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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 2012**

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 2012. The interim financial results has been reviewed by the Company’s Audit Committee.

**CONSOLIDATED INCOME STATEMENT – UNAUDITED***For the six months ended 30 June 2012*

		<b>Six months ended 30 June</b>	
		<b>2012</b>	<b>2011</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Turnover</b>	3, 4	<b>2,311,394</b>	2,690,377
Cost of sales		<u><b>(2,015,840)</b></u>	<u>(2,308,385)</u>
<b>Gross profit</b>		<b>295,554</b>	381,992
Other revenue	5	<b>11,071</b>	9,609
Other net income	6	<b>1,024</b>	20,835
Selling and distribution expenses		<b>(12,561)</b>	(12,036)
Administrative expenses and other operating expenses		<u><b>(135,781)</b></u>	<u>(107,913)</u>
<b>Profit from operations</b>		<b>159,307</b>	292,487
Finance costs	7(a)	<u><b>(110,721)</b></u>	<u>(70,191)</u>
<b>Profit before taxation</b>	7	<b>48,586</b>	222,296
Income tax	8	<u><b>(14,613)</b></u>	<u>(68,722)</u>
<b>Profit for the period</b>		<u><b>33,973</b></u>	<u>153,574</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>39,861</b>	149,479
Non-controlling interests		<u><b>(5,888)</b></u>	<u>4,095</u>
<b>Profit for the period</b>		<u><b>33,973</b></u>	<u>153,574</u>
<b>Basic and diluted earnings per share (cents)</b>	9	<u><b>5</b></u>	<u>19</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED***For the six months ended 30 June 2012*

	<b>Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit for the period</b>	<b>33,973</b>	153,574
<b>Other comprehensive income for the period:</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(245)</u>	<u>(2,329)</u>
<b>Total comprehensive income for the period</b>	<b><u>33,728</u></b>	<b><u>151,245</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>39,688</b>	144,657
Non-controlling interests	<b><u>(5,960)</u></b>	<u>6,588</u>
<b>Total comprehensive income for the period</b>	<b><u>33,728</u></b>	<b><u>151,245</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

At 30 June 2012

	<i>Note</i>	At 30 June 2012 <i>RMB'000</i>	At 31 December 2011 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		1,999,179	1,954,144
Construction in progress		269,738	331,830
Intangible assets		679,443	676,651
Goodwill		41,404	41,404
Lease prepayments		162,195	149,903
Other investments		10,504	10,504
Long-term receivables		15,758	39,531
Non-current prepayments		22,279	17,613
Deferred tax assets		125,885	115,699
		3,326,385	3,337,279
		3,326,385	3,337,279
<b>Current assets</b>			
Inventories		3,404,758	2,042,117
Trade and other receivables, deposits and prepayments	11	1,083,224	782,073
Current tax recoverable		5,643	–
Assets classified as held for sale		20,123	20,123
Pledged deposits		48,000	30,000
Cash and cash equivalents		270,261	349,568
		4,832,009	3,223,881
		4,832,009	3,223,881
<b>Current liabilities</b>			
Bank loans		2,549,669	1,502,072
Other loan		2,675	2,675
Trade and other payables	12	1,371,565	908,667
Loan from ultimate holding company		23,800	23,800
Current tax payable		8,389	17,655
		3,956,098	2,454,869
		3,956,098	2,454,869
<b>Net current assets</b>		875,911	769,012
<b>Total assets less current liabilities</b>		4,202,296	4,106,291

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED**  
**(Continued)**

*At 30 June 2012*

	<i>Note</i>	<b>At 30 June 2012 RMB'000</b>	<b>At 31 December 2011 RMB'000</b>
<b>Non-current liabilities</b>			
Debenture payable		<b>700,000</b>	700,000
Bank loans		<b>1,143,527</b>	1,029,609
Other payables	<i>12</i>	<b>38,882</b>	22,978
Deferred tax liabilities		<b>7,287</b>	7,338
		<u><b>1,889,696</b></u>	<u>1,759,925</u>
<b>NET ASSETS</b>		<u><b>2,312,600</b></u>	<u>2,346,366</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>154,050</b>	154,050
Reserves		<b>2,115,759</b>	2,145,280
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,269,809</b>	2,299,330
<b>Non-controlling interests</b>		<b>42,791</b>	47,036
<b>TOTAL EQUITY</b>		<u><b>2,312,600</b></u>	<u>2,346,366</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

### 1. BASIS OF PREPARATION

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

### 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company. Of these, the following development is relevant to the Group’s financial statements:

Amendments to HKFRS 7, Financial instruments: Disclosures – Transfers of financial assets

The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

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

### 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 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 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.

### 3. SEGMENT REPORTING (Continued)

#### (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.

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	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
<i>For the six months ended 30 June</i>										
Revenue from external customers	-	-	-	-	1,802,723	2,237,005	509,267	460,285	2,311,990	2,697,290
Inter-segment revenue	421,465	331,695	32,076	-	161,167	365,017	-	-	614,708	696,712
Sales tax	(44)	(25)	-	-	(551)	(6,033)	(1)	(855)	(596)	(6,913)
<b>Reportable segment revenue</b>	<b>421,421</b>	<b>331,670</b>	<b>32,076</b>	<b>-</b>	<b>1,963,339</b>	<b>2,595,989</b>	<b>509,266</b>	<b>459,430</b>	<b>2,926,102</b>	<b>3,387,089</b>
<b>Reportable segment profit/(loss)</b>	<b>117,760</b>	<b>73,065</b>	<b>(2,839)</b>	<b>(2,254)</b>	<b>75,957</b>	<b>246,974</b>	<b>36,626</b>	<b>49,580</b>	<b>227,504</b>	<b>367,365</b>
<i>At 30 June/31 December</i>										
<b>Reportable segment assets</b>	<b>1,849,484</b>	<b>1,809,329</b>	<b>821,138</b>	<b>804,961</b>	<b>4,030,649</b>	<b>2,523,976</b>	<b>1,397,702</b>	<b>1,344,497</b>	<b>8,098,973</b>	<b>6,482,763</b>
<b>Reportable segment liabilities</b>	<b>704,539</b>	<b>659,015</b>	<b>850,211</b>	<b>835,112</b>	<b>2,943,622</b>	<b>1,465,756</b>	<b>1,165,113</b>	<b>1,129,005</b>	<b>5,663,485</b>	<b>4,088,888</b>
<b>Other segment information</b>										
<i>For the six months ended 30 June</i>										
Interest expenses	(12,977)	(14,525)	(6,371)	-	(40,193)	(10,980)	(18,329)	(17,463)	(77,870)	(42,968)
Net foreign exchange (losses)/gain	-	(33)	(700)	27,766	566	(500)	745	(1,471)	611	25,762
Depreciation and amortisation for the period	(67,997)	(53,744)	(29,224)	(78)	(21,195)	(17,638)	(24,305)	(22,028)	(142,721)	(93,488)
Reversal/(provision) of impairment on:										
- trade and other receivables	-	(175)	-	-	-	-	8	-	8	(175)
- purchase deposits	-	-	-	-	-	(1,727)	-	-	-	(1,727)
- 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	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>		
Reportable segment revenue	2,926,102	3,387,089
Elimination of inter-segment revenue	<u>(614,708)</u>	<u>(696,712)</u>
Consolidated turnover	<u>2,311,394</u>	<u>2,690,377</u>
<b>Profit</b>		
Reportable segment profit	227,504	367,365
Elimination of inter-segment profits	<u>(37,016)</u>	<u>(70,236)</u>
Reportable segment profit derived from the Group's external customers	190,488	297,129
Other net income	1,024	20,835
Finance costs	(110,721)	(70,191)
Unallocated head office and corporate expenses	<u>(32,205)</u>	<u>(25,477)</u>
Consolidated profit before taxation	<u>48,586</u>	<u>222,296</u>

### 3. SEGMENT REPORTING (Continued)

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

	At 30 June 2012 <i>RMB'000</i>	At 31 December 2011 <i>RMB'000</i>
<b>Assets</b>		
Reportable segment assets	8,098,973	6,482,763
Elimination of inter-segment receivables	(222,601)	(276,542)
Elimination of unrealised profits	(128,906)	(91,761)
	<u>7,747,466</u>	<u>6,114,460</u>
Other investments	10,504	10,504
Cash and cash equivalents managed by head office	3,710	79,986
Unallocated head office and corporate assets	396,714	356,210
	<u>8,158,394</u>	<u>6,561,160</u>
<b>Liabilities</b>		
Reportable segment liabilities	5,663,485	4,088,888
Elimination of inter-segment payables	(222,601)	(276,542)
	<u>5,440,884</u>	<u>3,812,346</u>
Unallocated head office and corporate liabilities	404,910	402,448
	<u>5,845,794</u>	<u>4,214,794</u>

#### 4 TURNOVER

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

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	
	2012 RMB'000	2011 RMB'000
Sales of:		
– gold	1,450,707	1,960,962
– other metals	841,953	707,899
– others	19,330	28,429
Less: Sales taxes and levies	(596)	(6,913)
	<u>2,311,394</u>	<u>2,690,377</u>

#### 5 OTHER REVENUE

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Bank interest income	2,069	1,844
Delivery service income	1,760	3,971
Scrap sales	2,096	1,887
Government grants	4,944	1,114
Sundry income	202	793
	<u>11,071</u>	<u>9,609</u>

#### 6 OTHER NET INCOME

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Net realised and unrealised (loss)/gain on financial instruments at fair value	(240)	3,617
Net gain/(loss) on disposal of property, plant and equipment	290	(1,697)
Impairment of intangible assets	–	(4,922)
Net foreign exchange gain	650	23,265
Others	324	572
	<u>1,024</u>	<u>20,835</u>

## 7 PROFIT BEFORE TAXATION

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

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<b>RMB'000</b>
(a) Finance costs:		
Interest expense on bank loans	<b>91,631</b>	69,321
Interest expense on corporate debentures	<b>21,720</b>	6,920
Interest expense on financial liabilities measured at amortised cost	<b>2,248</b>	–
Less: Interest expense capitalised into construction in progress	<b>(6,086)</b>	(8,017)
	<b>109,513</b>	68,224
Other borrowing costs	<b>1,208</b>	1,967
	<b>110,721</b>	70,191
(b) Other items:		
Amortisation of lease prepayments	<b>1,773</b>	1,150
Amortisation of intangible assets	<b>15,195</b>	4,345
Total depreciation	<b>128,136</b>	92,120
Less: Depreciation capitalised into construction in progress	<b>(246)</b>	(2,473)
	<b>127,890</b>	89,647
Operating lease charges in respect of properties	<b>1,582</b>	1,119
Impairment losses on prepayments and purchase deposits	–	3,214
Environmental rehabilitation fee	<b>5,835</b>	7,931
Research and development costs	<b>15,685</b>	2,819

## 8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
<b>Current tax</b>		
PRC income tax for the period	24,765	74,442
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(10,152)	(5,720)
	<u>14,613</u>	<u>68,722</u>

- (a) The Company and its PRC subsidiaries are subject to PRC income tax at the statutory rate of 25%, unless otherwise specified.

One of the Group's subsidiaries in the PRC, Lingbao Wason Copper-Foil Company Ltd. ("Wason Copper-Foil") was accredited as an "Advanced and New Technology Enterprise" in 2009 and entitled to an income tax rate of 15% for a period of three years from 2009 to 2011. Wason Copper-Foil is now applying for an extension of such preferential income tax treatment for another three years from 2012 to 2014. The directors of the Company believe that Wason Copper-Foil will continue to enjoy such preferential tax rate of 15% from 2012 to 2014 pursuant to the current applicable PRC tax laws and regulations.

- (b) Hong Kong profits tax rate for 2012 is 16.5% (2011: 16.5%). No provision for Hong Kong profits tax is made for the six months ended 30 June 2012 as the subsidiary located in Hong Kong did not earn any income which is subject to Hong Kong profits tax.
- (c) Kyrgyzstan profits tax rate for 2012 is 10% (2011: 10%). No provision for Kyrgyzstan profits tax is made for the six months ended 30 June 2012 as the subsidiaries located in the KR sustained losses for income tax purpose.
- (d) Laos profits tax rate for 2012 is 35% (2011: 35%). No provision for Laos profits tax is made for the six months ended 30 June 2012 as the subsidiary located in Laos did not earn any income which is subject to profits tax in Laos.

## 9 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to equity shareholders of the Company of RMB39,861,000 (six months ended 30 June 2011: RMB149,479,000) and 770,249,091 ordinary shares in issue during the six months ended 30 June 2012 (six months ended 30 June 2011: 770,249,091 ordinary shares).

### (b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2012 and 2011 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 29 May 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 approved and declared by the Company. Dividends of RMB29,727,000 were paid in June 2012 and unpaid dividends of RMB50,416,000 were recognised as a liability as at 30 June 2012.

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: 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 2012 RMB'000	At 31 December 2011 RMB'000
Within 3 months	465,425	287,649
Over 3 months but less than 6 months	172,011	97,456
Over 6 months but less than 1 year	4,943	32,145
Over 1 year	632	874
Trade debtors and bills receivable, net of allowance for doubtful debts	643,011	418,124
Other receivables, net of allowance for doubtful debts	282,290	320,644
Purchase deposits, net of allowance for non-delivery ( <i>note (a)</i> )	157,844	41,226
Deposits for derivative financial instruments ( <i>note (b)</i> )	79	2,079
	<b>1,083,224</b>	<b>782,073</b>

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.

- (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 end of reporting period:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 3 months	627,769	371,744
Over 3 months but less than 6 months	46,200	11,094
Over 6 months but less than 1 year	10,402	2,017
Over 1 year but less than 2 years	1,806	715
Over 2 years	1,788	1,983
	<hr/>	<hr/>
Total trade creditors	687,965	387,553
Bills payable	200,000	30,000
Other payables and accruals	325,967	363,761
Payable for mining rights	88,027	87,733
Payable to non-controlling interests ( <i>note (a)</i> )	19,190	36,501
Dividend payable ( <i>note 10</i> )	50,416	3,119
	<hr/>	<hr/>
	<b>1,371,565</b>	<b>908,667</b>
	<hr/>	<hr/>
<b>Non-current other payables</b>		
Payable for mining rights	3,759	3,509
Decommissioning costs	3,004	4,238
Payable to non-controlling interests ( <i>note (a)</i> )	10,196	–
Deferred income	21,923	15,231
	<hr/>	<hr/>
	<b>38,882</b>	<b>22,978</b>
	<hr/>	<hr/>

(a) The current portion of the payable to non-controlling interests amounting to RMB19,190,000 (31 December 2011: RMB36,501,000) is unsecured, interest free and repayable on demand.

The non-current portion of the payable to non-controlling interests amounting to RMB10,196,000 (31 December 2011: RMB Nil) is unsecured, interest free and repayable in October 2018.

## REVIEW OF BUSINESS AND PROSPECT

In the first half of 2012, Lingbao Gold Company Ltd. (“Lingbao Gold” or the “Company”) and its subsidiaries (together with the Company, the “Group”) produced approximately 7,652 kg (equivalent to approximately 246,018 ounces) of gold, representing an increase of approximately 579 kg (equivalent to approximately 18,615 ounces) or approximately 8.2% as compared with the corresponding period of the previous year. The Group’s turnover for the six months ended 30 June 2012 was approximately RMB2,311,394,000, representing a decrease of approximately 14.1% as compared with the corresponding period of the previous year. For the six months ended 30 June 2012, the profit attributable to the Company’s shareholders was approximately RMB39,861,000, representing a decrease of approximately 73.3% as compared with the corresponding period of the previous year. For the six months ended 30 June 2012, the basic earnings per share was RMB0.05. In the first half of 2012, the decrease in profit attributable to the Group’s shareholders as compared with the corresponding period of 2011 was mainly due to the fall of commodity prices in the first half of 2012. At the time of low commodity price, the management reduced the sales of gold bullion and silver, which resulted in an increase of inventories, and was looking for the sales opportunity in the circumstance of a market price recovery. The Group started the listing work on the A-share market in 2011. The receipt of its A share listing application was acknowledged by China Securities Regulatory Commission in August 2012.

The Group’s mineral resources are mainly scattered in the regions of Henan, Xinjiang, Inner Mongolia, Jiangxi, Gansu of the People’s Republic of China (the “PRC”) and Kyrgyz Republic (“KR”) with 54 mining and exploration rights as at 31 July 2012 covering 2,174.34 square kilometers. The total gold reserves and resources as at 30 June 2012 were approximately 41.00 tonnes (1,318,181 ounces) and 144.43 tonnes (4,643,532 ounces) respectively.

### 1. Mining Segment

#### *Turnover and production*

Our mining business comprises the sales of gold concentrates and compound gold. 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:

		<b>For the six months ended 30 June</b>			
		<b>2012</b>		<b>2011</b>	
	Unit	Approximate production volume	Approximate sales volume	Approximate production volume	Approximate sales volume
Gold concentrates	kg	<b>1,196</b>	<b>1,132</b>	1,017	910
Compound gold	kg	<b>430</b>	<b>385</b>	338	291
Total	kg	<b>1,626</b>	<b>1,517</b>	1,355	1,201
Total	ounce	<b>52,277</b>	<b>48,773</b>	43,564	38,613

The Group's revenue from the mining segment for the first half of 2012 was approximately RMB453,497,000, representing an increase of approximately 36.7% from approximately RMB331,670,000 for the same period in 2011. During the first half of 2012, revenue of gold mines in Henan, Xinjiang, Inner Mongolia and KR represented approximately 70.2%, 20.0%, 2.7% and 7.1% of the revenue from the mining segment respectively. The production of compound gold increased by approximately 92 kg to approximately 430 kg, while production of gold concentrates increased by approximately 233 kg to approximately 1,250 kg.

Full Gold Mining Limited Liability Company ("Full Gold"), which is located in KR, commenced production at the end of 2011. In the first half of 2012, Full Gold produced approximately 159 kg of gold concentrates.

### *Segment results*

The Group's results of the mining segment for the first half of 2012 was approximately RMB114,921,000, representing an increase of approximately 62.3% from approximately RMB70,811,000 for the same period in 2011. The segment result to segment turnover ratio of the Group's mining segment for the first half of 2012 was approximately 25.3%, representing an increase of approximately 4.0% from approximately 21.3% in the corresponding period in 2011.

## **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:

		<b>For the six months ended 30 June</b>			
		<b>2012</b>		<b>2011</b>	
	Unit	<b>Approximate production volume</b>	<b>Approximate sales volume</b>	Approximate production volume	Approximate sales volume
Gold bullion	kg	<b>7,606</b>	<b>4,107</b>	7,073	6,365
	ounce	<b>244,539</b>	<b>132,043</b>	227,402	204,640
Silver	kg	<b>22,381</b>	<b>108</b>	26,172	27,815
	ounce	<b>719,566</b>	<b>3,472</b>	841,449	894,273
Copper products	tonne	<b>7,424</b>	<b>9,894</b>	7,811	7,270
Sulphuric acid	tonne	<b>69,031</b>	<b>64,550</b>	70,819	73,775

### *Sales and production*

The Group's total turnover in the smelting segment for the first half of 2012 was approximately RMB1,963,339,000, representing a decrease of approximately 24.4% from approximately RMB2,595,989,000 for the same period of 2011. Such decrease during the reporting period was mainly attributable to the fall in sales volume of gold bullion and silver by approximately 35.5% and 99.6% 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 2012, the Group continued to maintain the recovery rates of gold, silver and copper at a high level, which were approximately 95.6%, 70.5% and 95.9% respectively.

### *Segment results*

Our smelting segment results for the first half of 2012 was approximately RMB75,957,000, representing a decrease of approximate 69.2% from approximately RMB246,974,000 for the same period in 2011. The segment results to segment turnover ratio of our smelting business for the first half of 2012 was approximately 3.9%, which decreased by approximately 5.6% from approximately 9.5% for the same period in 2011.

## **CONSOLIDATED OPERATING RESULTS**

### **Turnover**

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

Product name	For the six months ended 30 June					
	2012			2011		
Amount	Sales volume	Unit price	Amount	Sales volume	Unit price	
(RMB'000)	(kg/tonne)	(RMB per kg/tonne)	(RMB'000)	(kg/tonne)	(RMB per kg/tonne)	
Gold bullion	1,450,707	4,107 kg	353,228	1,960,962	6,365 kg	308,085
Silver	-	-	-	175,384	27,786 kg	6,312
Electrolytic coppers	332,686	6,674 tonnes	49,848	72,231	1,237 tonnes	58,392
Copper foils	509,267	7,449 tonnes	68,367	460,284	5,980 tonnes	76,971
Sulphuric acid	19,330	64,550 tonnes	300	28,429	73,499 tonnes	387
Turnover before sales tax	2,311,990			2,697,290		
Less: Sales taxes and levies	(596)			(6,913)		
	<u>2,311,394</u>			<u>2,690,377</u>		

The Group's turnover for the first half of 2012 was approximately RMB2,311,394,000, representing a decrease of approximately by 14.1% as compared with the corresponding period of the previous year. Such decrease was mainly attributable to the decrease in the sales volume of gold bullion and silver by approximately 35.5% and 100.0%, which resulted in the decrease in sales amount of gold bullion and silver products by approximately 26% and 100% respectively as compared to the corresponding period of the previous year.

In the first half of 2011, the Group's second phase of the copper foil factory, which is mainly built for the production of high-end copper foil, has already fully commenced production. As a result of the proactive initiatives of the Company to tap into new markets in the first half of 2012, the Company's copper foil began to expand into the mid-to-high-end markets on the foundation of its low-to-mid-end markets. In the meantime, the Company was gradually entering into the high-end lithium foil market upon ongoing and enhanced operation management. In the first half of 2012, the Group's copper foil production volume amounted to approximately 7,679 tonnes, increasing by 644 tonnes or 9.2% as compared with the corresponding period of the previous year. Copper foil sales volume was approximately 7,449 tonnes, increasing by 1,469 tonnes or 24.6% as compared with the corresponding period of the previous year.

## **OUTLOOK**

In the second half of 2012, the Group will strive to capture the best timing of the sales of its products, in order to maximize its profitability and reduce its inventories. At the same time, the Group will place emphasis in the following projects:

The Lingbao Nanshan mining areas will focus on exploration to increase the mineral reserve for stabilizing production and to ensure the meeting of its annual target; strengthen the construction progress of the key projects and to improve the construction efficiency of the eastern shaft.

Habahe Huatai Gold Limited Liability Company will strive to achieve a stable increase in the gold production with a focus on researching the methods in mining and reducing both dilution and loss rates; conduct medium-to-long term planning for exploration and mining works within the region; arrange to combine exploration and mining as well as to coordinate further deep-level exploration at existing mines; and speed up the arrangement of deep-level exploration work.

Tongbai Xingyuan Mining Company Limited will continue to enhance the knowledge of the exploration works throughout the whole mining area. Based on the developed vein, Xingyuan will adhere to the strategy of extending the vein from east to west and expanding the vein on both wing.

Chifeng Jinchan Mining Company Limited will ensure its effectiveness in exploration, and will implement renovation and expansion works of its tailings dump.

By taking advantage of the favourable opportunities of the political stability in KR, as well as the current production operation, Full Gold will make use of the advantage of the production scale of the treatment plant and increase its equipment operation rate and gold recovery rate.

The smelter will impose stricter index over the internal control, which will effectively enhance the process standards and improve the grade and quality of gold concentrate purchased and to increase the output volume. Effective measures will be adopted to purchase raw materials and equipment at low costs and of good quality, efficiently reduce the processing costs on a per ton basis. We will devote more efforts to scientific research and development, in particular with respect to improving the research and development on the leaching of refractory ores. This will in turn increase the recovery rate and decrease the tailing grades. Our awareness to crisis will be reinforced. We will practically conduct research and formulate tackle measures accordingly.

Lingbao Wason Copper-Foil Company Limited (“Wason Copper-Foil”) will persistently implement further restructuring of its product portfolio. We will increase the proportion of high-end lithium-foil to the total output of copper foil. Sales will be consolidated with an aim to optimize customers and tap into different markets. More efforts will be devoted to cost management. This will continue to reduce the processing costs of copper foils per ton. We will expand our capacities in research and development so as to satisfy the demand in the market. A research and development team has been established so as to ensure the upgrading to products with higher profit. This will ensure the high speed and sustainable development of Wason Copper Foil.

## **FINANCIAL REVIEW**

### **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 2012 amounted to RMB318,261,000.

The total equity attributable to shareholders of the Company as at 30 June 2012 amounted to RMB2,269,809,000 (31 December 2011: RMB2,299,330,000). As at 30 June 2012, the Group had current assets of RMB4,832,009,000 (31 December 2011: RMB3,223,881,000) and current liabilities of RMB3,956,098,000 (31 December 2011: RMB2,454,869,000). The current ratio was 1.22 (31 December 2011: 1.31).

As at 30 June 2012, the Group had total outstanding bank loans of approximately RMB3,693,196,000 with interest rates ranged from 2.55% to 7.54% per annum, of which approximately RMB2,549,669,000 was repayable within one year, approximately RMB704,026,000 was repayable after one year but not exceeding two years, approximately RMB339,113,000 was repayable after two years but not exceeding five years and approximately RMB100,388,000 was repayable after five years.

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.

The gearing ratio as at 30 June 2012 was 53.9% (31 December 2011: 48.4%) which was calculated as total borrowings divided by total assets value.

## **Security**

As at 30 June 2012, the mining right of Istanbul Gold Mine with carrying value amounting to RMB104,017,000 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 considerable fluctuation of gold price would lead to the Group's instability in operating results, especially in the event of a significant drop in gold price which would have a larger adverse impact to the Group's operating results.

### *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, which may cast financial impact to the Group.

### *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, bank loans and trade receivables relating to copper sales, 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 2012, contracted capital commitments was approximately RMB39,752,000, representing a decrease of approximately RMB103,413,000 from approximately RMB143,165,000 as at 31 December 2011.

### *Capital expenditures*

Capital expenditures during the period was approximately RMB119,876,000, including capital expenditure of approximately RMB109,656,000 in relation to the acquisition of fixed assets and construction in progress, and acquisition of intangible assets of approximately RMB10,220,000.

### *Contingent liabilities*

As at 30 June 2012, the Group had no material contingent liabilities.

### *Human resources*

For the six months ended 30 June 2012, the average number of employees of the Group was 6,067. The Company highly treasures its human resources and offers competitive remuneration to employees and provides employees with training programs.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

There were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the period ended 30 June 2012.

## **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 (as revised on 1 April 2012 and its previous version, as appropriate) 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. Yan Wanpeng, Ms. Du Liping, Mr. Xu Qiangsheng, Mr. Han Qinchun 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 2012, 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](http://www.hkexnews.hk), and the website of the Company, [www.irasia.com/listco/hk/lingbao](http://www.irasia.com/listco/hk/lingbao). The 2012 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  
29 August 2012

*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; two non-executive Directors, namely Mr. Wang Yumin and Mr. Yang Liening; and four independent non-executive Directors, namely Mr. Yan Wanpeng, Ms. Du Liping, Mr. Xu Qiangsheng and Mr. Han Qinchun.*