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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 2011**

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 2011. The interim financial results has been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT – UNAUDITED
for the six months ended 30 June 2011

		Six months ended 30 June	
	<i>Note</i>	2011	2010
		RMB'000	RMB'000
Turnover	4	2,690,377	2,110,296
Cost of sales		<u>(2,308,385)</u>	<u>(1,762,613)</u>
Gross profit		381,992	347,683
Other revenue	5	9,609	6,913
Other net income/(loss)	6	20,835	(93,270)
Selling and distribution expenses		(12,036)	(10,593)
Administrative expenses and other operating expenses		<u>(107,913)</u>	<u>(89,583)</u>
Profit from operations		292,487	161,150
Finance costs	7(a)	<u>(70,191)</u>	<u>(40,097)</u>
Profit before taxation	7	222,296	121,053
Income tax	8	<u>(68,722)</u>	<u>(47,727)</u>
Profit for the period		<u>153,574</u>	<u>73,326</u>
Attributable to:			
Equity shareholders of the Company		149,479	80,619
Non-controlling interests		<u>4,095</u>	<u>(7,293)</u>
Profit for the period		<u>153,574</u>	<u>73,326</u>
Basic and diluted earnings per share (cents)	9	<u>19</u>	<u>10</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED
for the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
<i>Note</i>	RMB'000	RMB'000
Profit for the period	153,574	73,326
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(2,329)</u>	<u>3,918</u>
Total comprehensive income for the period	<u>151,245</u>	<u>77,244</u>
Attributable to:		
Equity shareholders of the Company	144,657	84,537
Non-controlling interests	<u>6,588</u>	<u>(7,293)</u>
Total comprehensive income for the period	<u>151,245</u>	<u>77,244</u>

CONSOLIDATED BALANCE SHEET – UNAUDITED*at 30 June 2011*

		At 30 June 2011 <i>RMB'000</i>	At 31 December 2010 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,432,273	1,495,863
Construction in progress		837,861	686,576
Intangible assets		676,693	671,323
Goodwill		41,404	41,404
Lease prepayments		136,143	94,239
Other investments		10,504	10,504
Non-current prepayments		73,808	90,253
Deferred tax assets		104,852	99,055
		<u>3,313,538</u>	<u>3,189,217</u>
Current assets			
Inventories		1,461,359	1,167,219
Trade and other receivables, deposits and prepayments	11	898,839	648,958
Cash and cash equivalents		544,246	323,712
Assets classified as held for sale		7,539	–
		<u>2,911,983</u>	<u>2,139,889</u>
Current liabilities			
Bank loans		1,643,057	1,393,000
Other loan		2,973	3,270
Trade and other payables	12	601,291	547,535
Loan from ultimate holding company		23,800	23,800
Current tax payable		26,567	31,140
		<u>2,297,688</u>	<u>1,998,745</u>
Net current assets		<u>614,295</u>	<u>141,144</u>
Total assets less current liabilities		<u>3,927,833</u>	<u>3,330,361</u>

CONSOLIDATED BALANCE SHEET – UNAUDITED (continued)
at 30 June 2011

	<i>Note</i>	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current liabilities			
Bank loans		1,010,399	1,184,142
Unsecured debentures		700,000	–
Other payables	12	23,369	30,624
Deferred tax liabilities		7,755	7,638
		<u>1,741,523</u>	<u>1,222,404</u>
NET ASSETS		<u>2,186,310</u>	<u>2,107,957</u>
CAPITAL AND RESERVES			
Share capital		154,050	154,050
Reserves		1,980,503	1,912,871
Total equity attributable to equity shareholders of the Company		2,134,553	2,066,921
Non-controlling interests		51,757	41,036
TOTAL EQUITY		<u>2,186,310</u>	<u>2,107,957</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The unaudited consolidated financial statements have 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”).

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group’s financial statements. These developments have had no material impact on the contents of the unaudited consolidated financial statements.

3. 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. 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 the PRC.
Copper 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 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.

3. SEGMENT REPORTING (Continued)

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		Copper Processing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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 30 June</i>										
Revenue from external customers	-	-	-	-	2,237,005	1,979,462	460,285	134,310	2,697,290	2,113,772
Inter-segment revenue	331,695	324,119	-	-	365,017	82,307	-	-	696,712	406,426
Sales tax	(25)	(57)	-	-	(6,033)	(3,417)	(855)	(2)	(6,913)	(3,476)
Reportable segment revenue	331,670	324,062	-	-	2,595,989	2,058,352	459,430	134,308	3,387,089	2,516,722
Reportable segment profit/ (loss)	73,065	75,508	(2,254)	(2,243)	246,974	216,822	49,580	20,202	367,365	310,289
<i>At 30 June/31 December</i>										
Reportable segment assets	1,904,711	1,666,490	784,577	690,500	2,067,754	1,659,162	1,428,197	1,124,017	6,185,239	5,140,169
Reportable segment liabilities	793,614	852,511	783,370	711,667	917,406	276,080	1,197,223	905,525	3,691,613	2,745,783
Other segment information										
<i>For the six months ended 30 June</i>										
Interest expenses	(14,525)	(11,092)	-	(1,821)	(10,980)	(9,363)	(17,463)	(1,392)	(42,968)	(23,668)
Net foreign exchange (losses)/gain	(33)	-	27,766	(29,510)	(500)	-	(1,471)	(24)	25,762	(29,534)
Depreciation and amortisation for the period	(53,744)	(67,812)	(78)	(77)	(17,638)	(18,014)	(22,028)	(5,221)	(93,488)	(91,124)
Reversal/(provision) of impairment on:										
– trade and other receivables	(175)	1,695	-	-	-	50	-	442	(175)	2,187
– purchase deposits	-	-	-	-	(1,727)	(2,965)	-	-	(1,727)	(2,965)
– intangible assets	(4,922)	-	-	-	-	-	-	-	(4,922)	-

3. SEGMENT REPORTING (Continued)

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

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Reportable segment revenue	3,387,089	2,516,722
Elimination of inter-segment revenue	<u>(696,712)</u>	<u>(406,426)</u>
Consolidated turnover	<u><u>2,690,377</u></u>	<u><u>2,110,296</u></u>
Profit		
Reportable segment profit	367,365	310,289
Elimination of inter-segment profits	<u>(70,236)</u>	<u>(35,916)</u>
Reportable segment profit derived from the Group's external customers	297,129	274,373
Other net income/(loss)	20,835	(93,270)
Finance costs	(70,191)	(40,097)
Unallocated head office and corporate expenses	<u>(25,477)</u>	<u>(19,953)</u>
Consolidated profit before taxation	<u><u>222,296</u></u>	<u><u>121,053</u></u>
	At 30 June 2011 <i>RMB'000</i>	At 31 December 2010 <i>RMB'000</i>
Assets		
Reportable segment assets	6,185,239	5,140,169
Elimination of inter-segment receivables	(382,225)	(260,082)
Elimination of unrealised profits	<u>(61,104)</u>	<u>(51,419)</u>
	5,741,910	4,828,668
Other investments	10,504	10,504
Cash and cash equivalents managed by head office	205,988	272,514
Unallocated head office and corporate assets	<u>267,119</u>	<u>217,420</u>
Consolidated total assets	<u><u>6,225,521</u></u>	<u><u>5,329,106</u></u>
Liabilities		
Reportable segment liabilities	3,691,613	2,745,783
Elimination of inter-segment payables	<u>(382,225)</u>	<u>(260,082)</u>
	3,309,388	2,485,701
Unallocated head office and corporate liabilities	<u>729,823</u>	<u>735,448</u>
Consolidated total liabilities	<u><u>4,039,211</u></u>	<u><u>3,221,149</u></u>

4 TURNOVER

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

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Sales of:		
– gold	1,960,962	1,743,821
– other metals	707,899	351,954
– others	28,429	17,997
Less: Sales taxes and levies	(6,913)	(3,476)
	<u>2,690,377</u>	<u>2,110,296</u>

5 OTHER REVENUE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Bank interest income	1,844	1,707
Delivery service income	3,971	2,683
Scrap sales	1,887	1,595
Dividend income from unlisted securities	–	560
Government grants	1,114	–
Sundry income	793	368
	<u>9,609</u>	<u>6,913</u>

6 OTHER NET INCOME/(LOSS)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net realised gain/(loss) on financial instruments at fair value	3,617	(60,924)
Net loss on disposal of property, plant and equipment	(1,697)	(78)
Write-off of construction in progress	–	(1,780)
Write-off of intangible assets	–	(1,417)
Impairment of intangible assets	(4,922)	–
Net foreign exchange gain/(loss)	23,265	(29,538)
Others	572	467
	<u>20,835</u>	<u>(93,270)</u>

7 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	69,321	56,331
Interest expense on corporate debentures	6,920	–
Less: Interest expense capitalised into construction in progress	(8,017)	(19,406)
	<u>68,224</u>	<u>36,925</u>
Interest expense on financial liabilities measured at amortised cost	–	2,206
Other borrowing costs	1,967	966
	<u>70,191</u>	<u>40,097</u>
(b) Other items:		
Amortisation of lease prepayments	1,150	1,072
Operating lease charges in respect of properties	1,119	911
Impairment losses on prepayments and purchase deposits	3,214	2,965
Environmental rehabilitation fee	7,931	5,788
Total depreciation	92,120	90,628
Less: Depreciation capitalised into construction in progress	(2,473)	(6,225)
	<u>89,647</u>	<u>84,403</u>
Total amortisation of intangible assets	4,345	90,470
Less: Amortisation capitalised into exploration and evaluation assets	–	(82,595)
	<u>4,345</u>	<u>7,875</u>

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax		
PRC income tax for the period	74,442	48,869
Deferred tax		
Origination and reversal of temporary differences	(5,720)	(1,142)
	<u>68,722</u>	<u>47,727</u>

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

- (a) The Company and the Group's subsidiaries established in the PRC are subject to PRC income tax.

One of the subsidiaries, Lingbao Wason Copper-Foil Company Ltd. was accredited as an "Advanced and New Technology Enterprise" in 2009 and entitled to an income tax rate of 15% from 2009 to 2011.

The provisions for PRC income tax for the Company and the rest of the Group's subsidiaries in the PRC is calculated at a rate of 25% (2010: 25%) of the estimated assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC. Taxation for subsidiaries outside the PRC is charged at the appropriate current rates of taxation ruling in the relevant countries.

- (b) The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%). No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2011 and 2010 in the financial statements as the Group did not earn any income which is subject to Hong Kong Profits Tax.
- (c) The provision for KR Profits Tax for 2011 is calculated at 10% (2010: 10%). No provision for KR Profits Tax is made for the six months ended 30 June 2011 and 2010 in the financial statements as the Group did not earn any income which is subject to KR Profits Tax.
- (d) The provision for Laos Profits Tax for 2011 is calculated at 35% (2010: 35%). No provision for Laos Profits Tax is made for the six months ended 30 June 2011 and 2010 in the financial statements as the Group did not earn any income which is subject to Laos Profits Tax.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company of RMB149,479,000 (six months ended 30 June 2010: RMB80,619,000) and 770,249,091 ordinary shares in issue during the six months ended 30 June 2011 (six months ended 30 June 2010: 770,249,091 ordinary shares).

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2011 and 2010 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the periods.

10 DIVIDENDS

Pursuant to a resolution passed at the shareholders' annual general meeting on 3 June 2011, a final dividend in respect of the year ended 31 December 2010 of RMB0.10 (2009: RMB0.05) per share totalling RMB77,024,909 (2009: RMB38,512,455) was approved and declared by the Company. Dividends of RMB29,727,000 were paid in June 2011 and unpaid dividends of RMB47,298,000 were accrued as at 30 June 2011.

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB Nil).

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 3 months	328,929	238,102
Over 3 months but less than 6 months	140,748	43,452
Over 6 months but less than 1 year	1,423	4,164
Over 1 year	100	–
Trade debtors and bills receivable, net of allowance for doubtful debts	471,200	285,718
Other receivables, net of allowance for doubtful debts	226,442	190,788
Purchase deposits, net of allowance for non-delivery (<i>note (a)</i>)	176,154	128,165
Deposits for derivative financial instruments (<i>note (b)</i>)	25,043	44,287
	898,839	648,958

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 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.

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 2011 <i>RMB'000</i>	At 31 December 2010 <i>RMB'000</i>
Within 3 months	186,205	155,732
Over 3 months but less than 6 months	5,191	3,898
Over 6 months but less than 1 year	1,552	1,946
Over 1 year but less than 2 years	338	813
Over 2 years	1,748	1,811
	<hr/>	<hr/>
Total trade creditors	195,034	164,200
Other payables	107,441	145,093
Payable for mining rights	90,343	92,594
Salary and welfare payable	43,621	57,234
Deferred income	47,040	43,411
Accruals	22,402	14,796
Interest payable	17,836	12,994
Receipts in advance	2,844	7,408
Payable to non-controlling interests (<i>note a</i>)	27,432	9,805
Dividend payable (<i>note 10</i>)	47,298	–
	<hr/>	<hr/>
	601,291	547,535
	<hr/> <hr/>	<hr/> <hr/>
Non-current other payables		
Payable for mining rights	8,012	7,869
Decommissioning costs	4,542	4,410
Payable to non-controlling interests (<i>note a</i>)	–	18,345
Deferred income	10,815	–
	<hr/>	<hr/>
	23,369	30,624
	<hr/> <hr/>	<hr/> <hr/>

- a: The current portion of the payable to non-controlling interests amounting to RMB27,432,000 (31 December 2010: RMB9,805,000) and the non-current portion of the payable to non-controlling interests amounting to RMB Nil (31 December 2010: RMB18,345,000) is unsecured, interest-free and repayable on 24 June 2012.

REVIEW OF BUSINESS AND PROSPECT

In the first half of 2011, Lingbao Gold Company Ltd. (“Lingbao Gold” or the “Company”) and its subsidiaries (together with the Company, the “Group”) produced approximately 7,073 kg (equivalent to approximately 227,402 ounce) of gold, representing an increase of approximately 183 kg (equivalent to approximately 5,884 ounce) or approximately 2.7% as compared with the corresponding period of the previous year. The Group’s turnover for the six months ended 30 June 2011 was approximately RMB2,690,377,000, representing an increase of approximately 27.5% as compared with the corresponding period of the previous year. For the six months ended 30 June 2011, the profit attributable to the Company’s shareholders was approximately RMB149,479,000, representing an increase of approximately 85.4% as compared with the corresponding period of the previous year. For the six months ended 30 June 2011, the basic earnings per share was RMB0.19. In the first half of 2011, the increase in profit attributable to the Group’s shareholders as compared with the corresponding period of 2010 were mainly due to the commodity prices remaining at a high level, of which, the revenue from gold bullion increased by 12.5%, silver increased by 163.3%, and copper products increased by 86.6% and the strengthening in monitor for the transaction of commodities hedging.

The Group’s mineral resources are mainly scattered in regions of Henan, Xinjiang, Inner Mongolia, Jiangxi, Gansu of the People’s Republic of China (the “PRC”) and Kyrgyz Republic with 55 mining and exploration rights as at 31 July 2011 covering 2,220.76 square kilometers. The total gold reserves and resources as at 30 June 2011 were approximately 57.12 tonnes (1,836,451 ounce) and 100.52 tonnes (3,231,793 ounce) respectively.

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:

	Unit	For the six months ended 30 June		Approximate production volume	Approximate sales volume
		2011	2010		
Gold concentrates	kg	1,017	910	889	798
Compound gold	kg	338	291	600	506
Total	kg	1,355	1,201	1,489	1,304
Total	ounce	43,564	38,613	47,872	41,925

The Group's revenue from the mining segment for the first half of 2011 was approximately RMB331,670,000, representing an increase of approximately 2.3% from approximately RMB324,062,000 for the same period in 2010. During the first half of 2011, revenue of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 81.7%, 17.6% and 0.7% of the revenue from the mining segment respectively. The production of compound gold decreased by approximately 262 kg to approximately 338 kg, while production of gold concentrates increased by approximately 128 kg to approximately 1,017 kg.

Segment results

The Group's results of the mining segment for the first half of 2011 was approximately RMB73,065,000, representing a decrease of approximately 3.2% from approximately RMB75,508,000 for the same period in 2010. The segment result to segment turnover ratio of the Group's mining segment for the first half of 2011 was approximately 22.0%, representing a decrease of approximately 1.3% from approximately 23.3% in the corresponding period in 2010.

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:

	Unit	For the six months ended 30 June			
		2011		2010	
		Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold bullion	kg	7,073	6,365	6,890	6,810
	ounce	227,402	204,640	221,519	218,947
Silver	kg	26,172	27,815	17,125	19,267
	ounce	841,449	894,273	550,582	619,448
Copper products	tonne	7,811	7,270	6,137	4,697
Sulphuric acid	tonne	70,819	73,775	79,082	77,729

Sales and production

The Group's total turnover in the smelting segment for the first half of 2011 was approximately RMB2,595,989,000, representing an increase of approximately 26.1% from approximately RMB2,058,352,000 for the same period of 2010. Such increase during the reporting period was mainly attributable to the average selling price of gold bullion sold increased by approximately 20.3%, the sales volume and average selling price of silver increased by approximately 44.2% and 82.6% respectively, and the sales volume and average selling price of electrolytic copper increased by approximately 54.8% and 17.6% 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 2011, the Group continued to maintain the recovery rates of gold, silver and copper at a high level, which were approximately 95.0%, 71.3% and 95.5% respectively.

Segment results

Our smelting segment results for the first half of 2011 was approximately RMB246,974,000, representing an increase of approximate 13.9% from approximately RMB216,822,000 for the same period in 2010. The segment results to segment turnover ratio of our smelting business for the first half of 2011 was approximately 9.5%, decreased by approximately 1.0% from approximately 10.5% for the same period in 2010.

CONSOLIDATED OPERATING RESULTS

Turnover

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

Product name	Amount (RMB'000)	For the six months ended 30 June			Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)
		2011 Sales volume (kg/tonne)	2010 Sales volume (kg/tonne)	2010 Unit price (RMB per kg/tonne)			
Gold bullion	1,960,962	6,365 kg	308,085	1,743,821	6,810 kg	256,068	
Silver	175,384	27,786 kg	6,312	66,602	19,267 kg	3,457	
Electrolytic coppers	72,231	1,237 tonnes	58,392	151,042	3,041 tonnes	49,669	
Copper foils	460,284	5,980 tonnes	76,971	134,310	1,863 tonnes	72,093	
Sulphuric acid	28,429	73,499 tonnes	387	17,997	77,729 tonnes	232	
Turnover before sales tax	2,697,290			2,113,772			
Less: Sales taxes and levies	(6,913)			(3,476)			
	<u>2,690,377</u>			<u>2,110,296</u>			

The Group's turnover for the first half of 2011 was approximately RMB2,690,377,000, representing an increase of approximate 27.5% as compared with the corresponding period of the previous year. Such increase was mainly attributable to the increase in the average selling price of gold bullion, silver, copper products by 20.3%, 82.6% and 26.8% during the period, increase in volume of silver sold by approximately 44.2%, which resulted in the increase in sales of gold bullion, silver, and copper products by approximately 12.5%, 163.3% and 86.6% respectively as compared to the corresponding period of last year.

In the first half of 2011, the Group's second phase of the copper foil factory, which is mainly for the production of high-end copper foil, has already fully commenced production. The Group's copper foil production volume amounted to approximately 7,035 tonnes, increasing by 5,509 tonnes or 361.0% as compared with the corresponding period of the previous year. Copper foil sales volume was approximately 5,980 tonnes, increasing by 4,117 tonnes or 221.0% as compared with the corresponding period the previous year. In the first half of 2011, the average selling price of electrolytic copper increased by approximately 17.6% compared with the corresponding period last year, with the average selling price of copper foils increasing by approximately 6.8% compared with the corresponding period last year. In the first half of 2011, demand for the copper foil market was weak. Despite copper prices rose by approximately 17.6% in the first half of 2011, the average selling price of copper foil products cannot catch up with the growth of copper, causing rise in raw material costs and pressure on gross profits.

OUTLOOK

Influenced by the European and US debt crisis, as well as the market's concern over the economic growth prospects, there will be continuous support for the rise in gold prices. The Group will grasp the opportunity of high gold prices and ensure the operating rate of equipment of the mine processing plant, so that overall production will be stable. Full Gold Mining Limited Liability Company strives to commence operation for its mine processing plant soon, so that there will be certain growth in the mine gold of the company. The Group will grasp the suitable timing for product sales to ensure that the benefit is maximized. The copper foil market will be actively explored, and market research and forecast will be properly carried out to adjust sales strategies in a timely manner. In terms of mine exploration, the Group will focus on enhancing the cooperation with Sinosteel, accelerate the research on the metallogenic regularity of the Xiaohe fracture zone of Nanshan mining area, expediate the progress of peripheral mine exploration of Habahe Huatai Gold Limited Liability Company and Chifeng Jinchan Mining Company Limited, and pay special attention on the progress of several major mine exploration works such as Tongbai Xingyuan Mining Company Limited, Nanshan Gold Mine and Lingbao Hongxin Mining Limited Liability Company. By means of the combination of various mine exploration techniques, the Group will focus on the exploration works, and improve mine exploration results.

FINANCIAL REVIEW

Acquisition and disposal

The Group had no material acquisition and disposal during the six months ended 30 June 2011.

Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds, medium-term notes and bank loans. The cash and bank balances as at 30 June 2011 amounted to RMB544,246,000.

The shareholders' equity of the Group as at 30 June 2011 amounted to RMB2,134,553,000 (31 December 2010: RMB2,066,921,000). As at 30 June 2011, the Group had current assets of RMB2,911,983,000 (31 December 2010: RMB2,139,889,000) and current liabilities of RMB2,297,688,000 (31 December 2010: RMB1,998,745,000). The current ratio was 1.27 (31 December 2010: 1.07).

As at 30 June 2011, the Group had total outstanding bank loans of approximately RMB3,353,456,000 with interest rates ranged from 2.25% to 6.65% per annum, of which approximately RMB1,643,057,000 was repayable within one year, approximately RMB271,053,000 was repayable after one year but not exceeding two years, approximately RMB985,375,000 was repayable after two years but not exceeding five years and approximately RMB453,971,000 was repayable after five years. During the reporting period, the Company issued 5-year medium-term notes of RMB400,000,000 and RMB300,000,000 in two tranches, with interest rate being 5.95% and 6.10%. The gearing ratio as at 30 June 2011 was 53.9% (31 December 2010: 48.4%) which was calculated as total borrowings divided by total assets value.

Security

As at 30 June 2011, the mining right of Istanbul Gold Mine with carrying value amounting to RMB119,876,000 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 risk

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 be increased. 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 and bank loans, 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 2011, capital commitments was approximately RMB96,230,000, representing a decrease of approximately RMB4,605,000 from approximately RMB100,835,000 as at 31 December 2010.

Capital expenditures

Capital expenditures during the period was approximately RMB197,472,000, including capital expenditure of approximately RMB177,499,000 in relation to the acquisition of fixed assets and construction in progress, and acquisition of intangible assets of approximately RMB19,973,000.

Contingent liabilities

As at 30 June 2011, the Group had no material contingent liabilities.

Human resources

For the six months ended 30 June 2011, the average number of employees of the Group was 5,794. 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 2011.

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 2011, 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 2011 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
26 August 2011

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Xu Gaoming, Mr. Jin Guangcai, Mr. Liu Pengfei, Mr. Zhang Guo and Mr. He Chengqun; 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.