



LINGJIN

灵 金

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 2008**

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 2008. The interim financial results is prepared on a basis consistent with the accounting policies adopted in the 2007 annual financial statements. The interim financial results has been reviewed by the Company’s Audit Committee.

CONSOLIDATED INCOME STATEMENT*for the six months ended 30 June 2008*

		Six months ended 30 June	
		2008	2007
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	<i>2, 9</i>	1,836,580	1,012,917
Cost of sales		<u>(1,550,867)</u>	<u>(870,988)</u>
Gross profit		285,713	141,929
Other revenue	<i>3</i>	10,028	10,962
Other net gain/(loss)	<i>4</i>	7,711	(6,114)
Selling and distribution expenses		(9,327)	(5,997)
Administrative expenses and other operating expenses		<u>(72,187)</u>	<u>(46,818)</u>
Profit from operations		221,938	93,962
Finance costs	<i>5(a)</i>	<u>(48,442)</u>	<u>(30,799)</u>
Profit before taxation	<i>5</i>	173,496	63,163
Income tax	<i>6</i>	<u>(45,827)</u>	<u>(24,654)</u>
Profit for the period		<u>127,669</u>	<u>38,509</u>
Attributable to:			
Equity shareholders of the Company		128,075	38,464
Minority interests		<u>(406)</u>	<u>45</u>
Profit for the period		<u>127,669</u>	<u>38,509</u>
Basic and diluted earnings per share (cents)	<i>7</i>	<u>17</u>	<u>5</u>

CONSOLIDATED BALANCE SHEET

at 30 June 2008

	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
Non-current assets		
Property, plant and equipment	721,606	634,551
Construction in progress	380,156	302,451
Intangible assets	557,864	362,112
Goodwill	38,882	38,882
Lease prepayments	55,333	36,940
Other investments	10,504	10,504
Non-current prepayments	77,110	36,212
Investment deposits	85,832	89,122
Deferred tax assets	27,084	23,093
	1,954,371	1,533,867
Current assets		
Inventories	593,677	591,443
Trade and other receivables, deposits and prepayments	570,907	663,360
Available-for-sale investment	–	40,000
Cash restricted for use	–	181,982
Tax recoverable	8,221	–
Cash and cash equivalents	351,934	389,651
	1,524,739	1,866,436
Current liabilities		
Bank loans	475,000	599,861
Unsecured debenture	580,000	580,000
Loan from ultimate holding company	13,800	–
Trade and other payables	370,441	346,666
Current tax payable	12,125	28,426
	1,451,366	1,554,953
Net current assets	73,373	311,483
Total assets less current liabilities	2,027,744	1,845,350

CONSOLIDATED BALANCE SHEET (continued)*at 30 June 2008*

	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
Non-current liabilities		
Bank loans	150,000	120,000
Other loan	3,270	3,270
Other payable	107,145	–
Deferred tax liabilities	19,975	23,697
	<u>280,390</u>	<u>146,967</u>
NET ASSETS	<u>1,747,354</u>	<u>1,698,383</u>
CAPITAL AND RESERVES		
Share capital	154,050	154,050
Reserves	1,566,611	1,517,996
Total equity attributable to equity shareholders of the Company	1,720,661	1,672,046
Minority interests	26,693	26,337
TOTAL EQUITY	<u>1,747,354</u>	<u>1,698,383</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*for the six months ended 30 June 2008*

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash generated from/(used in) operations	336,904	(157,819)
PRC income tax paid	(79,971)	(74,431)
Net cash generated from/(used in) operating activities	256,933	(232,250)
Net cash generated from/(used in) investing activities	8,285	(95,032)
Net cash (used in)/generated from financing activities	(215,572)	230,647
Net increase/(decrease) in cash and cash equivalents	49,646	(96,635)
Cash and cash equivalents at 1 January	294,692	347,265
Effect of foreign exchange rate changes	(2,384)	(1,513)
Cash and cash equivalents at 30 June	341,954	249,117

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 22 September 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

In preparing the unaudited interim financial report, the directors have considered the future liquidity of the Group in view of its unsecured debentures of RMB580,000,000 which will be due for repayment in October 2008 and the bank loans which are repayable within one year with an aggregate amount of RMB475,000,000 as at 30 June 2008. The Group had cash and cash equivalent amounted to RMB351,934,000 as at 30 June 2008. Therefore, additional funding should be obtained by the Group to ensure its ability to repay the borrowings as and when they fall due. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group has actively discussed with its principal bankers in order to secure continual financial support in order to repay the unsecured debentures and short-term bank loans with an aggregate amount of RMB1,055,000,000 when they fall due. Up to the date of this report, the Group has obtained facility of RMB510,000,000 short-term borrowings from its principal banker in which RMB300,000,000 is with a term of six months. The directors are of the opinion that the Group will be able to obtain continual financial support from its principal bankers to finance its future working capital and financial requirements and will be able to meet its financial obligations as and when they fall due. The Company plans to issue a short-term debenture for an amount of approximately RMB600,000,000 for a term of 365 days. The Company will make the application to the bank after obtaining shareholders’ approval. Shareholders’ meeting will be held on 9 October 2008. Proceeds from the proposed issuance of the short-term debenture will be used for replacement with the Company’s existing bank loans. The Company’s ultimate holding company, Lingbao State-Owned Assets Operation Limited Liability Company, has confirmed that it will provide such financial assistance as is necessary to maintain the Company to operate as a going concern and enable the Company to meet the financial obligations as and when they fall due. Accordingly, the unaudited interim financial report for the six months ended 30 June 2008 has been prepared 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 non-current liabilities as current assets and current 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	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of:		
– Gold	1,328,411	769,413
– Other metals	420,582	227,027
– Others	94,802	18,261
Less: Sales taxes and levies	(7,215)	(1,784)
	<u>1,836,580</u>	<u>1,012,917</u>

3 OTHER REVENUE

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	2,251	5,393
Other interest income	894	–
Total interest income on financial assets not at fair value through profit or loss	3,145	5,393
Delivery income	4,740	4,444
Government grants	1,700	–
Scrap sales	369	845
Dividend income from unlisted securities	–	280
Sundry income	74	–
	<u>10,028</u>	<u>10,962</u>

4 OTHER NET GAIN/(LOSS)

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Insurance claims	–	16
Net (loss)/gain on disposal of property, plant and equipment	(377)	33
Net foreign exchange loss	(4,085)	(6,242)
Negative goodwill arising from business combination	12,437	–
Gain on deemed disposal of subsidiary	392	–
Others	(656)	79
	<u>7,711</u>	<u>(6,114)</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	14,594	30,500
Interest on other loan	45	45
Interest on unsecured debenture	15,501	–
Net realised loss on financial instruments at fair value	17,909	–
Other borrowing costs	393	254
	<u>48,442</u>	<u>30,799</u>
(b) Other items:		
Amortisation of lease prepayments	583	171
Operating lease charges in respect of properties	666	566
	<u>52,524</u>	<u>22,524</u>
Total depreciation	52,524	22,524
Less: Depreciation capitalised into construction in progress	(453)	(294)
	<u>52,071</u>	<u>22,230</u>
Total amortisation of intangible assets	52,256	32,232
Less: Amortisation capitalised into exploration and evaluation assets	(29,948)	(22,857)
	<u>22,308</u>	<u>9,375</u>

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC income tax for the period	53,637	34,035
Deferred tax		
Origination and reversal of temporary differences	(7,810)	(13,197)
Effect on change in tax rate	–	3,816
	<u>45,827</u>	<u>24,654</u>

Notes:

- (i) On 16 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 has taken effect from 1 January 2008. As a result of the new tax law, the statutory income tax rate applicable to the Company and its subsidiaries is 25% from 1 January 2008 onwards.
- (ii) The provision for PRC income tax is based on a statutory rate of 25% (2007: 33%) of the assessable profit of the Company and its subsidiaries in the PRC 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.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to equity shareholders of the Company of RMB128,075,000 (six months ended 30 June 2007: RMB38,464,000) and the number of shares in issue during the six months ended 30 June 2008 of 770,249,000 (six months ended 30 June 2007: 770,249,000).

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2008 and 2007 is same as the basic earnings per share as there are no dilutive potential ordinary shares as at the period ends.

8 DIVIDENDS

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the financial year ended 31 December 2007 and approved during the following interim period, of RMB0.1 per ordinary share (year ended 31 December 2006: RMB0.08)	<u><u>77,025</u></u>	<u><u>61,620</u></u>

Other than the above, the directors do not propose the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

9 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 RMB'000 (Unaudited)	Smelting RMB'000 (Unaudited)	Inter- segment elimination RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
<i>For the six months ended 30 June 2008</i>					
Revenue from external customers	–	1,836,580	–	–	1,836,580
Inter-segment revenue	211,961	69,590	(281,551)	–	–
Other revenue from external customers	1,732	6,044	–	2,252	10,028
Total	213,693	1,912,214	(281,551)	2,252	1,846,608
Segment results	16,588	219,855	(7,096)	2,252	231,599
Unallocated operating income and expenses					(9,661)
Profit from operations					221,938

	Mining RMB'000 (Unaudited)	Smelting RMB'000 (Unaudited)	Inter- segment elimination RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
<i>For the six months ended 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	164,600	1,018,086	(164,480)	5,673	1,023,879
Segment results	14,748	101,343	(6,283)	5,673	115,481
Unallocated operating income and expenses					(21,519)
Profit from operations					93,962

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade and other receivables, deposits and prepayments comprise:

	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
Trade receivables, net of allowance for doubtful debts	143,009	58,918
Bills receivable	53,362	34,050
Other receivables, net of allowance for doubtful debts	61,042	6,197
Purchase deposits, net of allowance for doubtful debts (<i>note (i)</i>)	170,001	111,143
Other deposits and prepayments	34,793	34,352
Amount due from Beijing Jiuyi (<i>note (ii)</i>)	<u>108,700</u>	<u>418,700</u>
	<u><u>570,907</u></u>	<u><u>663,360</u></u>

Notes:

- (i) 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.
- (ii) 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 to the Company for the failure to reach a definitive agreement for the Shaanxi Jiusheng Acquisition. An amount of RMB310,000,000 was received by the Company during the six months ended 30 June 2008. An extension agreement was signed with Beijing Jiuyi on 30 June 2008 and the repayment date of the remaining RMB108,700,000 was postponed to 31 December 2008.

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 had a certain concentration of credit risk of 23% (2007: 60%) and 80% (2007: 99%) of trade receivables which was due from the Group's largest customer and the five largest customers respectively. The Group maintains long-term and stable business relationship with these particular customers. Status of the receivable is closely monitored to minimize the credit risk associated with the receivable.

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

	At 30 June 2008 <i>RMB'000</i> (Unaudited)	At 31 December 2007 <i>RMB'000</i> (Audited)
Within 3 months	163,653	66,933
Over 3 months but less than 6 months	26,708	26,035
Over 6 months but less than 1 year	4,950	–
Over 1 year	1,060	–
	<u>196,371</u>	<u>92,968</u>

11 TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	At 30 June 2008 <i>RMB'000</i> (Unaudited)	At 31 December 2007 <i>RMB'000</i> (Audited)
Trade payables	130,693	162,237
Other payables	141,903	114,146
Salary and welfare payable	40,822	34,441
Accruals	15,122	16,064
Interest payable	30,690	10,053
Receipts in advance	11,211	9,725
	<u>370,441</u>	<u>346,666</u>

An ageing analysis of trade payables is as follows:

	At 30 June 2008 <i>RMB'000</i> (Unaudited)	At 31 December 2007 <i>RMB'000</i> (Audited)
Within 3 months	116,106	152,745
Over 3 months but less than 6 months	5,458	4,689
Over 6 months but less than 1 year	4,984	1,410
Over 1 year but less than 2 years	1,989	1,467
Over 2 years	2,156	1,926
	<u>130,693</u>	<u>162,237</u>

Review of Business and Prospect

In the first half of 2008, Lingbao Gold Company Ltd. (“Lingbao Gold” or the “Company”) and its subsidiaries (together with the Company, the “Group”) produced approximately 6,687 kg (equivalent to approximately 214,992 ounce) of gold including approximately 444 kg (equivalent to approximately 14,275 ounce) of compound gold, representing an increase of approximately 1,203 kg (equivalent to approximately 38,677 ounce) or 16.4% as compared with the corresponding period of the previous year. The internal sale of compound gold amounted to approximately 390 kg (approximately 12,539 ounce). The turnover for the six months ended 30 June 2008 was approximately Renminbi (“RMB”) 1,836,580,000, representing an increase of approximately 81.3% as compared with the corresponding period of the previous year. For the six months ended 30 June 2008, the profit attributable to the Company’s shareholders was approximately RMB128,075,000, representing an increase of approximately 233.0% as compared with the corresponding period of the previous year. For the six months ended 30 June 2008, the basic earnings per share was RMB0.17. In the first half of 2008, the increase of profit attributable to the Company’s shareholders as compared with the corresponding period of 2007 was mainly due to the expansion of the scale of operation of our smelting segment and mines productivity as well as the advantage of high selling price attained for the products.

During the first half of 2008, the international gold price rose from approximately US\$841 per ounce as at 1 January to approximately US\$925 as at 30 June, breaking the US\$1,000 per ounce mark during this period, and hit a record high of US\$1,032 per ounce. Subsequently, gold price tumbled immediately. Gold price for the first half of 2008 remained on a rising trend as compared with that in 2007, which benefited from the sharp rise in global commodities prices in addition to weak US dollars.

The Group’s mineral resources are mainly scattered in five provinces in the People’s Republic of China (the “PRC”), including Henan, Xinjiang, Jiangxi, Gansu and Inner Mongolia with 53 mining and exploration rights as at 31 August 2008 covering 1,278.21 square kilometers. The total gold reserves and resources as at 30 June 2008 were approximately 124.03 tonnes.

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:

		For the six months ended 30 June			
		2008	2007		
Unit		Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates	Kg	801	672	826	814
Compound gold	Kg	<u>444</u>	<u>390</u>	<u>316</u>	<u>316</u>
Total	Kg	1,245	1,062	1,142	1,130
Total	Ounce	40,028	34,144	36,716	36,330

The Group's revenue from the mining segment for the first half of 2008 was approximately RMB213,693,000, representing an increase of approximately 29.8% from approximately RMB164,600,000 for the same period in 2007. During the period, turnover of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 65.3%, 19.6% and 15.1% of the revenue from the mining segment respectively. The production of compound gold increased by approximately 128 kg to approximately 444 kg while production of gold concentrates decreased by approximately 25 kg to approximately 801 kg. The increase in the gold production as compared to the corresponding period in 2007 was mainly due to the commencement of production of Tongbai Xingyuan Mining Company Limited in Henan province in July 2007.

Segment results

The Group's results of the mining segment for the first half of 2008 was approximately RMB16,588,000, representing an increase of approximately 12.5% from approximately RMB14,748,000 for the same period in 2007. The segment result to segment turnover ratio of the Group's mining segment for the first half of 2008 was approximately 7.8%, representing a decrease of approximately 1.2% from approximately 9.0% in the corresponding period in 2007.

Prospect

In the second half of 2008, the Group will proactively proceed with the exploration work such as tunnelling and drilling in Kyrgyz Republic to have the mine well prepared for exploration. It is predicted that the overall design for Istanbul Gold Mine will be completed by the end of this year. Part of the mining design of the project have commenced, and the selection and purchase of main equipment have been completed in accordance with the overall design.

The Group will also proceed with the exploration work on the multi-metal deposit of Chifeng Lingjin Company in Inner Mongolia, the mine renovation for Hongxin in Xiaoqinling region and the expansion of its ore processing plants, and 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 smelter is situated in Henan Province, and is capable of processing gold, silver, copper and sulphur. The 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:

		For the six months ended 30 June			
		2008		2007	
	Unit	Production volume	Sales volume	Production volume	Sales volume
Gold bullion	Kg	6,687	6,385	5,484	4,680
	Ounce	214,992	205,283	176,315	150,466
Silver	Kg	17,865	17,720	17,956	7,029
	Ounce	574,373	569,711	577,298	225,988
Copper products	Tonne	5,480	6,266	4,326	3,938
Sulphuric acid	Tonne	90,902	92,846	64,430	65,839

Turnover and production

The Group's total turnover in the smelting segment for the first half of 2008 was approximately RMB1,912,214,000, representing an increase of approximately 87.8% from approximately RMB1,018,086,000 for the same period of 2007. Such increase was principally attributable to an approximate 72.7% increase in the sales amount of gold bullion as a result of an approximate 26.5% increase in average selling price of gold bullion as well as the increase by approximately 41.0% and 268.6% in the sale volume and average selling price of sulphuric acid.

In July 2007, the phase II of integrated smelting project in Henan region was put into production. As a result, the Group's daily processing capacity of gold concentrates was increased from last year's approximately 700 tonnes to current 960 tonnes with a utilisation rate of approximately 97.8%. This has resulted in an increase of approximately 21.9%, 26.7% and 41.1% in the Group's production volume of gold, copper and sulphuric acid respectively. During the period, the Group continued to maintain the recovery rates of Gold, silver and copper at a higher level, which were approximately 95.6%, 68.9% and 94.9% respectively.

Segment results

Our smelting segment results for the first half of 2008 was approximately RMB219,855,000, representing an increase of approximate 116.9% from approximately RMB101,343,000 for the same period in 2007. The segment results to segment turnover ratio of our smelting business for the first half of 2008 was approximately 11.5%, increased by approximately 1.5% from approximately 10% for the same period in 2007. Through the use of efficient cost control and production adjustment, profit margin of smelting segment increased slightly as compared with the corresponding period.

Prospect

In the second half of 2008, the technology in separation of lead and zinc from gold concentrates will be put into a trial stage of middle-size production. The Group will strengthen its marketing management and further enhance its profitability in the second half of 2008.

Consolidated Operating Results

Turnover

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

	For the six months ended 30 June					
	2008			2007		
	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	1,328,411	6,385 kg	208,052	769,413	4,680 kg	164,404
Silver	60,446	17,720 kg	3,411	22,288	7,029 kg	3,171
Electrolytic coppers	278,495	5,279	52,755	204,739	3,938	51,991
		tonnes			tonnes	
Copper foils	81,641	987 tonnes	82,716	–	–	–
Sulphuric acid	94,802	92,846	1,021	18,261	65,839	277
		tonnes			tonnes	
Turnover before sales tax	1,843,795			1,014,701		
Less: Sales tax	(7,215)			(1,784)		
	<u>1,836,580</u>			<u>1,012,917</u>		

The Group's turnover for the first half of 2008 was approximately RMB1,836,580,000, representing an increase of approximate 81.3% as compared with the corresponding period of the previous year. Such increase was principally attributable to the increase of approximately 36.4% in the sales volume and approximately 26.5% in the average selling price of gold bullion during the period. There was an increase of approximately 152.1% in the sales volume and approximately 7.6% in the average selling price of silver during the period, and an increase of approximately 34.1% in the sales volume and approximately 1.5% in the average selling price of electrolytic coppers during the period, and an increase of approximately 41.0% in the sales volume and approximately 268.6% in the average selling price of sulphuric acid during the period.

In March 2008, the Group acquired Wason Copper-Foil which is principally engaged in producing copper foils, an addition to the Group's product portfolio.

Outlook for 2008

During the third quarter of 2008, US dollar rebounded remarkably and crude oil price tumbled sharply, which led to a downward adjustment in gold price. Inflationary pressure and surging commodity prices will push up the Group's operating costs. The Group will further enhance its cost control, lower its operating costs and proactively response to changes in operating environment so as to grasp opportunities and face the challenge.

Financial Review

Acquisition and disposal

On 24 March 2008, the Company acquired the 100% equity interest in Lingbao Wason Copper-Foil Co., Ltd. ("Wason Copper-Foil") for a consideration of RMB27,900,000 in cash. Wason Copper-Foil is located in Henan province, China, which is principally engaged in the production of copper foil with a projected annual production capacity of 3,000 tonnes.

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 2008 amounted to 351,934,000, of which 13.4% was denominated in Hong Kong dollars.

The shareholders' equity of the Group as at 30 June 2008 amounted to RMB1,720,661,000 (31 December 2007: RMB1,672,046,000). As at 30 June 2008, the Group had current assets of RMB1,524,739,000 (31 December 2007: RMB1,866,436,000) and current liabilities of RMB1,451,366,000 (31 December 2007: RMB1,554,953,000). The current ratio was 1.05 (31 December 2007: 1.20).

As at 30 June 2008, the Group had total outstanding bank loans and other borrowings of approximately RMB1,222,070,000 at fixed interest rates ranged from 4.88% to 6.23% per annum, of which approximately RMB1,068,800,000 was repayable within one year, approximately RMB150,000,000 was repayable after one year but not exceeding two years while approximately RMB3,270,000 was repayable after five years. There were no secured bank loans for the period. The gearing ratio as at 30 June 2008 was 35.1% (31 December 2007: 38.3%) which was calculated by total borrowings divided by total assets value.

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.

Gold price and other commodities price risk

The Group's turnover and profit during the period were affected by fluctuations in the gold prices and other commodities price as all of our turnover and profit are generated within the PRC. We did 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' 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. Renminbi is not a free-trade currency. 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 2008, capital commitments for the period was approximately RMB666,138,000, representing an increase of approximately RMB443,774,000 from approximately RMB222,364,000 as at 31 December 2007.

Capital expenditures

Capital expenditures during the period was approximately RMB439,754,000, including a net capital expenditure of approximately RMB27,900,000 paid for the acquisition of a new subsidiary, capital expenditure of approximately RMB148,465,000 in relation to the acquisition of fixed assets and construction in progress, acquisition of intangible assets of approximately RMB258,344,000 and lease prepayment of approximately RMB5,045,000.

Contingent liabilities

As at 30 June 2008, the Group had no material contingent liabilities.

Human resources

For the six months ended 30 June 2008, the average number of employees of the Group was 4,185. 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 2008, the Group has paid out cash bonus to most employees of the Group in recognition of their performance in 2007.

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 2008.

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 2008, 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.

PUBLICATION OF RESULT ANNOUNCEMENT AND INTERIM 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 2008 Interim 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
Xu Gaoming
Chairman

Lingbao City, Henan Province, The PRC
22 September 2008

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.