



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

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

*(Stock Code: 3330)*

Interim Report  
2008

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Growth  
Innovation  
Progress

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# Corporate Information

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## Directors

### Executive Directors

Xu Gaoming (*Chairman*)  
Wang Jianguo  
Lu Xiaozhao  
Jin Guangcai

### Non-executive Directors

Xu Wanmin  
Di Qinghua  
Qi Guozhong

### Independent Non-executive Directors

Ning Jincheng  
Wang Yanwu  
Niu Zhongjie  
Zheng Jinqiao

## Supervisors

Gao Yang (*Chairman of the Supervisory Committee*)  
Meng Fanrui  
Guo Xuchang  
Peng Jinzeng  
Lei Mingyang

## Joint Company Secretary

Poon, Lawrence Chi Leung (*ASCPA, HKICPA*)  
Zhao Jugang

## Qualified Accountant

Poon, Lawrence Chi Leung (*ASCPA, HKICPA*)

## Authorised Representatives

Jin Guangcai  
Zhao Jugang

## Alternate Authorised Representative

Poon, Lawrence Chi Leung (*ASCPA, HKICPA*)

## Audit Committee

Zheng Jinqiao (*Chairman of Audit Committee*)  
Xu Wanmin  
Ning Jincheng  
Wang Yanwu  
Niu Zhongjie

## International Auditors

KPMG

## Legal Adviser

Dibb Lupton Alsop

## Principal Bankers

Bank of China, Lingbao City Branch  
Agricultural Bank of China, Lingbao City Branch  
China Construction Bank, Lingbao City Branch  
Industrial Bank, Zhengzhou Branch  
Bank of Communications, Zhengzhou Branch

## Share Registrar and Transfer Office for H Shares

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

## Registered Office

Xin Village, Yinzhuang Town  
Daonan Industrial Area  
Lingbao  
Henan  
The PRC

## Principal Place of Business in Hong Kong

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

## Stock Information

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

## Investor Relations

### The Company:

Mr. Poon, Lawrence Chi Leung  
Hong Kong Office  
Room 1902, 19th Floor, MassMutual Tower  
38 Gloucester Road  
Wanchai  
Hong Kong  
Email : [lingbaogold@vip.sina.com](mailto:lingbaogold@vip.sina.com)

Mr. Zhao Jugang/Ms. Qi Haihua  
PRC Office  
Xin Village, Yinzhuang Town  
Daonan Industrial Area  
Lingbao  
Henan  
The People's Republic of China  
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# Management Discussion and Analysis

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## 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.

# Management Discussion and Analysis

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

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

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## **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:

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

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## 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	Sales volume	Unit price	Amount	Sales volume	Unit price
	(RMB'000)	(kg/tonne)	(RMB per kg/tonne)	(RMB'000)	(kg/tonne)	(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 tonnes	52,755	204,739	3,938 tonnes	51,991
Copper foils	81,641	987 tonnes	82,716	–	–	–
Sulphuric acid	94,802	92,846 tonnes	1,021	18,261	65,839 tonnes	277
Turnover before sales tax						
tax	1,843,795			1,014,701		
Less: Sales tax	(7,215)			(1,784)		
	<b>1,836,580</b>			<b>1,012,917</b>		

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'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.

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## **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.

# Management Discussion and Analysis

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## Directors, Supervisors and Chief Executive

As at 30 June 2008, the interest and short position of each Director, Supervisor and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if applicable to Supervisors) were as follows:

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

*Notes:*

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

# Management Discussion and Analysis

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## Interests of Substantial Shareholders

As at 30 June 2008, as far as the Directors are aware of, the following persons, other than the Directors, Supervisors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

	Number of domestic shares	Nature of interest	Approximate percentage of the total of the issued domestic share capital	Approximate percentage of the total of the issued share capital
Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司) ("Lingbao State-owned Assets") (Notes 1 and 2)	373,840,620	Beneficial owner	79.04%	48.54%
Sanmenxia Jinqu Group Company Limited (三門峽金渠集團有限公司) ("Sanmenxia Jinqu") (Note 3)	37,698,784	Beneficial owner	7.97%	4.89%

### Notes:

1. In addition to its direct interest in 373,840,620 domestic shares, Lingbao State-owned Assets has an indirect interest in the Company through its equity interest of approximately 43.4% in Lingbao Gold Machinery Limited Liability Company (靈寶市黃金機械有限責任公司), which in turn holds approximately 21.1% equity interest in Lingbao Jinxiang Auto Parts Limited Liability Company (靈寶市金象汽車零部件有限責任公司) ("Lingbao Jinxiang Motors"). Lingbao Jinxiang Motors is a promoter of the Company, which held approximately 1.7% shareholding in the Company as at the date of this report.

2. Mr. Xu Wanmin (許萬民先生), a non-executive Director of the Company, is the vice chairman and general manager of Lingbao State-owned Assets and Mr. Di Qinghua (狄清華先生), a non-executive Director of the Company, is the integrated office manager of Lingbao State-owned Assets.

3. Mr. Qi Guozhong (戚國忠先生), a non-executive Director of the Company, is the chairman and legal representative of Sanmenxia Jinqu.

## Directors' and Supervisors' Interests in Contracts

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its jointly controlled entities was a party and in which the Directors or the Supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end or at any time during the period under review (excluding the Directors' and Supervisors' service contracts).

## Directors' and Supervisors' Rights to Acquire Shares or Debentures

Apart from disclosed under the paragraph headed "Directors, Supervisors and Chief Executive", at no time during the period under review was the Company, its subsidiaries or its jointly controlled entity, a party to any arrangement to enable the Directors, the Supervisors and their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## Interests of Directors in Competing Business

During the period under review and as at the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

## Pre-emptive Rights

There are no provisions regarding pre-emptive rights under the Articles of Association of the Company and related laws of Hong Kong and the PRC, which would oblige the Company to issue new shares on pro-rata basis to the existing shareholders of the Company.

## Interim Dividend

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

## Corporate Governance

Being one of the largest integrated gold mining companies based in 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

# Management Discussion and Analysis

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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.

By order of the Board

**Xu Gaoming**

*Chairman*

Lingbao City, Henan Province, The PRC  
22 September 2008

The board of directors (the "Board") of Lingbao Gold Company Ltd. (the "Company") present herewith the unaudited consolidated income statement, unaudited consolidated statement of changes in equity and unaudited condensed consolidated cash flow statement of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2008 and the unaudited consolidated balance sheet of the Group at 30 June 2008, together with the comparative figures for the six months ended 30 June 2007 and at 31 December 2007 respectively.

# Consolidated Income Statement

for the six months ended 30 June 2008

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	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2008</b> <b>RMB'000</b> <b>(Unaudited)</b>	2007 RMB'000 (Unaudited)
<b>Turnover</b>	3,4	<b>1,836,580</b>	1,012,917
Cost of sales		<b>(1,550,867)</b>	(870,988)
<b>Gross profit</b>		<b>285,713</b>	141,929
Other revenue	5	<b>10,028</b>	10,962
Other net gain/(loss)	6	<b>7,711</b>	(6,114)
Selling and distribution expenses		<b>(9,327)</b>	(5,997)
Administrative expenses and other operating expenses		<b>(72,187)</b>	(46,818)
<b>Profit from operations</b>		<b>221,938</b>	93,962
Finance costs	7(a)	<b>(48,442)</b>	(30,799)
<b>Profit before taxation</b>	7	<b>173,496</b>	63,163
Income tax	8	<b>(45,827)</b>	(24,654)
<b>Profit for the period</b>		<b>127,669</b>	38,509
<b>Attributable to:</b>			
Equity shareholders of the Company	20	<b>128,075</b>	38,464
Minority interests	20	<b>(406)</b>	45
<b>Profit for the period</b>	20	<b>127,669</b>	38,509
<b>Basic and diluted earnings per share (cents)</b>	10	<b>17</b>	5

The notes on pages 21 to 43 form part of this interim financial report.

# Consolidated Balance Sheet

at 30 June 2008

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		At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	721,606	634,551
Construction in progress		380,156	302,451
Intangible assets	12	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	13	85,832	89,122
Deferred tax assets		27,084	23,093
		<b>1,954,371</b>	1,533,867
<b>Current assets</b>			
Inventories	14	593,677	591,443
Trade and other receivables, deposits and prepayments	15	570,907	663,360
Available-for-sale investment		–	40,000
Cash restricted for use		–	181,982
Tax recoverable		8,221	–
Cash and cash equivalents	16	351,934	389,651
		<b>1,524,739</b>	1,866,436
<b>Current liabilities</b>			
Bank loans	18(a)	475,000	599,861
Unsecured debenture	18(a)	580,000	580,000
Loan from ultimate holding company	19	13,800	–
Trade and other payables	17	370,441	346,666
Current tax payable		12,125	28,426
		<b>1,451,366</b>	1,554,953
<b>Net current assets</b>		<b>73,373</b>	311,483
<b>Total assets less current liabilities</b>		<b>2,027,744</b>	1,845,350

# Consolidated Balance Sheet (continued)

at 30 June 2008

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		At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Bank loans	18(a)	150,000	120,000
Other loan	18(a)	3,270	3,270
Other payable	12	107,145	–
Deferred tax liabilities		19,975	23,697
		<b>280,390</b>	146,967
<b>NET ASSETS</b>			
		<b>1,747,354</b>	1,698,383
<b>CAPITAL AND RESERVES</b>			
Share capital	20	154,050	154,050
Reserves	20	1,566,611	1,517,996
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,720,661</b>	1,672,046
<b>Minority interests</b>	20	<b>26,693</b>	26,337
<b>TOTAL EQUITY</b>		<b>1,747,354</b>	1,698,383

The notes on pages 21 to 43 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2008

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	Note	Six months ended 30 June	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
<b>Total equity at 1 January</b>		<b>1,698,383</b>	1,543,871
<b>Movements in equity arising from capital transactions:</b>			
Capital contributions to subsidiary from minority interests	20	<b>1,154</b>	8,000
Gain on deemed disposal of subsidiary	20	<b>(392)</b>	–
Exchange difference on translation of financial statements of subsidiaries outside the People's Republic of China ("PRC")	20	<b>(2,435)</b>	(2,053)
		<b>(1,673)</b>	5,947
<b>Profit for the period:</b>			
Attributable to:			
– Equity shareholders of the Company	20	<b>128,075</b>	38,464
– Minority interests	20	<b>(406)</b>	45
		<b>127,669</b>	38,509
Dividend declared and approved during the period		<b>(77,025)</b>	(61,620)
<b>Total equity at 30 June</b>		<b>1,747,354</b>	1,526,707

The notes on pages 21 to 43 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2008

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	<i>Note</i>	Six months ended 30 June	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (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	16	341,954	249,117

The notes on pages 21 to 43 form part of this interim financial report.

## 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.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by an independent auditor of the entity, issued by the HKICPA. KPMG’s independent review report to the board of directors is included on page 44.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company’s registered office. The independent auditor has expressed an unqualified opinion on those financial statements in the independent auditor’s report dated 22 April 2008.

# Notes to the Unaudited Interim Financial Report

Lingbao Gold Company Ltd. • Interim Report 2008

## 1 Basis of preparation (continued)

In preparing the unaudited interim financial report, the directors have considered the future liquidity of the Group in view of its unsecured debentures of RMB 580,000,000 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 repayment of 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 New and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements prepared under HKFRSs for the year ending 31 December 2008, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements prepared under HKFRSs for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

# Notes to the Unaudited Interim Financial Report

Lingbao Gold Company Ltd. • Interim Report 2008

## 2 New and revised HKFRSs (continued)

The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies applied in this interim financial report for the periods presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 24).

## 3 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	Smelting	Inter-segment elimination	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>For the six months ended</i>					
<i>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

# Notes to the Unaudited Interim Financial Report

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## 3 Segment reporting (continued)

	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
<b>Total</b>	<b>164,600</b>	<b>1,018,086</b>	<b>(164,480)</b>	<b>5,673</b>	<b>1,023,879</b>
Segment results	14,748	101,343	(6,283)	5,673	115,481
Unallocated operating income and expenses					(21,519)
Profit from operations					<u>93,962</u>

## 4 Turnover

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

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

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Sales of:		
– Gold	<b>1,328,411</b>	769,413
– Other metals	<b>420,582</b>	227,027
– Others	<b>94,802</b>	18,261
Less: Sales taxes and levies	<b>(7,215)</b>	(1,784)
	<b>1,836,580</b>	1,012,917

# Notes to the Unaudited Interim Financial Report

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## 5 Other revenue

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (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	–
	<b>10,028</b>	<b>10,962</b>

## 6 Other net gain/(loss)

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (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 (note 23(a))	12,437	–
Gain on deemed disposal of subsidiary (note 20)	392	–
Others	(656)	79
	<b>7,711</b>	<b>(6,114)</b>

# Notes to the Unaudited Interim Financial Report

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## 7 Profit before taxation

Profit before taxation is arrived at after charging:

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

# Notes to the Unaudited Interim Financial Report

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## 8 Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

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

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.

## 9 Dividends

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

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(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)	<b>77,025</b>	61,620

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).

# Notes to the Unaudited Interim Financial Report

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## 10 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.

## 11 Property, plant and equipment

### Acquisitions and disposals

During the six months ended 30 June 2008, the Group acquired items of property, plant and equipment with a cost of RMB219,015,000 (six months ended 30 June 2007: RMB213,865,000) including property, plant and equipment acquired through business combination of RMB70,550,000 (six months ended 30 June 2007: RMB30,801,000). Items of property, plant and equipment with a net book value of RMB1,703,000 were disposed of during the six months ended 30 June 2008, (six months ended 30 June 2007: RMB661,000), resulting in a loss on disposal of RMB377,000 (six months ended 30 June 2007: gain of RMB33,000).

## 12 Intangible assets

As disclosed in the circular of the Company dated 24 April 2008, the Company entered into a Cooperation Agreement on 27 February 2008 with the Government of Kyrgyz Republic, Full Gold Mining Limited Liability Company ("Full Gold", the Company's subsidiary), China Road & Bridge Corporation ("CRB"), China Development Bank and Xinjiang Lingxi Investment Company Limited ("Xinjiang Lingxi"). Pursuant to the Cooperation Agreement, in consideration of payment of a restoration fee of a public road within the territory of the Kyrgyz Republic amounting to US\$25,300,000 (equivalent to RMB180,705,000) by Full Gold to CRB, Full Gold will acquire the mining right of the Istanbul Gold Mine from CRB. CRB is responsible for the road restoration work which has to be completed in 3 years by May 2011. Full Gold estimated that the restoration fee will be paid to CBR in accordance with the progress of the restoration work.

At the date of acquisition, the mining right is recognised on the consolidated balance sheet at its fair value of RMB164,687,000. Accordingly, other payable of RMB164,687,000 is recognised of which RMB57,542,000 and RMB107,145,000 is recognised as current liabilities and non-current liabilities respectively.

# Notes to the Unaudited Interim Financial Report

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## 12 Intangible assets (continued)

Up to the date of this report, the Group was in the process of applying for or changing registration of the title certificates of certain of its mining or exploration rights. The relevant rights and exploration and evaluation assets have an aggregate carrying value of approximately RMB143,325,000 as at 30 June 2008 (31 December 2007: RMB20,672,000). The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned intangible assets.

## 13 Investment deposits

Investment deposits represent deposits paid to certain independent third parties of which RMB5,832,000 was paid in 2005 and RMB80,000,000 was paid in 2006 for exclusive rights to review the acquisition proposals of companies with mining assets in Xinjiang Autonomous Region and Gansu province respectively. The amounts are unsecured, interest-free and repayable when the relevant exclusive rights expire. The directors of the Company consider that appropriate procedures have been taken by the Group to assess the viability of the potential mines and expect that the deposit would be recovered through the acquisition of the mines together with the relevant mining assets or the conversion to equity interests in the relevant mining companies.

## 14 Inventories

	<b>At 30 June 2008 RMB'000 (Unaudited)</b>	<b>At 31 December 2007 RMB'000 (Audited)</b>
Raw materials	<b>297,159</b>	353,567
Work in progress	<b>47,034</b>	35,600
Finished goods	<b>206,720</b>	162,279
Spare parts and materials	<b>42,764</b>	39,997
	<b>593,677</b>	591,443

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

	<b>Six months ended 30 June 2008 RMB'000 (Unaudited)</b>	<b>2007 RMB'000 (Unaudited)</b>
Carrying amount of inventories sold	<b>1,550,867</b>	870,988

# Notes to the Unaudited Interim Financial Report

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## 15 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> )	108,700	418,700
	<b>570,907</b>	<b>663,360</b>

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.

# Notes to the Unaudited Interim Financial Report

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## 15 Trade and other receivables, deposits and prepayments (continued)

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 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (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	–
	<b>196,371</b>	<b>92,968</b>

## 16 Cash and cash equivalents

	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
Cash at bank and on hand	351,934	389,651
Restricted deposits <sup>#</sup>	(9,980)	(94,959)
Cash and cash equivalents in the condensed consolidated cash flow statement	<b>341,954</b>	<b>294,692</b>

<sup>#</sup> The Company's H shares were successfully listed on the Main Board of the Stock Exchange on 12 January 2007. The Group raised RMB865,379,000 (net of related expenses) from the offer. Proceeds from the offer are placed in designated bank savings and deposits accounts. The deposits can only be used for the specified purposes stipulated in the Prospectus dated 30 December 2005. As at 30 June 2008, the amount of cash and bank deposits placed in the designated accounts amounted to RMB9,980,000 (31 December 2007: RMB94,959,000). The balance can only be released after having obtained the prior approval of the State Administration of Foreign Exchange.

# Notes to the Unaudited Interim Financial Report

Lingbao Gold Company Ltd. • Interim Report 2008

## 17 Trade and other payables

Trade and other payables comprise:

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

An ageing analysis of trade payables is as follows:

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

# Notes to the Unaudited Interim Financial Report

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## 18 Interest-bearing borrowings

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

	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
<b>Current portion:</b>		
Bank loans ( <i>note 18(b)(i)</i> )	<b>475,000</b>	599,861
Unsecured debenture ( <i>note 18(b)(ii)</i> )	<b>580,000</b>	580,000
	<b>1,055,000</b>	1,179,861
<b>Non-current portion:</b>		
Bank loans ( <i>note 18(b)(i)</i> )	<b>150,000</b>	120,000
Other loan ( <i>note 18(b)(iii)</i> )	<b>3,270</b>	3,270
	<b>153,270</b>	123,270

# Notes to the Unaudited Interim Financial Report

Lingbao Gold Company Ltd. • Interim Report 2008

## 18 Interest-bearing borrowings (continued)

### (b) Significant terms and repayment schedule of non-bank borrowings

#### (i) Bank loans are repayable as follows:

	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
Within 1 year or on demand	475,000	599,861
Over 1 year but within 2 years	150,000	120,000
	<b>625,000</b>	<b>719,861</b>
Representing:		
Secured	–	174,861
Unsecured	<b>625,000</b>	545,000
	<b>625,000</b>	<b>719,861</b>

At 30 June 2008, no bank loan was secured by pledges over the Group's property, plant and equipment. At 31 December 2007, a bank loan of RMB174,861,000 was secured by pledges over the Group's bank deposits totalled RMB181,982,000.

#### (ii) Unsecured debenture

The unsecured debenture is denominated in Renminbi, bears fixed interest rate at 5.44% per annum, is unsecured and repayable on 16 October 2008.

#### (iii) Other loan

The Finance Bureau of Lingbao (靈寶市財政局) granted the Company a fifteen-year loan of RMB3,270,000 for the construction of a new smelting plant in Lingbao, Henan for a period of 15 years. The loan is unsecured, interest-bearing and repayable in fixed instalments with the first instalment commencing from December 2009. Interest is charged with reference to the 1-year deposit rate of the People's Bank of China plus 0.3% margin.

# Notes to the Unaudited Interim Financial Report

Lingbao Gold Company Ltd. • Interim Report 2008

## 19 Loan from ultimate holding company

The loan with a principal of RMB23,800,000 was provided by Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司) and assumed by the Group upon the business combination during the six months ended 30 June 2008. An amount of RMB10,000,000 was repaid by the Group during the six months ended 30 June 2008. The loan is unsecured, interest-free and repayable on demand.

## 20 Capital and reserves

### Share capital

	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
<b>Registered, issued and fully paid:</b>		
472,975,091 (2007: 472,975,091)		
Non-circulating domestic shares of RMB0.20 each	<b>94,595</b>	94,595
297,274,000 (2007: 297,274,000)		
H shares of RMB0.20 each	<b>59,455</b>	59,455
	<b>154,050</b>	154,050

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

# Notes to the Unaudited Interim Financial Report

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## 20 Capital and reserves (continued)

	Attributable to equity holders of the Company								
	Share capital	Retained profits	Share premium	Statutory reserve	Capital reserve	Exchange reserve	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2007	154,050	426,953	827,931	74,945	32,334	-	1,516,213	27,658	1,543,871
Profit for the period	-	38,464	-	-	-	-	38,464	45	38,509
Dividend approved in respect of previous year	-	(61,620)	-	-	-	-	(61,620)	-	(61,620)
Exchange difference on translation of financial statements of subsidiaries outside the PRC	-	-	-	-	-	(2,053)	(2,053)	-	(2,053)
Restatement of profit appropriations for prior years	-	336	-	(336)	-	-	-	-	-
Capital contributions to subsidiary from minority interests	-	-	-	-	-	-	-	8,000	8,000
Profit appropriation	-	(5,587)	-	5,587	-	-	-	-	-
At 30 June 2007	154,050	398,546	827,931	80,196	32,334	(2,053)	1,491,004	35,703	1,526,707

# Notes to the Unaudited Interim Financial Report

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## 20 Capital and reserves (continued)

	Attributable to equity holders of the Company							Total	Minority interests	Total
	Share capital	Retained profits	Share premium	Statutory reserve	Exchange reserve	Capital reserve	Other reserve			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2008	154,050	564,612	827,931	97,936	(3,959)	32,334	(858)	1,672,046	26,337	1,698,383
Profit for the period	-	128,075	-	-	-	-	-	128,075	(406)	127,669
Dividend declared in respect of prior year	-	(77,025)	-	-	-	-	-	(77,025)	-	(77,025)
Exchange difference on translation of financial statements of subsidiaries outside the PRC	-	-	-	-	(2,435)	-	-	(2,435)	-	(2,435)
Gain on deemed disposal of subsidiary (note)	-	-	-	-	-	-	-	-	(392)	(392)
Capital contributions to subsidiary from minority interests	-	-	-	-	-	-	-	-	1,154	1,154
Profit appropriation	-	(14,509)	-	14,509	-	-	-	-	-	-
At 30 June 2008	154,050	601,153	827,931	112,445	(6,394)	32,334	(858)	1,720,661	26,693	1,747,354

Note: As disclosed in note 12, the Company has signed a Cooperation Agreement with third parties in order to acquire the mining right of Istanbul Gold Mine. Pursuant to the agreement, the Company, CRB and Xinjiang Lingxi are to contribute share capital of SOM27,306,000, SOM3,330,000 and SOM2,664,000 to Full Gold respectively. The Company setup Full Gold, a wholly-owned subsidiary of the Group, with share capital of SOM166,000 on 7 June 2007. The remaining agreed capital was injected into Full Gold in March 2008 by the Company, CRB and Xinjiang Lingxi and the Company's interest in Full Gold was diluted from 100% to 82%. Such dilution resulted in a gain on deemed disposal of subsidiary amounting to RMB392,000.

# Notes to the Unaudited Interim Financial Report

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## 21 Capital commitments and contingencies

### (a) Capital commitments

Capital commitments, representing purchase of property, plant and equipment outstanding not provided for in the financial report were as follows:

	<b>At 30 June 2008 RMB'000 (Unaudited)</b>	<b>At 31 December 2007 RMB'000 (Audited)</b>
Authorised and contracted for	<b>146,453</b>	23,482
Authorised but not contracted for	<b>666,138</b>	222,364

### (b) Environmental contingencies

To date, the Group has not incurred any significant expenditure for environment remediation, is currently not involved in any environmental remediation, and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants whether operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. The Group paid normal routine pollutant discharge fees of RMB960,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: RMB834,000).

# Notes to the Unaudited Interim Financial Report

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## 22 Related party transactions

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

### (a) Non-recurring transactions

	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
Loan from ultimate holding company (note 19)	<b>13,800</b>	–

### (b) Recurring transactions

	Six months ended 30 June 2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Electricity charge payable to Lingbao Electric Company, an equity holder of the Company	<b>27,232</b>	23,740

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

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

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

- sales and purchase of goods and ancillary materials;
- rendering and receiving services;
- purchase of property, plant and equipment; and
- obtained finance.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements; the directors are of the opinion that there are no transactions that require disclosure as related party transactions.

# Notes to the Unaudited Interim Financial Report

Lingbao Gold Company Ltd. • Interim Report 2008

## 22 Related party transactions (continued)

### (d) Key management personnel remuneration

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

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Short-term employee benefits	1,990	603
Contributions to retirement benefit schemes (Note 22(e))	17	15
Post-employment benefits	6	12
	<b>2,013</b>	630

### (e) Contribution to retirement benefit schemes

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

The Group have no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above. The Group's contributions for the six months ended 30 June 2008 were RMB3,649,000 (six months ended 30 June 2007: RMB2,466,000).

## 23 Business combination

### (a) For the six months ended 30 June 2008

On 24 March 2008, the Group has acquired the entire equity interest in Lingbao Wason Copper-Foil Company Limited from a third party at a consideration of RMB27,900,000 satisfied in cash. The aggregate amount of its assets and liabilities recognised at the acquisition date are RMB243,487,000 and RMB203,150,000 respectively.

The acquired company contributed revenue of RMB81,252,000 and net profit of RMB7,805,000 to the Group since the date of acquisition. If the acquisition had occurred on 1 January 2008, the Group's revenue and net profit for the six months ended 30 June 2008 would have been RMB1,855,681,000 and RMB129,928,000 respectively.

# Notes to the Unaudited Interim Financial Report

Lingbao Gold Company Ltd. • Interim Report 2008

## 23 Business combination (continued)

### (a) For the six months ended 30 June 2008 (continued)

Acquiree's net assets at the acquisition date:

	Pre-acquisition carrying amount RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment, and construction in progress	67,985	2,565	70,550
Lease prepayments	10,529	3,555	14,084
Inventories	21,955	4,339	26,294
Trade and other receivable, deposits and prepayments	117,766	177	117,943
Cash at bank and in hand	14,616	–	14,616
Deferred tax assets/(liabilities)	2,562	(2,659)	(97)
Bank loans and other loan	(73,800)	–	(73,800)
Trade and other payables	(127,441)	–	(127,441)
Income tax payable	(1,812)	–	(1,812)
Net identifiable assets	32,360	7,977	40,337
Negative goodwill arising from the acquisition			(12,437)
Total purchase consideration			27,900
<i>Satisfied by</i>			
Cash			27,900
Cash at bank and in hand acquired			14,616
Cash consideration paid			(27,900)
Net cash outflow in respect of the acquisition of subsidiary			(13,284)

The excess of fair value of net assets acquired over purchase consideration is recognised as negative goodwill in the consolidated income statement. Such negative goodwill was primarily resulted from low purchase consideration which is the highest bidding price in the public auction on 19 March 2008.

# Notes to the Unaudited Interim Financial Report

Lingbao Gold Company Ltd. • Interim Report 2008

## 23 Business combination (continued)

### (b) For the six months ended 30 June 2007

On 27 March 2007, the Group has acquired the entire equity interest in Chifeng Jinchan Mining Co. Ltd. from Mr. Zhao Meiguang, Mr. Ren Yiguo and Mr. Gao Bo at a consideration of RMB146,000,000 satisfied in cash. The aggregate amount of its assets and liabilities recognised at the acquisition date are RMB150,552,000 and RMB38,610,000 respectively.

The acquired company contributed revenue of RMB14,245,000 and net loss of RMB5,401,000 to the Group since the date of acquisition. If the acquisition had occurred on 1 January 2007, the Group's revenue and net profit for the six months ended 30 June 2007 would have been RMB1,016,967,000 and RMB38,509,000 respectively.

Acquiree's net assets at the acquisition date:

	Pre-acquisition carrying amount RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment, and construction in progress	16,316	14,485	30,801
Intangible assets	1,981	69,641	71,622
Lease prepayments	1,279	27,409	28,688
Inventories	5,653	12,482	18,135
Trade and other receivable, deposits and prepayments	98	589	687
Cash at bank and in hand	619	–	619
Trade and other payables	(4,928)	–	(4,928)
Deferred tax liabilities	–	(33,682)	(33,682)
Net identifiable assets	21,018	90,924	111,942
Goodwill arising from the acquisition			34,058
Total purchase consideration			146,000
<i>Satisfied by</i>			
Cash			146,000
Cash at bank and in hand acquired			619
Cash consideration paid			(146,000)
Net cash outflow in respect of the acquisition of subsidiary			(145,381)

# Notes to the Unaudited Interim Financial Report

Lingbao Gold Company Ltd. • Interim Report 2008

## 24 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2008

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2008:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 8	Operating segments	1 January 2009
HKAS 1 (revised)	Presentation of financial statements	1 January 2009
HKAS 23 (revised)	Borrowing costs	1 January 2009
HKAS 27 (revised)	Consolidated and separate financial statement	1 July 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far the Group believes that the adoption of the above amendments and new standards is unlikely to have a significant impact on the Group's results of operations and financial position.

The above amendments, new standards and interpretations have not been applied in this interim financial report because the directors expect the Group will not early apply them when preparing the Group's annual financial statements for the year ending 31 December 2008.

# Independent Review Report

Lingbao Gold Company Ltd. • Interim Report 2008



## To the board of directors of Lingbao Gold Company Ltd.

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

### Introduction

We have reviewed the interim financial report set out on pages 16 to 43 which comprises the consolidated balance sheet of Lingbao Gold Company Ltd. as of 30 June 2008 and the related consolidated income statements, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong

Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

### KPMG

*Certified Public Accountants*  
8th Floor, Prince's Building  
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22 September 2008