

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



LINGJIN

灵 金

**Lingbao Gold Company Ltd.**

**靈寶黃金股份有限公司**

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

**(Stock code: 3330)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

The board of directors (the “Board”) 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 2011, which have been reviewed by the Company’s Audit Committee.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
<b>Turnover</b>	3	<b>5,720,835</b>	4,834,554
Cost of sales		<u>(4,841,792)</u>	<u>(4,019,316)</u>
<b>Gross profit</b>		<b>879,043</b>	815,238
Other revenue	4	<b>29,668</b>	15,174
Other net loss	5	<b>(36,661)</b>	(121,378)
Selling and distribution expenses		<b>(27,173)</b>	(22,789)
Administrative expenses and other operating expenses		<u><b>(251,641)</b></u>	<u>(207,972)</u>
<b>Profit from operations</b>		<b>593,236</b>	478,273
Finance costs	6(a)	<u><b>(156,329)</b></u>	<u>(92,019)</u>
<b>Profit before taxation</b>	6	<b>436,907</b>	386,254
Income tax	7	<u><b>(128,121)</b></u>	<u>(128,377)</u>
<b>Profit for the year</b>		<u><b>308,786</b></u>	<u>257,877</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>310,562</b>	266,451
Non-controlling interests		<u><b>(1,776)</b></u>	<u>(8,574)</u>
<b>Profit for the year</b>		<u><b>308,786</b></u>	<u>257,877</u>
<b>Basic and diluted earnings per share (cents)</b>	9	<u><b>40</b></u>	<u>35</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2011*

	<b>2011</b> <i>RMB'000</i>	2010 <i>RMB'000</i>
<b>Profit for the year</b>	<b>308,786</b>	257,877
<b>Other comprehensive income for the year</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>2,515</u>	<u>6,455</u>
<b>Total comprehensive income for the year</b>	<b><u>311,301</u></b>	<b><u>264,332</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>309,434</b>	272,906
Non-controlling interests	<u>1,867</u>	<u>(8,574)</u>
<b>Total comprehensive income for the year</b>	<b><u>311,301</u></b>	<b><u>264,332</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Notes</i>	<b>2011</b> <b>RMB'000</b>	2010 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,954,144</b>	1,495,863
Construction in progress		<b>331,830</b>	686,576
Intangible assets		<b>676,651</b>	671,323
Goodwill		<b>41,404</b>	41,404
Lease prepayments		<b>149,903</b>	94,239
Other investments		<b>10,504</b>	10,504
Long-term receivables		<b>39,531</b>	–
Non-current prepayments		<b>17,613</b>	90,253
Deferred tax assets		<b>115,699</b>	99,055
		<b>3,337,279</b>	3,189,217
<b>Current assets</b>			
Inventories		<b>2,042,117</b>	1,167,219
Trade and other receivables, deposits and prepayments	<i>11</i>	<b>782,073</b>	648,958
Assets classified as held for sale		<b>20,123</b>	–
Pledged deposits		<b>30,000</b>	–
Cash and cash equivalents		<b>349,568</b>	323,712
		<b>3,223,881</b>	2,139,889
<b>Current liabilities</b>			
Bank loans		<b>1,502,072</b>	1,393,000
Other loan		<b>2,675</b>	3,270
Trade and other payables	<i>12</i>	<b>908,667</b>	547,535
Loan from ultimate holding company		<b>23,800</b>	23,800
Current tax payable		<b>17,655</b>	31,140
		<b>2,454,869</b>	1,998,745
<b>Net current assets</b>		<b>769,012</b>	141,144
<b>Total assets less current liabilities</b>		<b>4,106,291</b>	3,330,361

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***At 31 December 2011*

	<i>Notes</i>	<b>2011</b> <b>RMB'000</b>	2010 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Debenture payable		<b>700,000</b>	–
Bank loans		<b>1,029,609</b>	1,184,142
Other payables	<i>12</i>	<b>22,978</b>	30,624
Deferred tax liabilities		<b>7,338</b>	7,638
		<u><b>1,759,925</b></u>	<u>1,222,404</u>
<b>NET ASSETS</b>		<u><b>2,346,366</b></u>	<u>2,107,957</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>154,050</b>	154,050
Reserves		<u><b>2,145,280</b></u>	<u>1,912,871</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,299,330</b>	2,066,921
<b>Non-controlling interests</b>		<u><b>47,036</b></u>	<u>41,036</u>
<b>TOTAL EQUITY</b>		<u><b>2,346,366</b></u>	<u>2,107,957</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 SIGNIFICANT ACCOUNTING POLICIES

These 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. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### 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. 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 impact of the developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group’s related party disclosures in the current and previous period. HKAS 24 (2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the disclosures about the Group’s related party transactions have been conformed to the amended disclosure requirements.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group’s financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

### 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 year is as follows:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Sales of:		
– Gold	4,203,270	3,950,388
– Other metals	1,470,326	853,389
– Others	56,590	37,759
Less: Sales taxes and levies	(9,351)	(6,982)
	<u>5,720,835</u>	<u>4,834,554</u>

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. In 2011, revenues from sales of gold products to this customer amounted to approximately RMB4,203,270,000 (2010: RMB3,950,388,000) arose in the Henan Province, the PRC.

### 4 OTHER REVENUE

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Bank interest income	4,041	3,754
Delivery service income	6,591	6,141
Government grants	8,742	1,481
Scrap sales	3,899	2,827
Dividend income from other investments	6,300	560
Sundry income	95	411
	<u>29,668</u>	<u>15,174</u>

### 5 OTHER NET LOSS

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Net realised loss on financial instruments at fair value	(13,358)	(62,608)
Net loss on disposal of property, plant and equipment, construction in progress and intangible assets	(1,944)	(8,609)
Net foreign exchange losses	(13,397)	(44,803)
Impairment of property, plant and equipment, intangible assets, construction in progress and goodwill	(10,852)	(3,838)
Gain on disposal of subsidiaries	4,640	–
Others	(1,750)	(1,520)
	<u>(36,661)</u>	<u>(121,378)</u>

## 6 PROFIT BEFORE TAXATION

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
<b>(a) Finance costs:</b>		
Interest expenses on bank advances wholly repayable within five years	139,837	117,623
Interest expenses on other loans	1,589	83
Interest expenses on debentures	28,143	–
Interest expenses on financial liabilities measured at amortised cost	–	2,696
Other borrowing costs	2,109	2,985
	<hr/>	<hr/>
Total interest expenses on financial liabilities not at fair value through profit or loss	171,678	123,387
Less: interest expenses capitalised into construction in progress*	(15,349)	(31,368)
	<hr/>	<hr/>
	<b>156,329</b>	<b>92,019</b>
	<hr/>	<hr/>

\* *The borrowing costs have been capitalised at a rate of 5.31%~6.56% per annum (2010: 5.31% ~ 5.76%).*

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
<b>(b) Staff costs#:</b>		
Salaries wages and bonuses	227,543	214,256
Staff welfare	17,587	16,424
Contributions to retirement benefit schemes	25,405	15,796
	<hr/>	<hr/>
	270,535	246,476
Less: Staff costs capitalized into construction in progress	(33,972)	(37,382)
	<hr/>	<hr/>
	<b>236,563</b>	<b>209,094</b>
	<hr/>	<hr/>

## 6 PROFIT BEFORE TAXATION (Continued)

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
<b>(c) Other items:</b>		
Cost of inventories	4,841,792	4,019,316
Amortisation of lease prepayments	2,656	2,162
Amortisation of intangible assets <sup>#</sup>	7,503	97,069
Less: Amortisation capitalised into exploration and evaluation assets	—	(83,502)
	<u>7,503</u>	<u>13,567</u>
Depreciation <sup>#</sup>	196,503	168,304
Less: Depreciation capitalised into construction in progress	(4,357)	(6,093)
	<u>192,146</u>	<u>162,211</u>
Provision/(reversal) of impairment losses on:		
– trade and other receivables	507	(2,197)
– purchase deposits	3,434	5,691
– non-current prepayment	1,000	—
– fixed asset and construction in progress	5,930	—
– intangible assets	4,922	3,731
– goodwill	—	107
Operating lease charges in respect of properties	2,660	3,116
Auditors' remuneration	4,383	3,900
Research and development expenses	9,098	7,665
Pollution discharge fee	2,479	2,141
Environmental rehabilitation fee	16,136	13,282

<sup>#</sup> *Cost of inventories includes RMB323,930,000 (2010: RMB291,151,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.*

## 7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
<b>Current tax – PRC income tax</b>		
Provision for the year	139,228	136,664
Under-provision in respect of prior years	<u>5,798</u>	<u>311</u>
	<b>145,026</b>	136,975
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(16,905)</u>	<u>(8,598)</u>
	<b><u>128,121</u></b>	<b><u>128,377</u></b>

## 8 DIVIDENDS

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of RMB0.10 (2010: RMB0.10) per ordinary share	<u>77,025</u>	<u>77,025</u>

Pursuant to a resolution passed at the directors' meeting on 23 March 2012, a final dividend in respect of the year ended 31 December 2011 of RMB0.10 (2010: RMB0.10) per share totalling RMB77,024,909 (2010: RMB77,024,909) was proposed for shareholders' approval at the annual general meeting. Final dividend of RMB77,024,909 (2010: RMB77,024,909) proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## 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 RMB310,562,000 (2010: RMB266,451,000) and 770,249,091 (2010: 770,249,091) 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 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 presented 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 – Kyrgyz Republic (“KR”)	– Gold mining and mineral ores processing operations in the 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 assets, 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, deferred tax liabilities 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.

## 10 SEGMENT REPORTING (Continued)

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 year ended 31 December 2011 and 2010 is set out below.

	Mining – PRC		Mining – KR		Smelting		Copper processing		Total	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Revenue from external customers	-	-	-	-	4,764,995	4,462,989	965,191	378,547	5,730,186	4,841,536
Inter-segment revenue	876,135	817,770	-	-	501,111	343,439	-	-	1,377,246	1,161,209
Sales tax	(53)	(184)	-	-	(8,023)	(6,795)	(1,275)	(3)	(9,351)	(6,982)
<b>Reportable segment revenue</b>	<b>876,082</b>	<b>817,586</b>	<b>-</b>	<b>-</b>	<b>5,258,083</b>	<b>4,799,633</b>	<b>963,916</b>	<b>378,544</b>	<b>7,098,081</b>	<b>5,995,763</b>
<b>Reportable segment profit/(loss)</b>	<b>271,262</b>	<b>262,560</b>	<b>(8,493)</b>	<b>(3,588)</b>	<b>470,411</b>	<b>418,844</b>	<b>54,954</b>	<b>34,737</b>	<b>788,134</b>	<b>712,553</b>
<b>Reportable segment assets</b>	<b>1,809,329</b>	<b>1,666,490</b>	<b>804,961</b>	<b>690,500</b>	<b>2,523,976</b>	<b>1,659,162</b>	<b>1,344,497</b>	<b>1,124,017</b>	<b>6,482,763</b>	<b>5,140,169</b>
<b>Reportable segment liabilities</b>	<b>659,015</b>	<b>852,511</b>	<b>835,112</b>	<b>711,667</b>	<b>1,465,756</b>	<b>276,080</b>	<b>1,129,005</b>	<b>905,525</b>	<b>4,088,888</b>	<b>2,745,783</b>
<b>Other segment information</b>										
Interest expenses	(25,793)	(28,234)	(2,705)	(2,823)	(21,222)	(19,799)	(35,974)	(9,368)	(85,694)	(60,224)
Net foreign exchange gain/(losses)	26	-	2,327	(41,327)	(500)	-	(6,561)	(1,120)	(4,708)	(42,447)
Depreciation and amortisation for the year	(104,560)	(115,278)	(3,684)	(157)	(34,852)	(36,349)	(44,134)	(21,457)	(187,230)	(173,241)
(Provision)/reversal of impairment on:										
- trade and other receivables	(224)	1,695	-	-	(90)	50	(8)	452	(322)	2,197
- purchase deposits	-	-	-	-	(3,434)	(5,691)	-	-	(3,434)	(5,691)
- intangible assets	(4,922)	(3,731)	-	-	-	-	-	-	(4,922)	(3,731)
- fixed assets and construction in progress	-	-	(5,930)	-	-	-	-	-	(5,930)	-

## 10 SEGMENT REPORTING (Continued)

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
<b>Revenue</b>		
Reportable segment revenue	7,098,081	5,995,763
Elimination of inter-segment revenue	<u>(1,377,246)</u>	<u>(1,161,209)</u>
Consolidated revenue	<u>5,720,835</u>	<u>4,834,554</u>
<b>Profit</b>		
Reportable segment profit	788,134	712,553
Elimination of inter-segment profits	<u>(104,237)</u>	<u>(59,979)</u>
Reportable segment profit derived from the Group's external customers	683,897	652,574
Other net loss	<u>(36,661)</u>	<u>(121,378)</u>
Finance costs	<u>(156,329)</u>	<u>(92,019)</u>
Unallocated head office and corporate expenses	<u>(54,000)</u>	<u>(52,923)</u>
Consolidated profit before taxation	<u>436,907</u>	<u>386,254</u>
<b>Assets</b>		
Reportable segment assets	6,482,763	5,140,169
Elimination of inter-segment receivables	<u>(276,542)</u>	<u>(260,082)</u>
Elimination of unrealised profits	<u>(91,761)</u>	<u>(51,419)</u>
	6,114,460	4,828,668
Other investments	10,504	10,504
Cash and cash equivalents managed by head office	79,986	272,514
Unallocated head office and corporate assets	<u>356,210</u>	<u>217,420</u>
Consolidated total assets	<u>6,561,160</u>	<u>5,329,106</u>
<b>Liabilities</b>		
Reportable segment liabilities	4,088,888	2,745,783
Elimination of inter-segment payables	<u>(276,542)</u>	<u>(260,082)</u>
	3,812,346	2,485,701
Unallocated head office and corporate liabilities	<u>402,448</u>	<u>735,448</u>
Consolidated total liabilities	<u>4,214,794</u>	<u>3,221,149</u>

## 11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade and other receivables, deposits and prepayments comprise:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Trade receivables	375,855	224,271
Bills receivable	45,968	65,146
Less: Allowance for doubtful debts	<u>(3,699)</u>	<u>(3,699)</u>
	<u>418,124</u>	<u>285,718</u>
Other receivables, deposits and prepayments	322,270	191,907
Less: Allowance for doubtful debts	<u>(1,626)</u>	<u>(1,119)</u>
	<u>320,644</u>	<u>190,788</u>
Purchase deposits	64,744	148,249
Less: Allowance for non-delivery	<u>(23,518)</u>	<u>(20,084)</u>
	<u>41,226</u>	<u>128,165</u>
Deposits for derivative financial instruments	2,079	44,287
Amount due from Beijing Jiuyi	<u>–</u>	<u>–</u>
	<u>2,079</u>	<u>44,287</u>
	<u>782,073</u>	<u>648,958</u>

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

### (a) Ageing analysis

Included in trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Within three months	287,649	238,102
Over three months but less than six months	97,456	43,452
Over six months but less than one year	32,145	4,164
Over one year but less than two years	<u>874</u>	<u>–</u>
At 31 December	<u>418,124</u>	<u>285,718</u>

For sales of gold, the Group requests customers to pay cash in full immediately upon the delivery. For sales of other metallic products, trade and bills receivables are due within 90 days to 180 days from the date of billing.

## 11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

### (b) Trade and bills receivables that are not impaired

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

	<b>2011</b> <i>RMB'000</i>	2010 <i>RMB'000</i>
Neither past due nor impaired	<b>385,105</b>	281,554
Less than one year past due	<b>33,019</b>	4,164
	<b>418,124</b>	285,718

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.

The movement in the allowance for doubtful receivables during the year is as follows:

	<b>2011</b> <i>RMB'000</i>	2010 <i>RMB'000</i>
At 1 January	<b>4,818</b>	7,015
Impairment loss recognised	<b>507</b>	325
Impairment loss written back	–	(2,522)
At 31 December	<b>5,325</b>	4,818

At 31 December 2011, the Group's trade and other receivables of RMB5,325,000 (2010: RMB4,818,000) were individually determined to be impaired.

## 11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

### (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 Group consider that appropriate procedures have been taken 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 RMB2,079,000 (2010: RMB44,287,000) 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 at 31 December 2011 and 2010 were nil.

### (f) Amount due from Beijing Jiuyi

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Amount due from Beijing Jiuyi	30,800	30,800
Less: Impairment losses	<u>(30,800)</u>	<u>(30,800)</u>
	<u>          -</u>	<u>          -</u>

The balance due from Beijing Jiuyi was relating to a compensation payment for a proposed acquisition in previous years. The directors considered the balance of RMB30,800,000 would not be recoverable and accordingly, an impairment loss was provided.

## 12 TRADE AND OTHER PAYABLES

### Current trade and other payables:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Bills payable	30,000	–
Trade payables	387,553	164,200
Other payables	178,532	145,093
Payable for mining rights	87,733	92,594
Salary and welfare payable	57,624	57,234
Deferred income ( <i>note (a)</i> )	60,080	43,411
Accruals	19,084	14,796
Interest payable	40,595	12,994
Dividend payable	3,119	–
Receipts in advance	7,846	7,408
Payable to non-controlling interests ( <i>note (b)</i> )	36,501	9,805
	<u>908,667</u>	<u>547,535</u>

### Non-current other payables

Payable for mining rights	3,509	7,869
Decommissioning costs	4,238	4,410
Deferred income ( <i>note (a)</i> )	15,231	–
Payable to non-controlling interests ( <i>note (b)</i> )	–	18,345
	<u>22,978</u>	<u>30,624</u>

- (a) Deferred income represents grants received from the government for the exploration of mines and construction of mining related assets. When certain conditions are met, the government grants are recognised as income over the periods necessarily to match them with the related costs of assets constructed which they are intended to compensate over the periods and in the proportion in which depreciation on those assets is charged.
- (b) Among the payable to non-controlling interests as at 31 December 2011, RMB17,429,000 is unsecured, interest-free and repayable on 24 June 2012; RMB19,072,000 is unsecured, interest free and repayable on demand.

### Included in trade and other payables are trade payables with the following ageing analysis as of the end of the reporting period:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Within three months	371,744	155,732
Over three months but less than six months	11,094	3,898
Over six months but less than one year	2,017	1,946
Over one year but less than two years	715	813
Over two years	1,983	1,811
	<u>387,553</u>	<u>164,200</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Business

In 2011, the Group produced approximately 14,993 kg (equivalent to approximately 482,036 ounce) gold, representing an increase of approximately 409 kg (equivalent to approximately 13,150 ounce) or 2.8% as compared with the previous year. The Group's turnover for 2011 increased by 18.3% to approximately RMB5,720,835,000. The profit attributable to the equity shareholders of the Company for the year was approximately RMB310,562,000, representing an increase of approximately 16.6% as compared with the previous year. The Company's basic earnings per share for 2011 was RMB0.40. The increase was mainly due to the decrease in net loss from financial instruments and exchange losses.

Given that raw materials accounted for over 85% 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 – the 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:

		2011		2010	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates	kg	2,061	1,992	1,946	1,793
Compound gold	kg	883	904	1,398	1,367
From: Henan region	kg	92	111	342	296
Xinjiang region	kg	783	785	818	817
Inner Mongolia region	kg	8	8	238	254
Total	kg	2,944	2,896	3,344	3,160
Total	ounce	94,652	93,109	107,512	101,596

The total turnover of the mining segment of the Group for 2011 was approximately RMB876,082,000, representing an increase of approximately 7.2% from approximately RMB817,586,000 in 2010. During the year, turnover of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 67.31%, 30.95% and 1.74% of the total turnover of the mining segment respectively. The production volume of compound gold of the Group decreased by approximately 515 kg to approximately 883 kg while the production volume of its gold concentrates increased by approximately 115 kg to approximately 2,061 kg.

There was a significant fall in compound gold, which was mainly due to the suspension of operation at Chifeng Jinchan Mining Company Limited (“Chifeng Jinchan”) for conducting a number of construction works to upgrade its safety facilities. It is expected that the production will be resumed by the second half of 2012.

### *Segment results*

The Group’s results of the mining segment for 2011 was approximately RMB271,262,000, representing an increase of approximately 3.3% from approximately RMB262,560,000 in 2010. The segment result to segment turnover ratio of the Group’s mining segment for 2011 was approximately 31.0%, resulting in a decrease of approximately 1.1% from approximately 32.1% in 2010.

Full Gold Mining Limited Liability Company (“Full Gold”) located at KR commenced its mining at the end of 2011. The processing plant with a daily processing capacity of 2,000 tonnes started production and produced approximately 100 kg gold concentrates.

## **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	2011		2010	
		Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold bullion	kg	<b>14,892</b>	<b>12,693</b>	14,584	14,609
	ounce	<b>478,789</b>	<b>408,089</b>	468,886	469,690
Silver	kg	<b>56,521</b>	<b>42,300</b>	39,662	39,165
	ounce	<b>1,817,192</b>	<b>1,359,977</b>	1,275,163	1,259,184
Copper products	tonne	<b>15,555</b>	<b>12,183</b>	13,104	13,092
Sulphuric acid	tonne	<b>153,903</b>	<b>154,180</b>	157,499	157,984

### *Sales and production*

The Group's total turnover from the smelting segment for 2011 was approximately RMB5,258,083,000, representing an increase of approximately 9.6% from approximately RMB4,799,633,000 in 2010. Such increase was principally attributable to the increase in the sales of gold bullion as a result of an approximate 22.5% increase in selling price of gold bullion as compared with the previous year.

The daily processing capacity of the Group is approximately 1,000 tonnes of gold concentrates, and capacity utilisation rate was approximately 100%. The Group's production volume of gold, silver, copper and sulphuric acid increase/(decrease) of approximately 2.1%, 42.5%, 18.7% and (2.3)% respectively as compared with the previous year. During the year, the gold recovery rate was approximately 95.1%, the silver recovery rate was approximately 71.0% and the copper recovery rate was approximately 95.4%. The recovery rates remained at high level.

### *Segment results*

Our smelting segment results for 2011 was approximately RMB470,411,000, representing an increase of approximate 12.3% from approximately RMB418,844,000 in 2010. The segment results to segment turnover ratio of our smelting business in 2011 was approximately 8.9%, increasing by approximately 0.2% from approximately 8.7% in 2010.

## FINANCIAL INFORMATION

### 1. Operating Results

#### *Turnover*

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

	2011	Unit		2010	Unit	
	Sales	price	Amount	Sales	price	
	Amount	volume	(RMB'000)	Amount	volume	
	(RMB'000)	(kg/tonne)	(RMB per kg/tonne)	(RMB'000)	(kg/tonne)	
					(RMB per kg/tonne)	
Gold bullion	4,203,270	12,693 kg	331,149	3,950,388	14,609 kg	270,408
Silver	278,673	42,151 kg	6,611	151,854	39,165 kg	3,877
Copper products	226,462	4,136 tonnes	54,754	320,168	6,452 tonnes	49,623
Copper foils	965,191	13,112 tonnes	73,611	378,548	5,277 tonnes	71,735
Sulphuric acid	56,590	153,904 tonnes	368	37,759	157,973 tonnes	239
Lead concentrates	-	-	-	2,819	358 tonnes	7,874
Turnover before sales tax	5,730,186			4,841,536		
Less: Sales tax	(9,351)			(6,982)		
	<u>5,720,835</u>			<u>4,834,554</u>		

The Group's turnover for 2011 was approximately RMB5,720,835,000, representing an increase of approximate 18.3% as compared with the previous year, of which the turnover of gold bullion accounted for 73.4% of its total turnover. Such increase was mainly attributable to the increase in our average selling price of gold bullion sold of approximately 22.5% and the increase in the sales volume of copper foil of approximately 148.5% during the year.

The Group commenced its copper processing business during the year 2008, mainly involving the production of copper foil. In 2011, the second phase of copper foil plant commenced its production, which is mainly engaged in the production of high-grade copper foil. The production and sales volume of copper foil were 13,001 tonnes and 13,112 tonnes respectively, representing an increase of approximately 127.6% and 148.5% respectively as compared with last year.

In 2011, Lingbao Wason Copper-Foil Company Limited (“Wason Copper-Foil”) did not achieve the profit target, which was mainly due to the economic environment with lower exports of end-user electronics products and the consumption demand for electronics products falling in PRC upon the measures to control inflation.

In 2012, it will be a year critical to the transformation of business model for Wason Copper-Foil, which will actively explore new sales market by leveraging on the development of high-value added copper foil as its core product. Attention will particularly be given to lithium foil. The processing plant with a daily processing capacity of 2,000 tonnes of Full Gold has been completed and started its production. These two key projects will contribute to the increase in the operating results and gold production of the Group.

#### *Gross profit and gross profit margin*

The Group’s gross profit and gross profit margin for 2011 were approximately RMB879,043,000 and approximately 15.4% respectively, representing an increase/ (decrease) of approximately 7.8% and (1.5)% respectively as compared with 2010. The increase in gross profit was mainly due to the increase in selling price of gold and the decrease in gross profit margin were due to the increase in the exploitation costs of mines and the rising costs of raw materials.

#### *Other revenue*

The Group’s other revenue for 2011 was approximately RMB29,668,000, representing an increase of approximately 95.5% as compared with approximately RMB15,174,000 for 2010. Such increase was principally attributable to the increase of government subsidy by approximately RMB7,261,000 and the increase in the other investment dividend income of RMB5,740,000.

#### *Other net loss*

The Group’s other net loss for 2011 was approximately RMB36,661,000, representing a decrease of approximately 69.8% as compared with a net loss of approximately RMB121,378,000 for 2010. Such loss was mainly attributable to the realised loss from derivative financial instruments of approximately RMB13,358,000, representing a decrease of approximately 78.7% as compared to last year and the foreign exchange loss of approximately RMB13,397,000, representing a decrease of approximately 70.1% as compared to last year.

#### *Selling and distribution expenses*

The Group’s selling and distribution expenses for 2011 were approximately RMB27,173,000, representing an increase of approximately 19.2% as compared with the previous year. Such increase was mainly attributable to the increase in production of copper foil and correspondingly increase in selling and distribution expenses.

### *Administrative expenses and other operating expenses*

The Group's administrative expenses and other operating expenses for 2011 were approximately RMB251,641,000, representing an increase of approximately 21.0% as compared with approximately RMB207,972,000 for 2010. The increase was mainly attributable to the expansion of the production and operation scale of the Group.

### *Finance costs*

The Group's finance costs for 2011 were approximately RMB156,329,000, representing an increase of approximately 69.9% as compared with approximately RMB92,019,000 for 2010. Such increase was mainly attributable to the increase in average loan principals in the year as compared with that in 2010.

### *Profit attributable to the Company's equity shareholders*

The Group's profit attributable to our equity shareholders in 2011 was approximately RMB310,562,000, representing an increase of approximately 16.6% as compared with approximately RMB266,451,000 in 2010. The net profit margin for 2011 was approximately 5.4%, representing an increase of 0.1% as compared with approximately 5.3% for 2010. The Company's basic earning per share was RMB0.40. The Group recommended the payment of a dividend of RMB0.10 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 2011 amounted to RMB379,568,000 of which 4.6% was denominated in Hong Kong dollars.

The shareholders' equity of the Group as at 31 December 2011 amounted to RMB2,346,366,000 (31 December 2010: RMB2,107,957,000). As at 31 December 2011, the Group had current assets of RMB3,223,881,000 (31 December 2010: RMB2,139,889,000) and current liabilities of RMB2,454,869,000 (31 December 2010: RMB1,998,745,000). The current ratio was 1.31 (31 December 2010: 1.07).

As at 31 December 2011, the Group had total outstanding bank loans of approximately RMB2,531,681,000 with interest rates ranging from 4.86% to 7.54% per annum, of which approximately RMB1,502,072,000 was repayable within one year, approximately RMB476,358,000 was repayable after one year but within two years while approximately RMB553,251,000 was repayable after two years. The gearing ratio as at 31 December 2011 was 49.3% (31 December 2010: 48.4%) which was calculated by total borrowings including Medium Term Notes divided by total assets.

On 25 March 2011, the Company issued five-year Medium Term Notes of RMB400 million in the PRC. The notes are unsecured and will be redeemed on 25 March 2016, and bear a floating interest rate, which is based on the one-year deposit rate of the People's Bank of China plus a margin of 2.95% per annum.

On 17 June 2011, the Company issued five-year Medium Term Notes of RMB300 million in the PRC. The notes are unsecured and will be redeemed on 16 June 2016, and bear a floating interest rate, which is based on the one-year deposit rate of the People's Bank of China plus a margin of 2.85% per annum.

### **3. Security**

As at 31 December 2011, the mining right of Istanbul Gold Mine with carrying value amounting to RMB112,886,000 and the ordinary shares of Full Gold, a subsidiary located in KR were pledged to secure the borrowings from the National Development Bank.

### **4. Substantial Acquisition**

During the reporting period, the Group had no substantial acquisition.

### **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 currency giving rise to risk is primarily United States dollars.

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.

## **6. Contractual Obligations**

As at 31 December 2011, the Group's capital commitments in respect of the construction costs which were not provided for in the financial statements were approximately RMB143,165,000, representing an increase of approximately RMB42,330,000 from approximately RMB100,835,000 as at 31 December 2010.

As at 31 December 2011, our total future minimum lease payments under noncancellable operating leases amounted to approximately RMB10,452,000, of which approximately RMB3,031,000 was payable within one year, approximately RMB6,610,000 was payable after one year but within five years, and approximately RMB811,000 was payable after five years.

## **7. Contingent Liabilities**

As at 31 December 2011, the Group had no material contingent liabilities.

## **8. Capital Expenditure**

During the year 2011, the Group's capital expenditure was approximately RMB472,660,000, representing a decrease of approximately 10.8% from approximately RMB529,672,000 in 2010.

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

## **9. Human Resources**

In 2011, the average number of employees of the Group was 5,854. 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, Du Liping, Xu Qiangsheng and Han Qinchun.

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 2011 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 2011, 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 23 March 2012, the Directors declared a final dividend of RMB0.10 (with tax) per share (2010: RMB0.10) in respect of the year ended 31 December 2011. The 2011 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 Monday, 30 April 2012 to Tuesday, 29 May 2012, (both days inclusive), during which period no transfer of shares will be registered. In order for the shareholders to qualify for the final dividend and 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 4:30 p.m. on Friday, 27 April 2012.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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. Having made specific enquiry of all the Company's Directors, all directors and supervisors of the Company have confirmed that they had fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2011.

## **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](http://www.hkexnews.hk), and the website of the Company, [www.irasia.com/listco/hk/lingbao](http://www.irasia.com/listco/hk/lingbao). The 2011 Annual 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  
**Lingbao Gold Company Ltd.**  
**Xu Gaoming**  
*Chairman*

Hong Kong, 23 March 2012

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

*Executive Directors: Xu Gaoming, Jin Guangcai, Liu Pengfei, Zhang Guo and He Chengqun;  
Non-Executive Directors: Wang Yumin and Yang Lieming; and  
Independent Non-Executive Directors: Yan Wanpeng, Du Liping, Xu Qiangsheng and Han Qinchun.*