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Lingbao Gold Company Ltd.

靈寶黃金股份有限公司

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

(Stock code: 3330)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

The Board of Directors (the “Directors”) of Lingbao Gold Company Ltd. (the “Company”), is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2009, which have been reviewed by the Company’s Audit Committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

		2009	2008
	Note	RMB'000	(restated) RMB'000
Turnover	3	3,961,670	3,559,089
Cost of sales		<u>(3,206,068)</u>	<u>(3,177,792)</u>
Gross profit		755,602	381,297
Other revenue	4	11,578	18,180
Other net (loss)/gain	5	(191,327)	31,992
Selling and distribution expenses		(18,525)	(19,881)
Administrative expenses and other operating expenses		(178,388)	(174,082)
Impairment losses on other receivables and investment deposits		<u>(110,800)</u>	<u>—</u>
Profit from operations		268,140	237,506
Finance costs	6(a)	<u>(96,466)</u>	<u>(107,599)</u>
Profit before taxation	6	171,674	129,907
Income tax	7	<u>(51,433)</u>	<u>(15,483)</u>
Profit for the year		<u>120,241</u>	<u>114,424</u>
Attributable to:			
Equity shareholders of the Company		118,044	115,610
Minority interests		<u>2,197</u>	<u>(1,186)</u>
Profit for the year		<u>120,241</u>	<u>114,424</u>
Basic and diluted earnings per share (cents)	9	<u>15</u>	<u>15</u>

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Profit for the year, as previously reported		106,761
Prior period adjustments arising from changes in accounting policies		<u>7,663</u>
Profit for the year (2008: as restated)	120,241	114,424
Other comprehensive income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>3,602</u>	<u>250</u>
Total comprehensive income for the year	<u>123,843</u>	<u>114,674</u>
Attributable to:		
Equity shareholders of the Company	121,646	115,860
Minority interests	<u>2,197</u>	<u>(1,186)</u>
Total comprehensive income for the year	<u>123,843</u>	<u>114,674</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2009

	2009	2008
Note	<i>RMB'000</i>	(restated) <i>RMB'000</i>
Non-current assets		
Property, plant and equipment	948,308	826,253
Construction in progress	930,727	452,716
Intangible assets	681,505	556,480
Goodwill	41,511	38,882
Lease prepayments	90,345	86,870
Other investments	10,504	10,504
Investment deposit	–	80,000
Non-current prepayments	119,854	135,376
Deferred tax assets	90,889	50,764
	<u>2,913,643</u>	<u>2,237,845</u>
Current assets		
Inventories	759,401	711,333
Trade and other receivables, deposits and prepayments	11 540,970	545,958
Current tax recoverable	12,583	22,205
Cash and cash equivalents	685,321	575,478
	<u>1,998,275</u>	<u>1,854,974</u>
Current liabilities		
Bank loans	12 815,995	1,280,000
Trade and other payables	423,111	464,403
Loan from ultimate holding company	23,800	23,800
Current tax payable	14,315	17,662
	<u>1,277,221</u>	<u>1,785,865</u>
Net current assets	<u>721,054</u>	<u>69,109</u>
Total assets less current liabilities	<u>3,634,697</u>	<u>2,306,954</u>
Non-current liabilities		
Bank loans	1,694,350	455,160
Other loan	3,270	3,270
Other payables	46,551	111,730
Deferred tax liabilities	8,389	–
	<u>1,752,560</u>	<u>570,160</u>
NET ASSETS	<u>1,882,137</u>	<u>1,736,794</u>
CAPITAL AND RESERVES		
Share capital	154,050	154,050
Reserves	1,678,477	1,556,831
Total equity attributable to equity shareholders of the Company	<u>1,832,527</u>	<u>1,710,881</u>
Minority interests	49,610	25,913
TOTAL EQUITY	<u>1,882,137</u>	<u>1,736,794</u>

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the Group's financial statements for the year ended 31 December 2009 but are extracted from those financial statements.

The Group's financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new 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 associate*
- *Improvements to HKFRSs (2008)*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*

The impact of these developments on the financial statements 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). Corresponding amounts have also been provided on a basis consistent with the revised segment information.
- As a result of the adoption of 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. 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.
- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.
- 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. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. The revised standard removes the option of immediately recognised all borrowing costs as an expense.

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. Due to the adoption of HKAS 23 (revised 2007), the Group's profit after taxation for the year ended 31 December 2009 increased by RMB28,319,000 (2008: RMB7,663,000).

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

The effect of the prior period adjustments are as follows:

<i>Effect of new accounting policy</i>	<i>RMB'000</i>
HKAS 23 (revised 2007)	
Increase in construction in progress	7,518
Increase in intangible assets	145
	7,663
Total increase in total equity	7,663

(b) Effect on profit after taxation for the year ended 31 December 2009 and 31 December 2008

The effect of the prior period adjustments are as follows:

<i>Effect of new accounting policy</i>	2009 RMB'000	2008 <i>RMB'000</i>
HKAS 23 (revised 2007)		
Decrease in finance costs	<u>28,319</u>	<u>7,663</u>
Increase in profit after taxation	<u>28,319</u>	<u>7,663</u>
Increase in basic and diluted earnings per share (cents)	<u>4</u>	<u>1</u>

3. 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 year is as follows:

	2009 RMB'000	2008 <i>RMB'000</i>
Sales of:		
– Gold	3,208,795	2,743,352
– Other metals	738,274	681,650
– Others	19,659	142,846
Less: Sales taxes and levies	<u>(5,058)</u>	<u>(8,759)</u>
	<u>3,961,670</u>	<u>3,559,089</u>

4. OTHER REVENUE

	2009 RMB'000	2008 <i>RMB'000</i>
Bank interest income	2,886	4,414
Other interest income	–	1,198
Delivery service income	3,925	7,789
Government grants	1,200	1,700
Scrap sales	2,905	2,124
Dividend income from unlisted securities	420	420
Sundry income	<u>242</u>	<u>535</u>
	<u>11,578</u>	<u>18,180</u>

5. OTHER NET (LOSS)/GAIN

	2009 RMB'000	2008 RMB'000
Net realised (loss)/gain on financial instruments at fair value	(163,812)	45,421
Net unrealised gain/(loss) on financial instruments at fair value (note 11(e))	5,922	(856)
Net loss on disposal of property, plant and equipment	(498)	(2,315)
Negative goodwill arising from business combination	–	12,437
Gain on deemed disposal of subsidiary	–	392
Net foreign exchange losses	(32,153)	(23,392)
Others	(786)	305
	<u>(191,327)</u>	<u>31,992</u>

6. PROFIT BEFORE TAXATION

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

	2009 RMB'000	2008 (restated) RMB'000
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	118,166	61,708
Interest on unsecured debenture	–	24,891
Interest on other loan	85	139
Net realised and unrealised loss on commodity-linked interest-bearing borrowings	–	17,909
Interest expenses on financial liabilities measured at amortised cost	5,185	6,461
Other borrowing costs	1,128	4,154
	<u>124,564</u>	<u>115,262</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	124,564	115,262
Less: interest expenses capitalised into construction in progress and intangible assets	(28,098)	(7,663)
	<u>96,466</u>	<u>107,599</u>
Finance costs on financial liabilities measured at		
– amortised cost	124,564	96,752
– fair value	–	18,510
	<u>124,564</u>	<u>115,262</u>

	2009 <i>RMB'000</i>	2008 (restated) <i>RMB'000</i>
(b) Other items:		
Amortisation of lease prepayments	2,143	1,637
Operating lease charges in respect of properties	2,384	2,624
Research and development expenses	3,686	1,325
Impairment losses on:		
– investment deposit	80,000	–
– amount due from Beijing Jiuyi (note 11(f))	30,800	–
– trade and other receivables (note 11(c))	2,376	2,539
– purchase deposits	1,300	4,726
– intangible assets	–	2,781
Pollution discharge fee	1,801	1,740
Environmental rehabilitation fee	10,485	12,776
	<u> </u>	<u> </u>
Auditors' remuneration		
– audit services	3,582	3,245
– other services	–	400
	<u> </u>	<u> </u>
Amortisation of intangible assets	49,667	77,536
Less: Amortisation capitalised into exploration and evaluation assets	(25,273)	(34,355)
	<u> </u>	<u> </u>
	<u>24,394</u>	<u>43,181</u>
Depreciation	150,933	103,348
Less: Depreciation capitalised into construction in progress	(4,871)	(1,103)
	<u> </u>	<u> </u>
	<u>146,062</u>	<u>102,245</u>

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Current tax – PRC income tax		
Provision for the year	96,552	71,348
Over-provision in respect of prior years	(5,084)	(4,400)
	<u> </u>	<u> </u>
	91,468	66,948
Deferred tax		
Origination and reversal of temporary differences	(40,672)	(51,465)
Effect on opening deferred tax balances resulting from a change in tax rate	637	–
	<u> </u>	<u> </u>
	<u>51,433</u>	<u>15,483</u>

8. DIVIDENDS

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Final dividend proposed after the balance sheet date of RMB0.05 (2008: RMB Nil) per ordinary share	<u>38,512</u>	<u>–</u>

Pursuant to a resolution passed at the directors' meeting on 28 May 2010, a final dividend in respect of the year ended 31 December 2009 of RMB0.05 (2008: RMB Nil) per share totalling RMB38,512,000 (2008: RMB Nil) was proposed for shareholders' approval at the annual general meeting. Final dividend of RMB38,512,000 (2008: RMB Nil) proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB118,044,000 (2008 restated: RMB115,610,000) and 770,249,000 (2008: 770,249,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share for the current and the prior year is the same as the basic earnings per share as there are no dilutive ordinary shares during the years.

10. SEGMENT REPORTING

The Group manages its businesses by 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 People's Republic of China (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 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

For the purposes of assessing segment performance and allocating resources between segments, the group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment according to the financial information prepared under generally accepted accounting policies in the People's Republic of China 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 of the year is set out below.

	Mining – PRC		Mining – KR		Smelting		Processing		Total	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Revenue from external customers	-	1,861	-	-	3,767,503	3,355,479	199,225	210,508	3,966,728	3,567,848
Inter-segment revenue	795,235	513,995	-	-	120,765	169,606	-	-	916,000	683,601
Sales tax	(148)	(132)	-	-	(4,908)	(7,829)	(2)	(798)	(5,058)	(8,759)
Reportable segment revenue	795,087	515,724	-	-	3,883,360	3,517,256	199,223	209,710	4,877,670	4,242,690
Reportable segment profit/(loss)	269,663	94,333	(35,047)	(24,945)	228,261	261,087	23,423	(3,517)	486,300	326,958
Interest income from bank deposits	44	77	-	-	-	-	42	213	86	290
Interest expenses	(28,256)	(40,344)	(4,808)	-	(11,542)	(21,402)	(4,099)	(1,860)	(48,705)	(63,606)
Depreciation and amortisation for the year	(149,396)	(137,400)	(4,086)	(557)	(640)	(422)	(11,219)	(8,243)	(165,341)	(146,622)
Impairment losses on										
– trade and other receivables	-	-	-	-	2,376	2,539	-	-	2,376	2,539
– purchase deposits	-	-	-	-	1,300	4,726	-	-	1,300	4,726
– intangible assets	-	-	-	-	-	2,781	-	-	-	2,781
Reportable segment assets	1,855,593	1,607,899	685,698	435,761	1,146,638	1,031,854	753,848	348,195	4,441,777	3,423,709
Reportable segment liabilities	816,014	798,025	669,981	457,252	232,213	265,911	553,403	161,464	2,271,611	1,682,652

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Revenue		
Reportable segment revenue	4,877,670	4,242,690
Elimination of inter-segment revenue	<u>(916,000)</u>	<u>(683,601)</u>
Consolidated turnover	<u><u>3,961,670</u></u>	<u><u>3,559,089</u></u>
Profit		
Reportable segment profit	486,300	326,958
Elimination of inter-segment profits	<u>(36,513)</u>	<u>(20,592)</u>
Reportable segment profit derived from the Group's external customers	449,787	306,366
Adjustments on depreciation and amortisation from PRC GAAP to HK GAAP	(31,325)	(35,964)
Finance costs	(96,466)	(107,599)
Unallocated head office and corporate expenses	(39,522)	(45,333)
Impairment losses on other receivables and investment deposits	(110,800)	–
Negative goodwill arising from business combination	<u>–</u>	<u>12,437</u>
Consolidated profit before taxation	<u><u>171,674</u></u>	<u><u>129,907</u></u>
Assets		
Reportable segment assets	4,441,777	3,423,709
Elimination of inter-segment receivables	(105,293)	(21,769)
Elimination of unrealised profits	<u>(32,198)</u>	<u>(17,823)</u>
	4,304,286	3,384,117
Adjustments on property, plant and equipment and intangible assets from PRC GAAP to HK GAAP	(101,365)	(70,040)
Investment deposits	–	80,000
Other investments	10,504	10,504
Cash and cash equivalents managed by head office	405,331	502,809
Unallocated head office and corporate assets	<u>293,162</u>	<u>185,429</u>
Consolidated total assets	<u><u>4,911,918</u></u>	<u><u>4,092,819</u></u>
Liabilities		
Reportable segment liabilities	2,271,611	1,682,652
Elimination of inter-segment payables	<u>(105,293)</u>	<u>(21,769)</u>
	2,166,318	1,660,883
Bank loans managed by head office	1,850,000	1,430,000
Loans from head office to reportable segments	(1,009,161)	(748,853)
Unallocated head office and corporate liabilities	<u>22,624</u>	<u>13,995</u>
Consolidated total liabilities	<u><u>3,029,781</u></u>	<u><u>2,356,025</u></u>

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade and other receivables, deposits and prepayments comprise:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade receivables	69,125	57,050
Bills receivables	37,031	66,531
Less: Allowance for doubtful receivables	<u>(4,152)</u>	<u>(2,342)</u>
	----- 102,004	----- 121,239
Other receivables, deposits and prepayments	142,822	56,155
Less: Allowance for doubtful receivables	<u>(2,863)</u>	<u>(2,302)</u>
	----- 139,959	----- 53,853
Purchase deposits (<i>note 11(d)</i>)	127,761	211,651
Less: Allowance for non-delivery	<u>(14,393)</u>	<u>(13,093)</u>
	----- 113,368	----- 198,558
Derivative financial assets (<i>note 11(e)</i>)	15,766	4,137
Deposits for derivative financial instruments (<i>note 11(e)</i>)	121,973	59,471
Amount due from Beijing Jiuyi (<i>note 11(f)</i>)	<u>47,900</u>	<u>108,700</u>
	----- 185,639	----- 172,308
	540,970	545,958

All of the trade and other receivables, deposits and prepayments are expected to be recovered within one year.

(a) Ageing analysis

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Within three months	75,175	81,680
Over three months but less than six months	26,785	37,944
Over six months but less than one year	39	1,395
Over one year	<u>5</u>	<u>220</u>
At 31 December	----- 102,004	----- 121,239

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.

(b) Trade and bills receivable that are not impaired

The ageing analysis of trade and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Neither past due nor impaired	101,960	119,624
Less than one year past due	44	1,615
	102,004	121,239

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(c) Impairment of trade and other receivables

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

Movement in the allowance for doubtful receivables during the year are as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
At 1 January	4,644	2,105
Impairment loss recognised	5,542	2,539
Impairment loss written back	(3,166)	–
Uncollectible amounts written off	(5)	–
At 31 December	7,015	4,644

At 31 December 2009, the Group's trade and bills receivable of RMB7,015,000 (2008: RMB4,644,000) were individually determined to be impaired.

(d) Purchase deposits

Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in 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.

(e) Deposits for derivative financial instruments

The Group had placed deposits of RMB121,973,000 (2008: RMB59,471,000) with independent futures trading agents for commodity derivative contracts entered into by the Group in the normal course of business primarily to protect the Group from the impact of price fluctuations in gold and copper commodities. The notional amounts of the Group's commodity derivative contracts were as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Future commodity contracts		
– Buy	–	43,642,000
– Sell	616,337,000	193,426,000

The net unrealised loss on the Group's commodity derivative contracts remeasured at fair value as at 31 December 2009 recognised in the profit or loss for the year ended 31 December 2009 are as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Derivative financial assets	15,766	4,137
Derivative financial liabilities (<i>note 12</i>)	(9,844)	(4,993)
Net unrealised gains/(losses) (<i>note 5</i>)	5,922	(856)

(f) Amount due from Beijing Jiuyi

According to a supplementary agreement entered into between the Company and 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. On 30 June 2009, the Company has entered into another supplementary agreement with Beijing Jiuyi to further extend the repayment date of the first instalment to 31 October 2009.

During the year ended 31 December 2009, Beijing Jiuyi has settled RMB30,000,000 to the Company. Subsequent to 31 December 2009, Beijing Jiuyi has settled a further of RMB47,900,000 to the Company. The directors consider that the remaining balance of RMB30,800,000 was not recoverable and accordingly, an impairment loss on the remaining balance amounting to RMB30,800,000 was made in the financial statements.

12. TRADE AND OTHER PAYABLES

Current trade and other payables:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade payables	72,187	145,321
Other payables	175,039	182,432
Payable for mining rights	92,300	78,401
Salary and welfare payable	39,281	23,893
Accruals	18,688	13,764
Interest payable	12,884	9,541
Dividend payable	–	3,770
Receipts in advance	2,888	2,288
Derivative financial liabilities (<i>note 11(e)</i>)	9,844	4,993
	<u>423,111</u>	<u>464,403</u>
Non-current other payables		
Payable for mining rights	12,900	101,630
Decommissioning costs	4,706	–
Payable to minority shareholders	28,945	10,100
	<u>46,551</u>	<u>111,730</u>

The amount payable to a minority shareholder is unsecured, interest-free and repayable on 1 April 2011.

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Within three months	64,513	133,813
Over three months but less than six months	3,044	6,337
Over six months but less than one year	1,784	3,938
Over one year but less than two years	1,837	73
Over two years	1,009	1,160
	<u>72,187</u>	<u>145,321</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business

In 2009, the Group produced approximately 14,810 kg (equivalent to approximately 476,153 ounce) gold, representing an increase of approximately 809 kg (equivalent to approximately 26,010 ounce) or 5.8% as compared with the previous year. The Group's turnover for 2009 increased by 11.3% to approximately RMB3,961,670,000. The profit for the year was approximately RMB120,241,000, representing an increase of approximately 5.1% as compared with the previous year. The Company's basic earnings per share for 2009 was RMB0.15 which was same as last year. If the impairment losses on receivables and investment deposits due from Beijing Jiuyi were not included, the year-on-year growth rate for the profit for the year would be 101.9%. The increase was mainly due to the rise of commodity prices.

Given that raw materials accounted for over 78% of total production cost, the Group intends to increase its self-produced output of mineral sand through acquisition and expansion of mining operation, and uplift the overall production and operation targets, so as to minimise the risks associated with raw materials purchased from outsiders.

1. Mining Segment – People Republic of China (“PRC”)

Turnover and production

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

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

		2009		2008	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates	kg	1,931	1,844	1,711	1,650
Compound gold	kg	1,934	1,941	1,222	1,228
From: Henan region	kg	640	641	128	119
Xinjiang region	kg	907	907	728	748
Inner Mongolia region	kg	387	393	366	361
Total	kg	3,865	3,785	2,933	2,878
Total	ounce	124,263	121,691	94,298	92,530

The total turnover of the mining segment of the Group for 2009 was approximately RMB795,087,000, representing an increase of approximately 54.2% from approximately RMB515,724,000 in 2008. During the year, turnover of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 62.9%, 25.0% and 12.1% of the total turnover of the mining segment respectively. The production volume of compound gold of the Group increased by approximately 712 kg to approximately 1,934 kg while the production volume of its gold concentrates increased by approximately 220 kg to approximately 1,931 kg. This was mainly attributable to the increase in compound gold and gold concentrates of approximately 522 kg and approximately 245 kg respectively in the mine areas of Henan.

Segment results

The Group's results of the mining segment for 2009 was approximately RMB269,663,000, representing an increase of approximately 185.9% from approximately RMB94,333,000 in 2008. The segment result to segment turnover ratio of the Group's mining segment for 2009 was approximately 33.9%, resulting in an increase of approximately 15.6% from approximately 18.3% in 2008.

2. Smelting Segment

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

Product	Unit	2009		2008	
		Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold bullion	kg	14,810	14,875	14,001	13,956
	ounce	476,153	478,242	450,143	448,696
Silver	kg	40,541	58,653	40,157	22,521
	ounce	1,303,423	1,885,738	1,291,078	724,067
Copper products	tonne	11,580	13,859	12,193	11,344
Sulphuric acid	tonne	171,695	172,311	177,491	176,824

Sales and production

The Group's total turnover from the smelting segment for 2009 was approximately RMB3,883,360,000, representing an increase of approximately 10.4% from approximately RMB3,517,256,000 in 2008. Such increase was principally attributable to the increase in the sales of gold bullion as a result of an approximate 9.7% increase in selling price of gold bullion as compared with the previous year, and an increase in sales volume of 919 kg to 14,875 kg in 2009 from 13,956 kg in the previous year.

The daily processing capacity of the Group is approximately 960 tonnes of gold concentrates, and capacity utilisation rate was approximately 100%. This resulted in an increase/(decrease) of approximately 5.8%, 1.0%, (5.0)% and (3.3)% in the Group's production volume of gold, silver, copper and sulphuric acid respectively as compared with the previous year. During the year, the gold recovery rate was approximately 96.6%, the silver recovery rate was approximately 73.05% and the copper recovery rate was approximately 94.8%. The recovery rates remained at high level.

Segment results

Our smelting segment results for 2009 was approximately RMB228,261,000, representing a decrease of approximate 12.6% from approximately RMB261,087,000 in 2008. The segment results to segment turnover ratio of our smelting business in 2009 was approximately 5.9%, decreasing by approximately 1.5% from approximately 7.4% in 2008.

FINANCIAL INFORMATION

1. Combined Operating Results

Turnover

The Group's sales analysis by products is shown as follows:

	2009			2008		
	Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)	Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)
Gold bullion	3,208,795	14,875 kg	215,717	2,743,352	13,956 kg	196,572
Silver	163,434	58,653 kg	2,786	76,991	22,521 kg	3,419
Copper products	363,339	10,539 tonnes	34,476	394,151	8,074 tonnes	48,817
Copper foils	199,225	3,591 tonnes	55,479	161,535	2,249 tonnes	71,825
Copper cords	-	-	-	48,973	940 tonnes	52,099
Sulphuric acid	19,659	172,000 tonnes	114	142,846	176,824 tonnes	808
Lead concentrates	12,276	2,680 tonnes	4,581	-	-	-
Turnover before sales tax	3,966,728			3,567,848		
Less: Sales tax	(5,058)			(8,759)		
	3,961,670			3,559,089		

The Group's turnover for 2009 was approximately RMB3,961,670,000, representing an increase of approximately 11.3% as compared with the previous year, of which the turnover of gold bullion accounted for 80.9% of its total turnover. Such increase was mainly attributable to the increase of approximately 17.0% in the sales of gold bullion, as a result of the increase in our average selling price and quantity of gold bullion sold of approximately 9.7% and 6.6% respectively during the year.

The Group commenced its copper processing business during the year 2008, mainly involving the production of copper foil. In 2009, the production and sales volume of copper foil were 3,468 tonnes and 3,591 tonnes respectively, representing an increase of approximately 48.8% and 59.7% respectively as compared with last year.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for 2009 were approximately RMB755,602,000 and approximately 19.1% respectively, representing an increase of approximately 98.2% and 8.4% respectively as compared with 2008, which was mainly attributable to the rise in gold price.

Other revenue

The Group's other revenue for 2009 was approximately RMB11,578,000, representing a decrease of approximately 36.3% as compared with approximately RMB18,180,000 for 2008. Such decrease was principally attributable to a decrease in interest income of RMB2,726,000 and a decrease in sulphuric acid delivery service income of RMB3,864,000 respectively.

Other net (loss)/gain

The Group's other net loss for 2009 was approximately RMB191,327,000 as compared with a net gain of approximately RMB31,992,000 for 2008. Such loss was mainly attributable to the realised loss from derivative financial instruments of approximately RMB163,812,000.

Selling and distribution expenses

The Group's selling and distribution expenses for 2009 were approximately RMB18,525,000, representing a decrease of approximately 6.8% as compared with the previous year. Such decrease was mainly attributable to the reduction in transportation costs for sulphuric acid.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses for 2009 were approximately RMB178,388,000, representing an increase of approximately 2.5% as compared with approximately RMB174,082,000 for 2008. The increase was mainly attributable to the expansion of the production and operation scale of the Group.

Impairment losses on other receivables and investment deposit

The Group's impairment losses on other receivables and investment deposit for 2009 amounted to a total of RMB110,800,000 (2008: RMB Nil). These amounts represent receivable from Beijing Jiuyi Investment Company Limited ("Beijing Jiuyi") amounting to RMB30,800,000 relating to the compensation income for the termination of the proposed acquisition and an investment deposit of RMB80,000,000 paid to Beijing Jiuyi for acquiring 56.25% interest of a company with mining assets situated in Gansu Province, the PRC. The directors consider that the balance is difficult to be recovered in short term, thus provision for impairment losses was made in 2009. However, the Group will continue to monitor the progress of the acquisition of the investments and chase for settlement of the outstanding balance regularly.

Finance costs

The Group's finance costs for 2009 were approximately RMB96,466,000, representing a decrease of approximately 10.3% as compared with approximately RMB107,599,000 for 2008 (restated). Such decrease was mainly attributable to the finance costs of approximately RMB17,909,000 incurred by gold loan activities in 2008.

Profit attributable to the Company's equity shareholders

The Group's profit attributable to our equity shareholders in 2009 was approximately RMB118,044,000, representing an increase of approximately 2.1% as compared with approximately RMB115,610,000 in 2008 (restated). The net profit margin for 2009 was approximately 3.0%, representing a decrease of 0.2% as compared with approximately 3.2% for 2008. The Company's basic earning per share was RMB0.15. The Group recommended the payment of a dividend of RMB0.05 per share for the year.

2. 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 31 December 2009 amounted to RMB685,321,000, of which 3.2% was denominated in Hong Kong dollars.

The shareholders' equity of the Group as at 31 December 2009 amounted to RMB1,882,137,000 (31 December 2008 (restated): RMB1,736,794,000). As at 31 December 2009, the Group had current assets of RMB1,998,275,000 (31 December 2008: RMB1,854,974,000) and current liabilities of RMB1,277,221,000 (31 December 2008: RMB1,785,865,000). The current ratio was 1.56 (31 December 2008: 1.04).

As at 31 December 2009, the Group had total outstanding bank loans of approximately RMB2,510,345,000 with interest rates ranging from 2.55% to 5.76% per annum, of which approximately RMB815,995,000 was repayable within one year, approximately RMB736,826,000 was repayable after one year but within two years while approximately RMB957,524,000 was repayable after two years. The gearing ratio as at 31 December 2009 was 51.2% (31 December 2008: 42.5%) which was calculated by total borrowings divided by total assets.

3. Security

As at 31 December 2009, the mining right of Istanbul Gold Mine with carrying value amounting to RMB129,689,000 and the ordinary shares of Full Gold Mining Limited Liability Company, a subsidiary located in Kyrgyz Republic (“KR”) were pledged to secure the borrowings from the National Development Bank.

4. Material Acquisition

On 20 October 2009, the Group acquired 70% equity interests in Palladex which holds 2 exploration rights for gold in Kyrgyzstan for a cash consideration of USD7,700,000.

5. Market risks

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

Gold price and other commodities price risk

The Group’s turnover and profit for the year were affected by fluctuations in the gold prices and other commodities price as all our products are sold at the market prices and such fluctuation is beyond our control. We do not use and strictly prohibit the use of commodity derivative instruments or futures for speculation purpose, and all commodity derivative instruments are only used to minimise the potential price fluctuation of gold and other commodities.

Interest rate

The Group is exposed to risks resulting from the fluctuation in interest rates on our debt obligations. The Group undertakes debt obligations for supporting capital expenditure and general working capital. Our bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant regulations of the People’s Bank of China (“PBOC”). If the PBOC increases the interest rates, our finance cost increases accordingly. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt.

Exchange rate risk

The Group’s transactions are 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 freely convertible and the currency would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi.

Apart from the above, the Group is also exposed to exchange rate risk primarily through bank deposits and other payables that are denominated in foreign currencies. The currencies giving rise to risk are primarily Hong Kong dollars, United States dollars and Japanese Yen.

Fluctuations in exchange rates may adversely affect the value of our net assets, earnings and any dividends we declare when they are being converted or translated into Hong Kong dollars.

Business risk

The KR has been experiencing political and economic change that has affected, and may continue to affect, the activities of the Group's subsidiary, Full Gold, operating in this environment. The contraction in the capital and credit markets and its impact on the economy of the KR have increased the level of economic uncertainty in the environment. Consequently, operations in the KR involve risks that typically do not exist in other market. In addition, the subsequent to the year-end date political events have further increased the level of political and economic uncertainty in the environment.

6. Contractual obligations

As at 31 December 2009, the Group's capital commitments in respect of the construction costs which were not provided for in the financial statements were approximately RMB230,725,000, representing an increase of approximately RMB54,541,000 from approximately RMB176,184,000 as at 31 December 2008.

As at 31 December 2009, our total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB3,060,000, of which approximately RMB900,000 was payable within one year, approximately RMB1,660,000 was payable after one year but within five years, and approximately RMB500,000 was payable after five years.

7. Contingent liabilities

As at 31 December 2009, the Group had no material contingent liabilities (2008: RMB100,000,000).

8. Capital expenditure

During the year 2009, the Group's capital expenditure was approximately RMB823,560,000, representing an increase of approximately 35.4% from approximately RMB608,040,000 in 2008.

The Group's capital expenditure mainly relates to the construction of mining shafts, expansion projects and upgrading of production equipment.

9. Human resources

In 2009, the average number of employees of the Group was 5,706. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

Corporate Governance

After our listing of H Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 January 2006, the Company has complied with all Code Provisions under the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules save for the deviation from Code Provision A.2.1 (Division of responsibilities between the chairman and chief executive officer) and Code Provision A.4.2 (Directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after appointment).

Mr. Xu Gaoming is the Chairman and Chief Executive Officer of the Company and has considerable industry experience. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can benefit from a chairman who is knowledgeable about the business of the Group and is capable to guide the discussions and brief the Board (in particular, the non-executive Directors) in a timely manner on various issues and developments of the industry. In addition, there is clear delineation in the responsibilities of the Board and the Management set out in article of association of the Company and the Board believes that this structure can assist the Group to implement decisions promptly and more efficiently.

With respect to the re-election of newly appointed Director, the Company has complied with Paragraph 4(2) of Appendix 3 of the Listing Rules, which permits the Directors who has been appointed to fill a casual vacancy of the Board be subject to re-election at the next annual general meeting of the Company. As such, Code Provision A.4.2, which requires the re-election to take place in the next general meeting, were not adopted.

AUDIT COMMITTEE

Audit Committee comprises one non-executive Director and four independent non-executive Directors, namely Yan Wanpeng (Chairman), Wang Yumin, Niu Zhongjie, Wang Han and Du Liping.

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters regarding the preliminary final results for the year ended 31 December 2009 together with the management of the Group. The audit committee considered that the audited financial statements for the year had complied with the requirements of applicable standard and appropriate disclosure was made.

PURCHASE, SALES OR REDEMPTION OF SHARES OF THE COMPANY

For the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares.

DIVIDENDS

At the board meeting held on 28 May 2010, the Directors declared a final dividend of RMB0.05 (with tax) per share (2008: RMB Nil) in respect of the year ended 31 December 2009. The 2009 final dividend is subject to the consideration and approval at the annual general meeting of the Company.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Tuesday, 22 June 2010 to Wednesday, 21 July 2010, (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office address of the Company at Xin Village, Yinzhuang Town, Daonan Industrial Area, Lingbao, Henan, the PRC (for holders of domestic shares), no later than 4:00 p.m. on Monday, 21 June 2010.

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 and supervisors. Based on specific enquiry of the Company's Directors, the Board confirmed that all directors and supervisors had fully complied with the required standard set out in the Model Code throughout the period under review.

PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT

This result announcement has been published on the website of Hong Kong Exchanges and Clearing Limited ("HK Exchange"), www.hkexnews.hk, and the website of the Company, www.irasia.com/listco/hk/lingbao. The 2009 Annual Report will be despatched to shareholders in due course and published on the websites of HK Exchange and the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") are suspended from 9:30 a.m. on 3 May 2010 pending release of this announcement. Application has been made to The Stock Exchange for resumption of trading of the Company's shares with effect from 9:30 a.m. on Monday, 31 May 2010.

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

Hong Kong, 28 May 2010

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

Executive Directors: Xu Gaoming, Wang Jianguo, Lu Xiaozhao, Jin Guangcai, Liu Pengfei and Zhang Guo;

Non-Executive Directors: Wang Yumin; and

Independent Non-Executive Directors: Niu Zhongjie, Wang Han, Yan Wanpeng and Du Liping.