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LINGJIN

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Lingbao Gold Company Ltd.

靈寶黃金股份有限公司

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

(Stock code: 3330)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

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 2009. The interim financial results has been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT – UNAUDITED*for the six months ended 30 June 2009*

		Six months ended 30 June	
		2009	2008
	<i>Note</i>	RMB'000	RMB'000 (restated)
Turnover	3	1,665,725	1,836,580
Cost of sales		(1,439,119)	(1,550,867)
Gross profit		226,606	285,713
Other revenue	4	3,520	10,028
Other net income	5	10,113	7,711
Selling and distribution expenses		(7,861)	(9,327)
Administrative expenses and other operating expenses		(80,083)	(72,187)
Profit from operations		152,295	221,938
Finance costs	6(a)	(48,041)	(48,156)
Profit before taxation	6	104,254	173,782
Income tax	7	(31,104)	(45,827)
Profit for the period		73,150	127,955
Attributable to:			
Equity shareholders of the Company		72,987	128,342
Minority interests		163	(387)
Profit for the period		73,150	127,955
Basic and diluted earnings per share (cents)	8	9	17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED*for the six months ended 30 June 2009*

		Six months ended 30 June	
		2009	2008
	<i>Note</i>	RMB'000	RMB'000
Profit for the period, as previously reported			127,669
Prior period adjustments arising from changes in accounting policies	2(b)		<u>286</u>
Profit for the period (2008: as restated)		73,150	127,955
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>3,422</u>	<u>(2,435)</u>
Total comprehensive income for the period		<u>76,572</u>	<u>125,520</u>
Attributable to:			
Equity shareholders of the Company		76,409	125,907
Minority interests		<u>163</u>	<u>(387)</u>
Total comprehensive income for the period		<u>76,572</u>	<u>125,520</u>

CONSOLIDATED BALANCE SHEET – UNAUDITED*at 30 June 2009*

		At 30 June 2009 RMB'000	At 31 December 2008 RMB'000 (restated)
Non-current assets			
Property, plant and equipment		913,012	826,253
Construction in progress		602,494	452,716
Intangible assets		580,019	556,480
Goodwill		38,926	38,882
Lease prepayments		91,768	86,870
Other investments		10,504	10,504
Investment deposits		132,649	80,000
Non-current prepayments		114,061	135,376
Deferred tax assets		52,446	50,764
		<u>2,535,879</u>	<u>2,237,845</u>
Current assets			
Inventories		760,572	711,333
Trade and other receivables, deposits and prepayments	11	543,747	545,958
Current tax recoverable		4,075	22,205
Cash and cash equivalents		897,487	575,478
		<u>2,205,881</u>	<u>1,854,974</u>
Current liabilities			
Bank loans		1,060,000	1,280,000
Trade and other payables	12	436,976	464,403
Loan from ultimate holding company		23,800	23,800
Current tax payable		8,338	17,662
		<u>1,529,114</u>	<u>1,785,865</u>
Net current assets		<u>676,767</u>	<u>69,109</u>
Total assets less current liabilities		<u>3,212,646</u>	<u>2,306,954</u>

CONSOLIDATED BALANCE SHEET – UNAUDITED (continued)*at 30 June 2009*

	<i>Note</i>	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000 (restated)
Non-current liabilities			
Bank loans		1,293,642	455,160
Other loan		3,270	3,270
Other payables	12	102,324	111,730
		1,399,236	570,160
NET ASSETS			
		1,813,410	1,736,794
CAPITAL AND RESERVES			
Share capital		154,050	154,050
Reserves		1,633,240	1,556,831
Total equity attributable to equity shareholders of the Company			
		1,787,290	1,710,881
Minority interests		26,120	25,913
TOTAL EQUITY			
		1,813,410	1,736,794

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The interim financial results set out in this announcement does not constitute the Group's interim financial report for the six months ended 30 June 2009 but is extracted from the interim financial report.

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new Hong Kong Financial Reporting Standard ("HKFRS"), a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associates*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*

The amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related production processes, products and services only. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 10). As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of the adoption to HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.
- In prior years, borrowing costs are expensed in profit or loss in the period in which they are incurred.

HKAS 23 (revised 2007) required an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset as part of the cost of that asset. The option of immediately recognised all borrowing costs as an expense is not permitted under HKAS 23 (revised 2007).

The Group has adopted HKAS 23 (revised 2007) retrospectively in accordance with the specific transitional provisions. The directors of the Company has designated 1 February 2008 as the effective date in applying HKAS 23 (revised 2007). As a result, the opening balance of retained profits, minority interests, construction in progress, intangible assets and the comparative information have been adjusted for the amounts relating to prior periods as disclosed below. The Group's profit after taxation for the six months ended 30 June 2009 has increased by RMB11,610,000 (six months ended 30 June 2008: RMB286,000).

(a) Effect on opening balance of total equity at 1 January 2009

The following table sets out the adjustments that have been made to the opening balances at 1 January 2009. These are the aggregate effect of retrospective adjustments to the net assets as at 31 December 2008 and the opening balance adjustments made as at 1 January 2009.

	Retained profits	Minority interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Effect of new accounting policy</i>			
<i>HKAS 23 (revised 2007), increase in</i>			
Construction in progress	7,299	219	7,518
Intangible assets	145	–	145
Total effect at 1 January 2009	<u>7,444</u>	<u>219</u>	<u>7,663</u>

(b) Effect on profit after taxation for the six months ended 30 June 2009 (estimated) and 30 June 2008

In respect of the six month period ended 30 June 2009, the following table provides estimates of the extent to which the profit for the period are lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six month period ended 30 June 2008, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the specific transitional provisions of HKAS 23 (revised 2007).

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Effect of new accounting policy</i>		
<i>HKAS 23 (revised 2007), increase in profit</i>		
Finance costs	<u>11,610</u>	<u>286</u>
Total effect for the period	<u>11,610</u>	<u>286</u>
Effect on basic and diluted earnings per share (cents)	<u>2</u>	<u>–</u>

3 TURNOVER

The principal activities of the Group are mining, processing, smelting and sales of gold and other metallic products in the People's Republic of China ("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	
	2009	2008
	RMB'000	RMB'000
Sales of:		
– Gold	1,337,199	1,328,411
– Other metals	319,077	420,582
– Others	11,618	94,802
Less: Sales taxes and levies	(2,169)	(7,215)
	<u>1,665,725</u>	<u>1,836,580</u>

4 OTHER REVENUE

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Bank interest income	1,450	2,251
Other interest income	–	894
	<u>1,450</u>	<u>3,145</u>
Total interest income on financial assets not at fair value through profit or loss	1,450	3,145
Delivery service income	1,635	4,740
Scrap sales	396	369
Government grants	–	1,700
Sundry income	39	74
	<u>3,520</u>	<u>10,028</u>

5 OTHER NET INCOME

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Net realised gain of financial instruments at fair value	28,125	–
Net gain/(loss) on disposal of property, plant and equipment	41	(377)
Net foreign exchange losses	(17,969)	(4,085)
Negative goodwill arising from business combination (note 13(b))	–	12,437
Gain on deemed disposal of subsidiary	–	392
Others	(84)	(656)
	<u>10,113</u>	<u>7,711</u>

6 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	56,254	14,594
Less: Interest expense capitalised into construction in progress and intangible assets	<u>(11,610)</u>	<u>(286)</u>
	44,644	14,308
Interest expenses on financial liabilities measured at amortised cost	3,175	–
Interest on other loan	59	45
Interest on unsecured debenture	–	15,501
Net realised loss on commodity-linked interest-bearing borrowings	–	17,909
Other borrowing costs	<u>163</u>	<u>393</u>
	<u>48,041</u>	<u>48,156</u>
(b) Other items:		
Amortisation of lease prepayments	1,072	583
Operating lease charges in respect of properties	<u>888</u>	<u>666</u>
Total depreciation	73,139	52,524
Less: Depreciation capitalised into construction in progress	<u>(334)</u>	<u>(453)</u>
	<u>72,805</u>	<u>52,071</u>
Total amortisation of intangible assets	34,485	52,256
Less: Amortisation capitalised into exploration and evaluation assets	<u>(21,655)</u>	<u>(29,948)</u>
	<u>12,830</u>	<u>22,308</u>

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Current tax		
PRC income tax for the period	32,786	53,637
Deferred tax		
Origination and reversal of temporary differences	(1,682)	(7,810)
	<u>31,104</u>	<u>45,827</u>

- (a) The provision for PRC income tax is based on a statutory rate of 25% (2008: 25%) of the estimated 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.
- (b) The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit of Lingbao Gold International Company Limited ("LGICL"). No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2009 and 2008 as LGICL did not earn any income which is subject to Hong Kong Profits Tax.
- (c) The provision for Kyrgyzstan Profits Tax for 2009 is calculated at 10% (2008: 10%) of the estimated assessable profit of Full Gold Mining Limited Liability Company ("FGMLLC"). No provision for Kyrgyzstan Profits Tax is made for the six months ended 30 June 2009 and 2008 as FGMLLC did not earn any income which is subject to Kyrgyzstan Profits Tax.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2009 is based on the profit attributable to equity shareholders of the Company of RMB72,987,000 (six months ended 30 June 2008: RMB128,342,000 (as restated)) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2009 of 770,249,000 (six months ended 30 June 2008: 770,249,000 ordinary shares).

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2009 and 2008 is same as the basic earnings per share as there are no dilutive potential ordinary shares during the periods.

9 DIVIDENDS

Dividends payables to equity shareholders attributable to the previous financial year, approved during the interim period:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2008 of RMBNil per ordinary share (year ended 31 December 2007: RMB0.10 per ordinary share)	<u> -</u>	<u> 77,025</u>

Other than the above, the directors do not propose the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: RMBNil).

10 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (production processes, products and services) and geography. On first-time adoption of HKFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following four reportable segments. Operating segments with similar nature of the production process, products and services have been aggregated to form the following reportable segments.

- Mining – PRC – Gold mining and mineral ores processing operations in the PRC.
- Mining – KR – Gold mining and mineral ores processing operations in Kyrgyz Republic ("KR").
- Smelting – Gold and other metal smelting and refinery operations carried out in the PRC. Raw materials are either sourced externally or within the Group.
- Processing – Copper processing operation carried out in the PRC.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Mining – PRC		Mining – KR		Smelting		Processing		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>For the six months ended</i>										
<i>30 June</i>										
Revenue from external customers	-	-	-	-	1,586,250	1,762,543	81,644	81,252	1,667,894	1,843,795
Inter-segment revenue	270,720	211,961	-	-	45,480	69,590	-	-	316,200	281,551
Sales tax	(43)	(42)	-	-	(2,126)	(6,600)	-	(573)	(2,169)	(7,215)
Reportable segment revenue	270,677	211,919	-	-	1,629,604	1,825,533	81,644	80,679	1,981,925	2,118,131
Allowance for non-delivery of purchase deposits	-	-	-	-	(3,741)	-	-	-	(3,741)	-
Reportable segment profit/(loss)	35,667	13,009	(20,182)	(939)	171,060	227,115	13,212	7,650	199,757	246,835
<i>At 30 June/31 December</i>										
Reportable segment assets	1,579,323	1,537,859	506,723	435,761	1,153,190	1,031,854	446,762	348,195	3,685,998	3,353,669
Reportable segment liabilities	817,829	798,025	546,189	457,252	241,685	265,911	251,283	161,464	1,856,986	1,682,652

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
		(restated)
Revenue		
Reportable segment revenue	1,981,925	2,118,131
Elimination of inter-segment revenue	(316,200)	(281,551)
Consolidated turnover	1,665,725	1,836,580
Profit		
Reportable segment profit	199,757	246,835
Elimination of inter-segment profits	(29,829)	(17,880)
Reportable segment profit derived from the Group's external customers	169,928	228,955
Finance costs	(48,041)	(48,156)
Unallocated head office and corporate expenses	(17,633)	(19,454)
Negative goodwill arising from business combination (note 13(b))	-	12,437
Consolidated profit before taxation	104,254	173,782

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Assets		
Reportable segment assets	3,685,998	3,353,669
Elimination of inter-segment receivables	(56,813)	(21,769)
Elimination of unrealised profits	(26,040)	(17,823)
	<u>3,603,145</u>	<u>3,314,077</u>
Investment deposits	132,649	80,000
Other investments	10,504	10,504
Cash and cash equivalents managed by head office	788,904	502,809
Unallocated head office and corporate assets	206,558	185,429
	<u>4,741,760</u>	<u>4,092,819</u>
Liabilities		
Reportable segment liabilities	1,856,986	1,682,652
Elimination of inter-segment payables	(56,813)	(21,769)
	<u>1,800,173</u>	<u>1,660,883</u>
Bank loans managed by head office	1,930,000	1,430,000
Loans from head office to reportable segments	(817,745)	(748,853)
Unallocated head office and corporate liabilities	15,922	13,995
	<u>2,928,350</u>	<u>2,356,025</u>

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Within 3 months	73,046	81,680
Over 3 months but less than 6 months	10,636	37,944
Over 6 months but less than 1 year	7,171	1,395
Over 1 year	297	220
	<u>91,150</u>	<u>121,239</u>
Trade debtors and bills receivable, net of allowance for doubtful debts	91,150	121,239
Other receivables, net of allowance for doubtful debts	47,206	37,377
Purchase deposits, net of allowance for non-delivery (note (a))	161,103	198,558
Other deposits and prepayments	27,048	16,476
Derivative financial assets	9,533	4,137
Deposits for derivative financial instruments (note (b))	109,007	59,471
Amount due from Beijing Jiuyi (note (c))	98,700	108,700
	<u>543,747</u>	<u>545,958</u>

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

- (a) Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in future periods. The directors of the Company consider that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.
- (b) The Group placed deposits with independent futures trading agents for commodity derivative contracts entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in gold and copper commodities.
- (c) According to a supplementary agreement entered between the Company with Beijing Jiuyi Investment Company Limited ("Beijing Jiuyi") regarding the extension of compensation payment for a proposed acquisition, Beijing Jiuyi should pay RMB108,700,000 to the Company in two instalments. The first instalment of RMB50,000,000 should be settled before 30 April 2009 and the second instalment of RMB58,700,000 should be settled before 31 October 2009.

During the six months ended 30 June 2009 and subsequent to 30 June 2009, a total of RMB20,000,000 was received by the Group from Beijing Jiuyi. The Company has entered into a supplementary agreement with Beijing Jiuyi to further extend the repayment date of the remaining RMB30,000,000 of the first instalment to 31 October 2009. In addition, the Company has received a guarantee from a group company of Beijing Jiuyi in respect of the outstanding amount. The directors are of the opinion that the outstanding receivables from Beijing Jiuyi will be fully recovered by the end of October 2009 and accordingly, no impairment loss on receivables from Beijing Jiuyi is made in this interim financial report.

12 TRADE AND OTHER PAYABLES

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

	At 30 June 2009 <i>RMB'000</i>	At 31 December 2008 <i>RMB'000</i>
Within 3 months	87,266	133,813
Over 3 months but less than 6 months	11,517	6,337
Over 6 months but less than 1 year	5,670	3,938
Over 1 year but less than 2 years	1,250	73
Over 2 years	1,646	1,160
	<hr/>	<hr/>
Total creditors	107,349	145,321
Other payables	168,598	182,432
Payable for mining rights	94,768	78,401
Salary and welfare payable	32,736	23,893
Accruals	20,018	13,764
Interest payable	10,442	9,541
Dividend payable	–	3,770
Receipts in advance	2,214	2,288
Derivative financial liabilities	851	4,993
	<hr/>	<hr/>
	436,976	464,403
	<hr/> <hr/>	<hr/> <hr/>
Non-current other payables		
Payable for mining rights	73,418	101,630
Payable to minority shareholders	28,906	10,100
	<hr/>	<hr/>
	102,324	111,730
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The amounts payable to minority shareholders of RMB18,812,000 (31 December 2008: RMBNil) and RMB10,094,000 (31 December 2008: RMB10,100,000) are unsecured, interest-free and repayable on 24 June 2012 and 1 April 2011 respectively.

13 BUSINESS COMBINATION

(a) For the six months ended 30 June 2009

On 22 February 2009, the Group has acquired 87% equity interest in Beijing Phuyer Investment Co. Ltd. (Laos) (北京普悅投資(老撾)有限公司) from Phuyer Investment Beijing Co. Ltd. (北京普悅投資有限公司) at a consideration of USD50,000 (equivalent to RMB341,000). The amount of its assets and liabilities recognised at the acquisition date are RMB2,063,000 and RMB1,722,000 respectively.

The acquired company contributed net loss of RMB763,000 to the Group since the date of acquisition. If the acquisition had occurred on 1 January 2009, the Group's revenue and net profit for the six months ended 30 June 2009 would have been RMB1,665,725,000 and RMB73,150,000 respectively.

Acquiree's net assets at the acquisition date:

	Recognised values on acquisition <i>RMB'000</i>
Cash at bank and in hand	2,063
Other payables	<u>(1,722)</u>
	341
Minority interests	<u>(44)</u>
	297
Net identifiable assets	44
Goodwill arising on acquisition	<u>44</u>
	341
Total purchase price consideration	<u><u>341</u></u>
<i>Satisfied by</i>	
Other payables	<u><u>341</u></u>
	2,063
Cash at bank and in hand acquired in respect of the acquisition of subsidiary	<u><u>2,063</u></u>

(b) 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 RMB130,214,000 (restated) respectively.

Acquiree's net assets at the acquisition date:

	Pre-acquisition carrying amount <i>RMB'000</i>	Fair value adjustments <i>RMB'000</i>	Recognised values on acquisition <i>RMB'000</i>
Property, plant and equipment	61,902	2,565	64,467
Construction in progress	6,083	–	6,083
Lease prepayments	10,529	3,555	14,084
Inventories	21,955	4,339	26,294
Trade and other receivables, 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)
Current tax payable	(1,812)	–	(1,812)
			<hr/>
Net identifiable assets	32,360	7,977	40,337
Negative goodwill arising from the acquisition			<hr/> (12,437)
			<hr/>
Total purchase consideration			<hr/> <hr/> 27,900
<i>Satisfied by</i>			
Cash			<hr/> <hr/> 27,900
Cash at bank and in hand acquired			14,616
Cash consideration paid			<hr/> (27,900)
			<hr/>
Net cash outflow in respect of the acquisition of subsidiary			<hr/> <hr/> (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.

Review of Business and Prospect

In the first half of 2009, Lingbao Gold Company Ltd. (“Lingbao Gold” or the “Company”) and its subsidiaries (together with the Company, the “Group”) produced approximately 6,617 kg (equivalent to approximately 212,741 ounce) of gold including approximately 510 kg (equivalent to approximately 16,397 ounce) of compound gold, representing a decrease of approximately 70 kg (equivalent to approximately 2,251 ounce) or approximately 1.0% as compared with the corresponding period of the previous year. The internal sale of compound gold amounted to approximately 520 kg (approximately 16,718 ounce). The turnover for the six months ended 30 June 2009 was approximately Renminbi (“RMB”) 1,665,725,000, representing a decrease of approximately 9.3% as compared with the corresponding period of the previous year. For the six months ended 30 June 2009, the profit attributable to the Company’s shareholders was approximately RMB72,987,000, representing a decrease of approximately 43.1% as compared with the corresponding period of the previous year. For the six months ended 30 June 2009, the basic earnings per share was RMB0.09. In the first half of 2009, the decrease of profit attributable to the Group’s shareholders as compared with the corresponding period of 2008 was mainly due to the decline in price of silver, copper and sulphuric acid, which, supplemented by the foreign exchange losses, resulted in the Group’s exchange loss of approximately RMB17,969,000. Excluding the effect of exchange differences, the profit attributable to the shareholders declined by 31.3% as compared with the corresponding period of last year.

During the first half of 2009, the world economy continued to shrink in the aftermath of the global financial crisis. However, the gold price had been hovering at a high level. The international gold price rose from approximately US\$882 per ounce as at 1 January to approximately US\$927 per ounce as at 30 June.

The Group’s mineral resources are mainly scattered in the PRC regions of Henan, Xinjiang, Inner Mongolia, Jiangxi, Gansu and Kyrgyz Republic with 57 mining and exploration rights as at 31 August 2009 covering 1,288.54 square kilometers. The total gold reserves and resources as at 30 June 2009 were approximately 125.36 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			
		2009		2008	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates	kg	929	924	801	672
Compound gold	kg	510	520	444	390
Total	kg	1,439	1,444	1,245	1,062
Total	ounce	46,265	46,426	40,028	34,144

The Group's revenue from the mining segment for the first half of 2009 was approximately RMB270,677,000, representing an increase of approximately 27.7% from approximately RMB211,919,000 for the same period in 2008. During the first half of 2009, revenue of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 64.5%, 23.5% and 12.0% of the revenue from the mining segment respectively. The production of compound gold increased by approximately 66 kg to approximately 510 kg while production of gold concentrates increased by approximately 128 kg to approximately 929 kg.

Segment results

The Group's results of the mining segment for the first half of 2009 was approximately RMB35,667,000, representing an increase of approximately 174.2% from approximately RMB13,009,000 for the same period in 2008. The segment result to segment turnover ratio of the Group's mining segment for the first half of 2009 was approximately 13.2%, representing an increase of approximately 7.1% from approximately 6.1% in the corresponding period in 2008.

Prospect

The Company will continue to promote the exploration, mining and processing in gold mines located in Nanshan Mine Region, Hongxin, Xingyuan, Huatai, Jinchan and other mine regions, speed up exploration progress in peripheral exploration regions of Inner Mongolia, strengthen resource development of overseas companies, accelerate the construction of the processing plant of Full Gold Mining Limited Liability Company and the construction project for electrolytic copper foils.

2. Smelting Segment

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

		For the six months ended 30 June			
		2009		2008	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold bullion	kg	6,617	6,621	6,687	6,385
	ounce	212,741	212,870	214,992	205,283
Silver	kg	22,273	32,613	17,865	17,720
	ounce	716,094	1,048,532	574,373	569,711
Copper products	tonne	5,676	7,145	5,480	6,266
Sulphuric acid	tonne	88,752	83,831	90,902	92,846

Sales and production

The Group's total turnover in the smelting segment for the first half of 2009 was approximately RMB1,629,604,000, representing a decrease of approximately 10.7% from approximately RMB1,825,533,000 for the same period of 2008. Such decrease was principally attributable to an approximate 54.9% decrease in the sales amount of electrolytic copper and sulphuric acid as a result of an approximate 46.9% and 86.4% decrease in average selling price respectively.

The Group's smelting plants processed 960 tonnes of gold concentrates per day, with an utilisation rate of approximately 100%. During the first half of 2009, the Group continued to maintain the recovery rates of Gold, silver and copper at a higher level, which were approximately 96.6%, 74.4% and 94.8% respectively.

Segment results

Our smelting segment results for the first half of 2009 was approximately RMB171,060,000, representing a decrease of approximate 24.7% from approximately RMB227,115,000 for the same period in 2008. The segment results to segment turnover ratio of our smelting business for the first half of 2009 was approximately 10.5%, decreased by approximately 1.9% from approximately 12.4% for the same period in 2008.

Prospect

The Group will further promote the development of raw materials, strengthen the production process management, control the smelting cost, and focus on the sales of gold, copper and other products, so as to ensure a stabilized operating result. Meanwhile, the Group will also concentrate its efforts in research and development of refining, with a view to making new breakthrough in techniques and technologies.

Consolidated Operating Results

Turnover

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

Product name	For the six months ended 30 June					
	Amount (RMB'000)	2009 Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)	Amount (RMB'000)	2008 Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)
Gold bullion	1,337,199	6,621 kg	201,963	1,328,411	6,385 kg	208,052
Silver	80,709	32,613 kg	2,475	60,446	17,720 kg	3,411
Electrolytic coppers	156,724	5,595 tonnes	28,011	278,495	5,279 tonnes	52,755
Copper foils	81,644	1,628 tonnes	50,150	81,641	987 tonnes	82,716
Sulphuric acid	11,618	83,831 tonnes	139	94,802	92,846 tonnes	1,021
Turnover before sales tax	1,667,894			1,843,795		
Less: Sales tax	(2,169)			(7,215)		
	<u>1,665,725</u>			<u>1,836,580</u>		

The Group's turnover for the first half of 2009 was approximately RMB1,665,725,000, representing a decrease of approximate 9.3% as compared with the corresponding period of the previous year. Such decrease was principally attributable to the decline in the average selling price of electrolytic copper and sulphuric acid by 46.9% and 86.4% during the period, which resulted in the decline in sales of electrolytic copper and sulphuric acid by approximately 43.7% and 87.7% as compared to the corresponding period of last year.

Outlook for 2009

During the third quarter of 2009, the international gold price stayed at a level above US\$900 per ounce. Although the outlook of economy remained unclear, recent increase in oil price and quantitative easing approach by central banks in various countries have raised the risk of inflation. Those factors are believed to provide solid support to the gold price. 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. In addition, the Group will try its best to seek opportunities to maximize returns to its shareholders.

Financial Review

Acquisition and disposal

On 22 February 2009, the Group acquired 87% equity interest in Beijing Phuyer Investment Co. Ltd. (Laos) (北京普悦投資(老撾)有限公司) (“Beijing Phuyer”) at a consideration of RMB341,000. Beijing Phuyer is located in Lao People’s Democratic Republic. The Group is currently seeking for potential investment projects in the local area.

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 2009 amounted to RMB897,487,000.

The shareholders’ equity of the Group as at 30 June 2009 amounted to RMB1,787,290,000 (31 December 2008: RMB1,710,881,000 (restated)). As at 30 June 2009, the Group had current assets of RMB2,205,881,000 (31 December 2008: RMB1,854,974,000) and current liabilities of RMB1,529,114,000 (31 December 2008: RMB1,785,865,000). The current ratio was 1.44 (31 December 2008: 1.04).

As at 30 June 2009, the Group had total outstanding bank loans and other borrowings of approximately RMB2,356,912,000 with interest rates ranged from 3.44% to 6.66% per annum, of which approximately RMB1,060,000,000 was repayable within one year, approximately RMB580,000,000 was repayable after one year but not exceeding two years, approximately RMB430,000,000 was repayable after two years but not exceeding five years and approximately RMB286,912,000 was repayable after five years. The gearing ratio as at 30 June 2009 was 49.7% (31 December 2008: 42.6%) which was calculated as total borrowings divided by total assets value.

Security

As at 30 June 2009, the mining right of Istanbul Gold Mine with carrying value amounting to RMB132,285,000 and the ordinary shares of Full Gold were pledged for the borrowings from the National Development Bank.

Market risks

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

Gold price and other commodities price risk

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

Interest rate

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 mainly denominated in Renminbi. Fluctuations in exchange rates may affect the international and domestic gold price, which may impact our results of operation. Renminbi is not a free-trade currency and it would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi. In addition to the foregoing, the exchange risks to which the Group exposes are mainly certain bank deposits, which are denominated in HK dollars and US dollars. Fluctuations in exchange rates may cast financial impact to the Group.

Contractual obligations

As at 30 June 2009, capital commitments was approximately RMB260,849,000, representing an increase of approximately RMB84,665,000 from approximately RMB176,184,000 as at 31 December 2008.

Capital expenditures

Capital expenditures during the period was approximately RMB367,541,000, including a net capital expenditure of approximately RMB341,000 paid for the acquisition of a new subsidiary, capital expenditure of approximately RMB315,045,000 in relation to the acquisition of fixed assets and construction in progress, and acquisition of intangible assets of approximately RMB52,155,000.

Contingent liabilities

As at 30 June 2009, the Group had no material contingent liabilities.

Human resources

For the six months ended 30 June 2009, the average number of employees of the Group was 5,067. The Company highly treasures its human resources and offers competitive remuneration to employees and provides employees with training programs.

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 2009.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

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

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

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

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

The chairman is responsible for ensuring that the Directors are properly explained on matters discussed 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. Niu Zhongjie, Mr. Yan Wanpeng, Mr. Wang Han, Ms. Du Liping and Mr. Wang Yumin has reviewed the accounting principles and practices adopted by the Group and have discussed and reviewed the internal control and financial reporting matters, including the unaudited interim financial report for the six months ended 30 June 2009, 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 2009 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
24 September 2009

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Xu Gaoming, Mr. Wang Jianguo, Mr. Lu Xiaozhao, Mr. Jin Guangcai, Mr. Liu Pengfei and Mr. Zhang Guo; one non-executive Director, namely Mr. Wang Yumin; and four independent non-executive Directors, namely Mr. Niu Zhongjie, Mr. Wang Han, Mr. Yan Wanpeng and Ms. Du Liping.