabilities	97,979	227,332	(44,463)	–	280,848
Unallocated liabilities					1,421,072
Total liabilities					<u>1,701,920</u>
Other segmental information					
Capital expenditure incurred during the year	617,378	155,827	–	4,599	777,804
Depreciation and amortisation for the year	<u>136,997</u>	<u>24,247</u>	<u>–</u>	<u>2,165</u>	<u>163,409</u>
	Mining RMB'000	Smelting RMB'000	Inter- segment elimination RMB'000	Unallocated RMB'000	Consolidated RMB'000
Year ended 31 December 2006					
Revenue and expenses					
Revenue from external customers	22,877	2,212,098	–	–	2,234,975
Inter-segment revenue	283,733	–	(283,733)	–	–
Other revenue from external customers	1,155	10,426	–	64,709	76,290
Total	<u>307,765</u>	<u>2,222,524</u>	<u>(283,733)</u>	<u>64,709</u>	<u>2,311,265</u>
Segment result	66,670	316,873	(8,689)	64,709	439,563
Unallocated operating income and expenses					(71,009)
Profit from operations					368,554
Finance costs					(31,213)
Income tax					(116,509)
Profit for the year					<u>220,832</u>

	Mining RMB'000	Smelting RMB'000	Inter- segment elimination RMB'000	Unallocated RMB'000	Consolidated RMB'000
As at 31 December 2006					
Assets and liabilities					
Segment assets	760,933	776,939	–	–	1,537,872
Unallocated assets					<u>1,237,053</u>
Total assets					<u><u>2,774,925</u></u>
Segment liabilities	84,053	88,516	–	–	172,569
Unallocated liabilities					<u>1,058,485</u>
Total liabilities					<u><u>1,231,054</u></u>
Other segmental information					
Capital expenditure incurred during the year	303,442	45,318	–	5,088	353,848
Depreciation and amortisation for the year	<u>33,201</u>	<u>14,721</u>	<u>–</u>	<u>1,439</u>	<u>49,361</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.

10. Trade and other receivables, deposits and prepayments

Trade and other receivables, deposits and prepayments comprise:

	2007 RMB'000	2006 <i>RMB'000</i>
Trade receivables	58,918	27,734
Bills receivable	34,050	24,023
Less: Allowance for doubtful debts	–	(1,002)
	92,968	50,755
Other receivables	8,302	12,313
Less: Allowance for doubtful receivables	(2,105)	(2,121)
	6,197	10,192
Purchase deposits	119,510	97,824
Less: Allowance for doubtful receivables	(8,367)	–
	111,143	97,824
Interest receivable	–	9,668
Other deposits and prepayments	34,352	30,867
Amount due from Beijing Jiuyi (<i>note</i>)	418,700	–
	663,360	199,306

Note: On 4 December 2007, the Company has entered into a termination agreement with Beijing Jiuyi Investment Company Limited (“Beijing Jiuyi”) to terminate the proposed Shaanxi Jiusheng Mining Investment Management Company Limited (“Shaanxi Jiusheng”) Acquisition. Pursuant to the termination agreement, Beijing Jiuyi shall repay the investments deposit of RMB305,800,000 and pay a compensation fee of RMB112,900,000 (see note 3) to the Company for the failure to reach a definitive agreement for the Shaanxi Jiusheng Acquisition. The aggregate amount of RMB418,700,000 shall be paid/repaid by Beijing Jiuyi to the Company in three instalments. The first instalment in an amount of RMB100,000,000 shall be paid before 31 January 2008. The second instalment in an amount of RMB200,000,000 shall be paid before 28 February 2008. The last instalment in an amount of RMB118,700,000 shall be paid before 31 March 2008. An amount of RMB300,000,000 was subsequently received by the Company up to the date of this announcement.

Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off trade and other receivables directly.

Movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	2007 RMB'000	2006 <i>RMB'000</i>
At 1 January	3,123	3,265
Impairment loss recognised	9,007	270
Impairment loss written back	(16)	(248)
Uncollectible amounts written off	(1,642)	(164)
	<hr/>	<hr/>
At 31 December	10,472	3,123
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2007, the Group's trade debtors and bills receivable of RMB10,472,000 (2006: RMB3,123,000) were individually determined to be fully impaired.

Purchase deposits

Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in the future. 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 mineral sand will be purchased from various suppliers. The purchase deposits would be gradually recovered through further purchases of mineral sand from the respective suppliers.

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

	2007 RMB'000	2006 <i>RMB'000</i>
Within 3 months	66,933	38,354
Over 3 months but less than 6 months	26,035	12,277
Over 6 months but less than 1 year	—	124
	<hr/>	<hr/>
	92,968	50,755
	<hr/> <hr/>	<hr/> <hr/>

All of the trade receivables and bills receivable are expected to be recovered within one year.

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.

11. Trade and other payables

Trade and other payables comprise:

	2007 RMB'000	2006 <i>RMB'000</i>
Trade payables	162,237	81,681
Other payables	114,146	137,801
Salary and welfare payable	34,441	35,536
Accruals	16,064	12,928
Interest payable	10,053	1,643
Receipts in advance	9,725	6,600
	346,666	276,189

All of the trade and other payables are expected to be recovered within one year.

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

	2007 RMB'000	2006 <i>RMB'000</i>
Within 3 months	152,745	74,631
Over 3 months but less than 6 months	4,689	2,892
Over 6 months but less than 1 year	1,410	531
Over 1 year but less than 2 years	1,467	3,627
Over 2 years	1,926	–
	162,237	81,681

Included in other payables of the Group is an amount payable to the National Social Security Fund of RMB80,942,000 (2006: RMB86,624,000). In accordance with the relevant PRC government regulations, Lingbao State-owned Assets Operation Limited Liability Company, Sanmenxia Jinqu Group Company Limited and Lingbao Electric Company (“Selling Shareholders”) are required to dispose of a portion of its ordinary shares in the Global Offering and pay the net proceeds of the disposal to the National Social Security Fund. The Company received the net proceeds on behalf of the Selling Shareholders and is arranging for the payment to the National Social Security Fund.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business and Prospect

In 2007, the Group produced approximately 12,992 kg (equivalent to approximately 417,703 ounce) gold, representing an increase of approximately 2,619 kg (equivalent to approximately 84,203 ounce) or 25.2% as compared with the previous year. The Group's turnover for 2007 was approximately RMB2,844,560,000, representing an increase of approximately 27.3% as compared with the previous year. The profit attributable to the Company's shareholders was approximately RMB222,270,000, representing an increase of approximately 1.1% as compared with the previous year. The Company's basic earnings per share was RMB0.29. In 2007, as a result of continued strong demand and rising prices of its major products in 2007, the Group enjoyed the steady growth in its turnover.

Given that raw materials accounted for over 85% of total production cost, to minimize the reliance of purchase of raw materials from outsiders, the Group intends to increase its self-produced output of mineral sand through acquisition and expansion of mining operation, thereby uplifting the overall production and operation targets.

1. Mining Segment

Turnover and production

Our mining business mainly comprises the sales of gold concentrates and compound gold. Most of the gold concentrates and compound gold were sold to the Group's smelting plants as inter-segment sales.

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

		2007		2006	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates	kg	1,912	1,864	1,728	1,712
Compound gold	kg	1,039	1,039	492	492
From: Henan region		241	241	96	96
Xinjiang region		519	519	396	396
Inter Mongolia region		279	279	–	–
Total	kg	2,951	2,903	2,220	2,204
Total	Ounce	94,875	93,334	71,375	70,861
Lead concentrates	kg	–	–	72	72

The Group's total turnover of the mining segment for 2007 was approximately RMB464,056,000, representing an increase of approximately 50.8% from approximately RMB307,765,000 in 2006. During the year, turnover of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 67.7%, 19.5% and 12.8% of the total turnover of the mining segment respectively. The production volume of compound gold increased by approximately 547 kg to approximately 1,039 kg while the production volume of gold concentrates increased by approximately 184 kg to approximately 1,912 kg. This was mainly due to the acquisition of Inner Mongolia's Chifeng Jinchan Mining Company Limited in March 2007 and the commencement of production of Henan's Tongbai Xingyuan Mining Company Limited in July 2007. Besides, the construction of the new processing plant in Xinjiang mining region with a capacity of 1,000 tonnes of mined ores per day was completed in November 2007, which is expected to bring more contribution to the Company's mining business in 2008 and lead to an increase in the gold production of the Group.

Segment results

The Group's results of the mining segment for 2007 was approximately RMB78,971,000, representing an increase of approximately 18.5% from approximately RMB66,670,000 in 2006. The segment result to segment turnover ratio of the Group's mining segment in 2007 was approximately 17.0%, resulting to a decrease of approximately 4.7% from approximately 21.7% in 2006.

Capital expenditure

During the year 2007, the Group's capital expenditure was approximately RMB617,378,000, representing an increase of approximately 103.5% from approximately RMB303,442,000 in 2006.

Our principal capital expenditure relates to the construction of mining shafts, purchase of exploration rights and acquisition of mining corporations.

Prospect

Expansion of the Group's resources and reserves – In 2008, the Group intends to continue to explore the in-depth deposits in the gold mines in the Xiaoqinling Region; scale up its exploration activities in the exploration regions in Gansu, Jiangxi, Inner Mongolia and Xinjiang; and actively explore resources in the Kyrgyz Republic in order to establish a resources hub in Central Asia.

Stabilisation of the Group's production efficiency – The Group will continue to reinforce the organisation and management of its existing operating mines in order to stabilise the production of its gold mines in the Xiaoqinling Region, Tongbai Xingyuan, Huatai in Xinjiang and Jinchan in Inner Mongolia.

2. Smelting Segment

Our smelting plant is situated in Henan Province, and is capable of processing gold, silver, copper and sulphur. 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:

Product	Unit	2007		2006	
		Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold bullion	kg	12,992	12,803	10,285	10,426
	Ounce	417,703	411,626	330,670	335,203
Silver	kg	40,005	37,601	29,175	28,151
	Ounce	1,286,191	1,208,900	937,997	905,074
Copper products	Tonne	9,940	8,771	8,991	9,543
Sulphuric acid	Tonne	150,846	149,397	158,016	160,799

Sales and production

The Group's total turnover from the smelting segment for 2007 was approximately RMB2,859,283,000, representing an increase of approximately 28.7% from approximately RMB2,222,524,000 in 2006. Such increase was principally attributable to the 36.6% increase in the sales of gold bullion as a result of an approximate 11.2% increase in selling price of gold bullion.

On July 2007, Phase II of the Integrated Smelting Development Project for the Henan Region ("Phase II") started to commence the production. As a result, the daily processing capacity of the Group's smelting plant increased from approximately 700 tonnes prior commencement of production of Phase II to currently 880 tonnes of gold concentrates, and the utilisation rate for production was approximately 97.7%. This resulted in an increase of approximately 26.3%, 37.1% and 10.6% in the Group's production volume for gold, silver and copper respectively. During the year, gold recovery rate was approximately 96.8%, silver recovery rate was approximately 77.5% and the copper recovery rate was approximately 94.6%. The Group continued to maintain the recovery rates at a high level.

Segment results

Our smelting segment results for 2007 was approximately RMB290,129,000, representing an approximate 8.4% decrease from approximately RMB316,873,000 in 2006. The segment results to segment turnover ratio of our smelting business in 2007 was approximately 10.1%, decreasing by approximately 4.2% from approximately 14.3% in 2006.

Capital expenditures

During the year 2007, the capital expenditure of the Group was approximately RMB155,827,000, an increase of approximately 243.9% from approximately RMB45,318,000 in 2006.

Our principal capital expenditure relates to the smelting plant's construction work, purchase of equipment with regard to its expansion projects, and upgrading of production equipment.

Prospect

The processing capacity of the Group's smelting plant has increased substantially to 880 tonnes of gold concentrates per day, resulting in a remarkable economies of scale. In particular, its technology in recovering lead and zinc has made significant breakthroughs. In 2008, the Group will continue to pursue more development projects in this area and strengthen its marketing management to create new profit growth points for the Group.

Financial Condition

1. Combined Operating Results

Turnover

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

	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	2,208,326	12,803 kg	172,485	1,617,183	10,426 kg	155,111
Compound gold	-	-	-	13,812	88 kg	156,955
Silver	113,937	37,601 kg	3,030	80,846	28,151 kg	2,872
Copper products	472,588	8,771 tonnes	53,881	488,505	9,543 tonnes	51,190
Sulphuric acid	55,637	149,397 tonnes	372	32,862	160,799 tonnes	204
Lead concentrates	-	-	-	9,069	72 kg	125,958
Turnover before sales tax	2,850,488			2,242,277		
Less: Sales tax	(5,928)			(7,302)		
	<u>2,844,560</u>			<u>2,234,975</u>		

The Group's turnover for 2007 was approximately RMB2,844,560,000, representing an approximate 27.3% increase as compared with the previous year. Such increase was mainly attributable to the increase of approximately 36.5% in the sales of gold bullion, as a result of the increase in our average selling price and quantity of gold bullion sold of approximately 11.2% and 22.8% respectively during the year.

Cost of sales

The Group's cost of sales for 2007 was approximately RMB2,391,647,000, representing an approximate 33.4% increase from approximately RMB1,792,220,000 for 2006. Such increase was principally attributable to the increase of approximate 40.7% in the cost of raw materials, especially gold concentrates, to RMB2,109,213,000 as a result of the increase in production capacity, the growth of purchase volume and the increase in gold price. Owing to the rise in gold price, the unit purchase price of gold concentrates increased by approximately 11.3%, that is, from approximately RMB137,010 per kg in 2006 to RMB152,486 per kg in 2007.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for 2007 were approximately RMB452,913,000 and approximately 15.9% respectively, representing an increase of approximately 2.3% and a decrease of 3.9% respectively as compared to 2006.

Other revenue

The Group's other revenue for 2007 was approximately RMB142,861,000, representing an approximate 87.3% increase as compared with approximately RMB76,290,000 for 2006. Such change was principally attributable to the fact that the Group terminated the acquisition of Shaanxi Jiusheng on 4 December 2007 due to the failure of reaching a formal agreement. Due to the termination of the proposed acquisition, the Group received a compensation of RMB112,900,000. Besides, such change was also attributable to the decrease of the Group's bank interest income received (arising from the initial public offering of shares) by approximately RMB55,685,000.

Other net loss

The Group's other net loss for 2007 was approximately RMB4,494,000, representing a decrease of 83.2% as compared with the previous year. Such decrease was mainly attributable to the unrealized exchange loss of RMB25,689,000 arising from the initial public offering of shares by the Group in 2006.

Selling and distribution expenses

The Group's selling and distribution expenses for 2007 were approximately RMB14,340,000, representing a decrease of approximately 7.8% as compared with the previous year. Such decrease was principally attributable to the decline in transportation costs of sulphuric acid. Decrease in sales volume of sulphuric acid led to a decrease in transportation costs, despite rising of the oil prices.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses in 2007 were approximately RMB136,329,000, representing an approximate 26.0% increase from approximately RMB108,228,000 in 2006. The increase was mainly attributable to the Group's acquisition of businesses. The acquisition of Chifeng Jinchan and the commencement of production in Tongbai Xingyuan in the year, has resulted in the increase in expenses.

Finance costs

The Group's finance costs in 2007 was approximately RMB101,613,000, representing an approximate 225.5% increase from approximately RMB31,213,000 for 2006. The increase was principally attributable to the bank and other borrowings which increased by approximately RMB364,861,000 in net amount, compared to the previous year, to RMB1,303,131,000 (including approximately RMB174,861,000 gold loans) for the year ended 31 December 2007, as well as the increase in loan interest due to the higher lending rates charged by banks.

In order to avoid gold price volatility, the Group entered into gold loan agreements to borrow 1,300 kg (approximately 41,796 oz) gold during the year, where the Group suffered a loss of RMB6,730,000 as a result of returning 400 kg gold (approximately 12,860 oz) before year end and further recognized a loss of RMB22,585,000 when restated using the year end gold price.

Profit attributable to the Company's equity shareholders

The Group's profit attributable to our equity shareholders in 2007 was approximately RMB222,270,000 representing an approximate 1.1% increase from approximately RMB219,836,000 in 2006. The net profit margin for 2007 was approximately 7.9%, represent a decrease of 1.9% to that of approximately 9.8% in 2006. The Company's basic earning per share was RMB0.29. It was recommended for the payment of a dividend of RMB0.10 per share.

2. Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and interest bearing borrowings. The cash and bank balances as at 31 December 2007 amounted to RMB389,651,000, of which 38.2% was denominated in Hong Kong dollars.

The shareholders' equity of the Group as at 31 December 2007 amounted to RMB1,672,046,000 (31 December 2006: RMB1,516,213,000). As at 31 December 2007, the Group had current assets of RMB1,866,436,000 (31 December 2006: RMB1,508,020,000) and current liabilities of RMB1,554,953,000 (31 December 2006: RMB1,226,635,000). The current ratio was 1.20 (31 December 2006: 1.23).

As at 31 December 2007, the Group had total outstanding bank loans and other borrowings of approximately RMB1,303,131,000 with interest rates ranged from 5.02% to 6.723% per annum, of which approximately RMB1,179,861,000 was repayable within one year, approximately RMB120,000,000 was repayable after one year but within two years while approximately RMB3,270,000 was repayable after two years. The gearing ratio as at 31 December 2007 was 38.3% (31 December 2006: 33.8%) which was calculated by total borrowings divided by total assets.

3. Security

As at 31 December 2007, the Group's bank deposits of RMB181,982,000 had been pledged for the securing of the gold loans.

4. Material Acquisition

On 27 March 2007, the Group acquired 100% equity interest in Chifeng Jinchan Mining Company Limited at a cash consideration of RMB146,000,000. For details in relation to the acquisition, please refer to the announcement of the Company dated 28 March 2007.

5. Market risks

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

Gold price and other commodities price risk

The Group's turnover and profit during the year are affected by fluctuations in the gold prices and other commodities price as all the turnover and profit are generated within the PRC. We have not used and strictly prohibit the use of commodity derivative instruments or futures for speculation purpose, and all commodity derivative instruments are only used to minimize the potential price fluctuation of gold and other commodities.

Interest rate

The Group is exposed to risk resulting from the fluctuation in interest rates on our debt obligations. 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 the interest rates, our finance cost increases accordingly. 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 debt.

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. Renminbi is not freely convertible and the currency would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi. 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.

6. Contractual obligations

As at 31 December 2007, capital commitments, including the construction costs not provided for in the financial statement, were approximately RMB222,364,000, representing a decrease of approximately RMB72,039,000 from approximately RMB294,403,000 as at 31 December 2006.

As at 31 December 2007, our total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB1,833,000, of which approximately RMB402,000 was payable within one year, approximately RMB926,000 was payable after one year but within five years, and approximately RMB505,000 was payable after five years.

7. Contingent liabilities

As at 31 December 2007, the Group had no material contingent liabilities.

8. Human resources

In 2007, the average number of employees of the Group was 4,394. 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.

9. Post balance sheet events

On 27 February 2008, the Group acquired the mining right and exploration right of Istanbul Gold Mine at a consideration of US\$25,300,000. Istanbul Gold Mine is located in Kyrgyz Republic, with a mining area of approximately 1.82 km² with approximately 23.48 tonnes of gold reserves and resource and an exploration area of approximately 8 km². For details in relation to the acquisition, please refer to the announcement of the Company dated 27 February 2008.

On 19 March 2008, the Company has signed a sale and purchase agreement with 靈寶市金城財經投資中心 to acquire 100% equity interest in Lingbao Wason Copper-Foil Co., Ltd. for a consideration of RMB27,900,000. Lingbao Wason Copper-Foil Co., Ltd. is principally engaged in the further processing of copper products and is the major customer of the Group. The acquisition was completed on 24 March 2008.

After the balance sheet date, as a result of the rise in gold price trading at Shanghai Gold Exchange, there has been an increase in the fair value of the Company's commodity-linked interest-bearing bank loan, which the change in fair value is recognised in the financial statement for the year ending 2008. This non-adjusting post balance sheet event has no impact on the measurement of assets and liabilities as at 31 December 2007. The commodity-linked interest-bearing bank loans were matured on or before 19 March 2008, a further loss on the change in fair value of RMB17,909,000 was resulted upon settlement.

Corporate Governance

After our listing of H Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 January 2006, the Company has complied with all Code Provisions under the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) save for the deviation from Code Provision A.2.1 (Division of responsibilities between the chairman and chief executive officer) and 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).

Mr. Xu Gaoming is the Chairman and Chief Executive Officer of the Company and has considerable industry experience. 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 benefit from a chairman who is knowledgeable about the business of the Group and is capable to guide the 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. 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 has 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.

AUDIT COMMITTEE

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters regarding the preliminary final results for the year ended 31 December 2007 together with the management of the Group.

PURCHASE, SALES OR REDEMPTION OF SHARES OF THE COMPANY

For the year ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares.

DIVIDENDS

At the board meeting held on 22 April 2008, the Directors declared a final dividend of RMB10 cents per share in respect of the year ended 31 December 2007. Dividends of domestic shares shall be paid in Renminbi while dividends of H shares shall be paid in Hong Kong dollars.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 13 May 2008 to 12 June 2008, (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office address of the Company at Xin Village, Yin Zhuang Town, Daonan Industrial Area, Lingbao, Henan, the PRC (for holders of domestic shares), no later than 4:00 p.m. on 9 May 2008.

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.

PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT

This result announcement has been published on the website of Hong Kong Exchanges and Clearing Limited ("HK Exchange"), www.hkexnews.hk, and the website of the Company, www.irasia.com/listco/hk/lingbao. The 2007 Annual Report will be despatched to shareholders in due course and published on the websites of HK Exchange and the Company.

By order of the Board
Lingbao Gold Company Ltd.
Xu Gaoming
Chairman

Hong Kong, 22 April 2008

As at the date of this announcement, the directors of the Company are:

*Executive Directors: Xu Gaoming, Wang Jianguo, Lu Xiaozhao and Jin Guangcai;
Non-Executive Directors: Xu Wanmin, Di Qinghua and Qi Guozhong; and
Independent Non-Executive Directors: Ning Jincheng, Wang Yanwu, Niu Zhongjie and Zheng Jinqiao.*