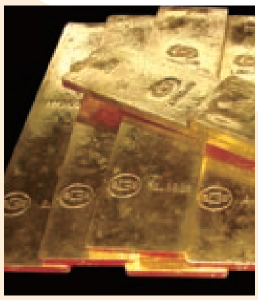
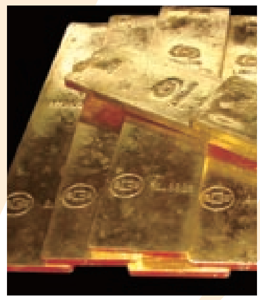
LINGJIN
灵 金

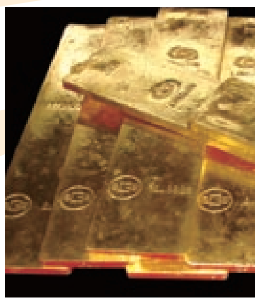
# Lingbao Gold Company Ltd.
# 靈寶黃金股份有限公司

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

*(Stock Code: 3330)*







*G r o w t h   I n n o v a t i o n   P r o g r e s s*

Interim Report 2009

# Contents



# Corporate Information

## Directors

**Executive Directors**
Xu Gaoming *(Chairman)*
Wang Jianguo
Lu Xiaozhao
Jin Guangcai
Liu Pengfei
Zhang Guo

**Non-executive Directors**
Wang Yumin

**Independent Non-executive Directors**
Niu Zhongjie
Wang Han
Yan Wanpeng
Du Liping

## Supervisors

Liu Shengmin *(Chairman of the Supervisory Committee)*
Meng Fanrui
Guo Xuchang
Zhu Yusheng
Yang Bo
Hang Zhanping
Jiao Xiaoxiao

## Company Secretary

Poon, Lawrence Chi Leung *(ASCPA, HKICPA)*

## Authorised Representatives

Jin Guangcai
Poon, Lawrence Chi Leung *(ASCPA, HKICPA)*

## Audit Committee

Yan Wanpeng *(Chairman of Audit Committee)*
Wang Yumin
Niu Zhongjie
Wang Han
Du Liping

## International Auditors

KPMG

## Legal Adviser

*HongKong law*
DLA Piper Hong Kong
*PRC law*
Commerce & Finance Law Offices

## Principal Bankers

Bank of China, Lingbao City Branch
Agricultural Bank of China, Lingbao City Branch
China Construction Bank, Lingbao City Branch
Industrial Bank, Zhengzhou Branch
Bank of Communications, Zhengzhou Branch
China Development Bank

## Share Registrar and Transfer Office for H Shares

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## Registered Office

Xin Village, Yinzhuang Town
Daonan Industrial Area
Lingbao
Henan
The PRC



## Principal Place of Business in Hong Kong

Room 1902, 19th Floor, MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

## Stock Information

| | |
|---|---|
| Stock code: | 3330 |
| Listing date: | 12 January 2006 |
| Issued shares: | 297,274,000 shares (H Shares) |
| | 472,975,091 shares (Domestic shares) |
| Nominal value: | RMB0.20 per share |
| Stock name: | Lingbao Gold |
| Website: | www.lbgold.com |
| Investors' website: | www.irasia.com/listco/hk/lingbao |

## Investor Relations Contact

**The Company:**

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38 Gloucester Road
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PRC Office
Xin Village, Yinzhuang Town
Daonan Industrial Area
Lingbao
Henan
The People's Republic of China
(Postcode: 472500)
Tel : (86-398) 8862-200
Fax : (86-398) 8860-166
Email : lingbaogold@vip.sina.com



## Review of Business and Prospect

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

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

The Group's mineral resources are mainly scattered in the PRC regions of Henan, Xinjiang, Inner Mongolia, Jiangxi, Gansu and Kyrgyz Republic with 57 mining and exploration rights as at 31 August 2009 covering 1,288.54 square kilometers. The total gold reserves and resources as at 30 June 2009 were approximately 125.36 tonnes.

1. **Mining Segment**

   ***Turnover and production***

   Our mining business comprises the sales of gold concentrates and compound golds. All gold concentrates and compound gold are sold to the Group's smelting plant as intra-group sales.



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

| | | For the six months ended 30 June | | | |
|---|---|---|---|---|---|
| | | **2009** | | 2008 | |
| | Unit | **Approximate production volume** | **Approximate sales volume** | Approximate production volume | Approximate sales volume |
| Gold concentrates | kg | **929** | **924** | 801 | 672 |
| Compound gold | kg | **510** | **520** | 444 | 390 |
| Total | kg | **1,439** | **1,444** | 1,245 | 1,062 |
| Total | ounce | **46,265** | **46,426** | 40,028 | 34,144 |

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

***Segment results***

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



***Prospect***

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

**2. Smelting Segment**

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

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



***Sales and production***

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

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

***Segment results***

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

***Prospect***

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



## Consolidated Operating Results

### Turnover

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

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

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

## Outlook for 2009

During the third quarter of 2009, the international gold price stayed at a level above US$900 per ounce. Although the outlook of economy remained unclear, recent increase in oil price and quantitative easing approach by central banks in various countries have raised the risk of inflation. Those factors are believed to provide solid support to the gold price. The Group will further enhance its cost control, lower its operating costs and proactively response to changes in operating environment so as to grasp opportunities and face the challenge. In addition, the Group will try its best to seek opportunities to maximize returns to its shareholders.

## Financial Review

### Acquisition and disposal

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

### Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 30 June 2009 amounted to RMB897,487,000.

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

As at 30 June 2009, the Group had total outstanding bank loans and other borrowings of approximately RMB2,356,912,000 with interest rates ranged from 3.44% to 6.66% per annum, of which approximately RMB1,060,000,000 was repayable within one year, approximately RMB582,734,000 was repayable after one year but not exceeding two years, approximately RMB527,053,000 was repayable after two years but not exceeding five years and approximately RMB183,855,000 was repayable after five years. The gearing ratio as at 30 June 2009 was 49.7% (31 December 2008: 42.6%) which was calculated as total borrowings divided by total assets value.

### Security

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

### Market risks

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

#### *Gold price and other commodities price risk*

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

#### *Interest rate*

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



***Exchange rate risk***

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

***Contractual obligations***

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

***Capital expenditures***

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

***Contingent liabilities***

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

***Human resources***

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

## Purchase, Sale or Redemption of Listed Securities of the Company

There were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the period ended 30 June 2009.

## Directors', Supervisors and Chief Executive's Interests in Shares

As at 30 June 2009, the interest and short position of each Director, Supervisor and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (for this purpose, the relevant provisions of the SFO will be interpreted as if applicable to Supervisors) were as follows:

| Supervisors | Relevant entity | Capacity | Number of domestic shares held (Long position) | Approximate percentage of the total of the issued domestic share capital | Approximate percentage of the total of the issued share capital |
|---|---|---|---|---|---|
| Mr. Meng Fanrui (孟凡瑞先生) | The Company | Interests of Controlled Corporation *(Note 1)* | 18,000,000 | 3.80% | 2.34% |
| Mr. Guo Xuchang (郭續長先生) | The Company | Interests of Controlled Corporation *(Note 2)* | 12,250,000 | 2.58% | 1.59% |

*Notes:*

1. Henan Xuanrui Assets Company Limited ("Henan Xuanrui") (河南軒瑞產業股份有限公司), a promoter of the Company, owns approximately 2.34% interest in the Company as at the date of this report. Mr. Meng Fanrui (孟凡瑞先生) owns approximately 61.6% interest in Henan Xuanrui and together with his wife Ms. Ma Xianting (馬仙婷小姐), hold approximately 96.1% of the shareholding in Henan Xuanrui. Under section 316 of the SFO, Mr. Meng Fanrui (孟凡瑞先生) is deemed to be interested in the shares held by Henan Xuanrui.

2. Lingbao Guoshi Mining Limited Liability Company (靈寶郭氏礦業有限公司) ("Lingbao Guoshi Mining") owns approximately 1.59% interest in the Company as at the date of this report. Mr. Guo Xuchang (郭續長先生) owns approximately 78.8% interest in Lingbao Guoshi Mining and together with his wife Ms. Yang Yuqin (楊玉琴小姐), hold 100% of the shareholding in Lingbao Guoshi Mining. Under section 316 of the SFO, Mr. Guo Xuchang (郭續長先生) is deemed to be interested in the shares held by Lingbao Guoshi Mining.



## Substantial Shareholders' Interests in Shares

As at 30 June 2009, as far as the Directors are aware of, the following persons, other than the Directors, Supervisors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

| | Number of domestic shares | Nature of interest | Approximate percentage of the total of the issued domestic share capital | Approximate percentage of the total of the issued share capital |
|---|---|---|---|---|
| Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司) ("Lingbao State-owned Assets") *(Notes 1 and 2)* | 373,840,620 | Beneficial owner | 79.04% | 48.54% |
| Sanmenxia Jinqu Group Company Limited (三門峽金渠集團有限公司) ("Sanmenxia Jinqu") | 37,698,784 | Beneficial owner | 7.97% | 4.89% |

| | Number of H shares | Nature of interest | Approximate percentage of the total of the issued H share capital | Approximate percentage of the total of the issued share capital |
|---|---|---|---|---|
| Harvest Fund Management Co., Ltd. *(Note 3)* | 15,564,000 | Beneficial owner | 5.24% | 2.02% |
| China Credit Trust Co., Ltd. *(Note 3)* | 15,564,000 | Interests in controlled corporation | 5.24% | 2.02% |

*Notes:*

1. In addition to its direct interest in 373,840,620 domestic shares, Lingbao State-owned Assets has an indirect interest in the Company through its equity interest of approximately 43.4% in Lingbao Gold Machinery Limited Liability Company (靈寶市黃金機械有限責任公司), which in turn holds approximately 21.1% equity interest in Lingbao Jinxiang Auto Parts Limited Liability Company (靈寶市金象汽車零部件有限責任公司) ("Lingbao Jinxiang Motors"). Lingbao Jinxiang Motors is a promoter of the Company, which held approximately 1.7% shareholding in the Company as at the date of this report.

2. Mr. Wang Yumin (王育民先生), a non-executive Director, is the general manager of Lingbao State-owned Assets.

3. The 15,564,000 H shares are held by Harvest Fund Management Co., Ltd. China Credit Trust Co., Ltd. holds 40% equity interests of Harvest Fund Management Co., Ltd.



## 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 discussing at Board meetings and complete and reliable information had been received by directors.

Mr. Xu Gaoming is the Chairman and Chief Executive Officer of the Company and has considerable industry experience. Thus, there is a deviation from the Code Provision A.2.1. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is capable to guide discussions and brief the Board (in particular, the non-executive Directors) in a timely manner on various issues and developments of the industry. In addition, the Board believes that this structure can assist the Group to implement decisions promptly and more efficiently.

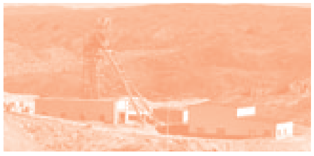
(ii) **Code Provision A.4.2** (Directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after appointment)

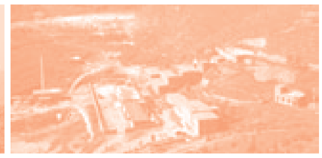
With respect to the re-election of newly appointed Director, the Company has complied with Paragraph 4(2) of Appendix 3 of the Listing Rules, which permits the Directors who have been appointed to fill a casual vacancy of the Board be subject to re-election at the next annual general meeting of the Company.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

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. Based on specific enquiry of the Company's Directors, the Directors have complied with the required standard set out in the Model Code, throughout the period under review.









## Audit Committee

The audit committee ("Audit Committee") of the Company, comprising four independent non-executive Directors and one non-executive Director, namely, Mr. Niu Zhongjie, Mr. Yan Wanpeng, Mr. Wang Han, Ms. Du Liping and Mr. Wang Yumin has reviewed the accounting principles and practices adopted by the Group and have discussed and reviewed the internal control and financial reporting matters, including the unaudited interim financial report for the six months ended 30 June 2009, with the management and external auditors of the Company. The Audit Committee is of the opinion that such report complies with applicable accounting standards, the Listing Rules and the legal requirements and that adequate disclosures have been made.

By order of the Board

**Xu Gaoming**
*Chairman*

Lingbao City, Henan Province, The PRC
24 September 2009



The board of directors (the "Board") of Lingbao Gold Company Ltd. (the "Company") present herewith the unaudited consolidated income statement, unaudited consolidated statement of comprehensive income, unaudited consolidated statement of changes in equity and unaudited condensed consolidated cash flow statement of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2009 and the unaudited consolidated balance sheet of the Group at 30 June 2009, together with the comparative figures for the six months ended 30 June 2008 and at 31 December 2008 respectively.



# Consolidated Income Statement

for the six months ended 30 June 2009 – unaudited

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

The notes on pages 23 to 45 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 18.



# Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2009 – unaudited

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

The notes on pages 23 to 45 form part of this interim financial report.



# Consolidated Balance Sheet

at 30 June 2009 – unaudited

| | Note | At 30 June 2009 RMB'000 | At 31 December 2008 RMB'000 (restated) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **913,012** | 826,253 |
| Construction in progress | *10* | **602,494** | 452,716 |
| Intangible assets | *11* | **580,019** | 556,480 |
| Goodwill | | **38,926** | 38,882 |
| Lease prepayments | | **91,768** | 86,870 |
| Other investments | | **10,504** | 10,504 |
| Investment deposits | *12* | **132,649** | 80,000 |
| Non-current prepayments | | **114,061** | 135,376 |
| Deferred tax assets | | **52,446** | 50,764 |
| | | **2,535,879** | 2,237,845 |
| **Current assets** | | | |
| Inventories | *13* | **760,572** | 711,333 |
| Trade and other receivables, deposits and prepayments | *14* | **543,747** | 545,958 |
| Current tax recoverable | | **4,075** | 22,205 |
| Cash and cash equivalents | *15* | **897,487** | 575,478 |
| | | **2,205,881** | 1,854,974 |
| **Current liabilities** | | | |
| Bank loans | *17* | **1,060,000** | 1,280,000 |
| Trade and other payables | *16* | **436,976** | 464,403 |
| Loan from ultimate holding company | *20(a)* | **23,800** | 23,800 |
| Current tax payable | | **8,338** | 17,662 |
| | | **1,529,114** | 1,785,865 |
| **Net current assets** | | **676,767** | 69,109 |
| **Total assets less current liabilities** | | **3,212,646** | 2,306,954 |



# Consolidated Balance Sheet (continued)

at 30 June 2009 – unaudited

| | Note | At 30 June 2009 RMB'000 | At 31 December 2008 RMB'000 (restated) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank loans | *17* | **1,293,642** | 455,160 |
| Other loan | *17* | **3,270** | 3,270 |
| Other payables | *16* | **102,324** | 111,730 |
| | | **1,399,236** | 570,160 |
| **NET ASSETS** | | **1,813,410** | 1,736,794 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *18* | **154,050** | 154,050 |
| Reserves | | **1,633,240** | 1,556,831 |
| **Total equity attributable to equity shareholders of the Company** | | **1,787,290** | 1,710,881 |
| **Minority interests** | | **26,120** | 25,913 |
| **TOTAL EQUITY** | | **1,813,410** | 1,736,794 |

The notes on pages 23 to 45 form part of this interim financial report.



# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009 – unaudited

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Statutory reserve RMB'000 | Capital reserve RMB'000 | Exchange reserve RMB'000 | Other reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Minority interests RMB'000 | Total RMB'000 |
| **Balance at 1 January 2008** | 154,050 | 827,931 | 97,936 | 32,334 | (3,959) | (858) | 564,612 | 1,672,046 | 26,337 | 1,698,383 |
| **Changes in equity for the six months ended 30 June 2008:** | | | | | | | | | | |
| Total comprehensive income for the period (as restated) | – | – | – | – | (2,435) | – | 128,342 | 125,907 | (387) | 125,520 |
| Dividend declared in respect of prior year *(note 18)* | – | – | – | – | – | – | (77,025) | (77,025) | – | (77,025) |
| Gain on deemed disposal of subsidiary | – | – | – | – | – | – | – | – | (392) | (392) |
| Capital contributions to subsidiary from minority interests | – | – | – | – | – | – | – | – | 1,154 | 1,154 |
| Profit appropriation | – | – | 14,509 | – | – | – | (14,509) | – | – | – |
| **Balance at 30 June 2008 and 1 July 2008** | 154,050 | 827,931 | 112,445 | 32,334 | (6,394) | (858) | 601,420 | 1,720,928 | 26,712 | 1,747,640 |
| **Changes in equity for the six months ended 31 December 2008:** | | | | | | | | | | |
| Total comprehensive income for the period (as restated) | – | – | – | – | 2,685 | – | (12,732) | (10,047) | (799) | (10,846) |
| Profit appropriation | – | – | (6,032) | – | – | – | 6,032 | – | – | – |
| **Balance at 31 December 2008 (as restated)** | 154,050 | 827,931 | 106,413 | 32,334 | (3,709) | (858) | 594,720 | 1,710,881 | 25,913 | 1,736,794 |

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Statutory reserve RMB'000 | Capital reserve RMB'000 | Exchange reserve RMB'000 | Other reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Minority interests RMB'000 | Total RMB'000 |
| **Balance at 1 January 2009 (as previously reported)** | 154,050 | 827,931 | 106,413 | 32,334 | (3,709) | (858) | 587,276 | 1,703,437 | 25,694 | 1,729,131 |
| Prior period adjustments arising from changes in accounting policies *(note 2(a))* | – | – | – | – | – | – | 7,444 | 7,444 | 219 | 7,663 |
| **Balance at 1 January 2009, after prior period adjustments** | 154,050 | 827,931 | 106,413 | 32,334 | (3,709) | (858) | 594,720 | 1,710,881 | 25,913 | 1,736,794 |
| **Changes in equity for the six months ended 30 June 2009** | | | | | | | | | | |
| Acquisition of subsidiary *(note 21(a))* | – | – | – | – | – | – | – | – | 44 | 44 |
| Total comprehensive income for the period | – | – | – | – | 3,422 | – | 72,987 | 76,409 | 163 | 76,572 |
| **Balance at 30 June 2009** | 154,050 | 827,931 | 106,413 | 32,334 | (287) | (858) | 667,707 | 1,787,290 | 26,120 | 1,813,410 |

The notes on pages 23 to 45 form part of this interim financial report.



# Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2009 – unaudited

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2009** | 2008 |
| | *Note* | **RMB'000** | RMB'000 |
| **Cash generated from operations** | | **192,612** | 336,904 |
| **PRC income tax paid** | | **(23,980)** | (79,971) |
| **Net cash generated from operating activities** | | **168,632** | 256,933 |
| **Net cash (used in)/generated from investing activities** | | **(406,446)** | 8,285 |
| **Net cash generated from/(used in) financing activities** | | **571,226** | (215,572) |
| **Net increase in cash and cash equivalents** | | **333,412** | 49,646 |
| **Cash and cash equivalents at 1 January** | *15* | **565,411** | 294,692 |
| **Effect of foreign exchange rate changes** | | **(1,336)** | (2,384) |
| **Cash and cash equivalents at 30 June** | *15* | **897,487** | 341,954 |

The notes on pages 23 to 45 form part of this interim financial report.



## 1 Basis of preparation

This 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"). It was authorised for issuance on 24 September 2009.

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

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by an independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 46.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 24 April 2009.

## 2 Changes in accounting policies

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

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

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

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related production processes, products and services only. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 3). As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

## 2 Changes in accounting policies (continued)

- As a result of the adoption to HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

- In prior years, borrowing costs are expensed in profit or loss in the period in which they are incurred.

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

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

## 2 Changes in accounting policies (continued)

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

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

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

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

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

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

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

## 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. On first-time adoption of HKFRS 8, *Operating segments,* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following four reportable segments. Operating segments with similar nature of the production process, products and services have been aggregated to form the following reportable segments.

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

### (a) Segment results, assets and liabilities

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

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

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

## 3 Segment reporting (continued)

### (a) Segment results, assets and liabilities (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 period is set out below.

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



## 3 Segment reporting (continued)

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

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB'000** | RMB'000 |
| | | (restated) |
| **Revenue** | | |
| Reportable segment revenue | **1,981,925** | 2,118,131 |
| Elimination of inter-segment revenue | **(316,200)** | (281,551) |
| Consolidated turnover | **1,665,725** | 1,836,580 |
| **Profit** | | |
| Reportable segment profit | **199,757** | 246,835 |
| Elimination of inter-segment profits | **(29,829)** | (17,880) |
| Reportable segment profit derived from the Group's external customers | **169,928** | 228,955 |
| Finance costs | **(48,041)** | (48,156) |
| Unallocated head office and corporate expenses | **(17,633)** | (19,454) |
| Negative goodwill arising from business combination *(note 21(b))* | **–** | 12,437 |
| Consolidated profit before taxation | **104,254** | 173,782 |



## 3 Segment reporting (continued)

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

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



## 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 | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB'000** | RMB'000 |
| Sales of: | | |
| – Gold | **1,337,199** | 1,328,411 |
| – Other metals | **319,077** | 420,582 |
| – Others | **11,618** | 94,802 |
| Less: Sales taxes and levies | **(2,169)** | (7,215) |
| | **1,665,725** | 1,836,580 |

## 5 Other revenue

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

## 6 Other net income

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB'000** | RMB'000 |
| Net realised gain of financial instruments at fair value | **28,125** | – |
| Net gain/(loss) on disposal of property, plant and equipment | **41** | (377) |
| Net foreign exchange losses | **(17,969)** | (4,085) |
| Negative goodwill arising from business combination *(note 21(b))* | **–** | 12,437 |
| Gain on deemed disposal of subsidiary | **–** | 392 |
| Others | **(84)** | (656) |
| | **10,113** | 7,711 |

## 7 Profit before taxation

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

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB'000** | RMB'000 |
| (a) Finance costs: | | |
| Interest expense on bank advances wholly repayable within five years | **56,254** | 14,594 |
| Less: Interest expense capitalised into construction in progress and intangible assets | **(11,610)** | (286) |
| | **44,644** | 14,308 |
| Interest expenses on financial liabilities measured at amortised cost | **3,175** | – |
| Interest on other loan | **59** | 45 |
| Interest on unsecured debenture | **–** | 15,501 |
| Net realised loss on commodity-linked interest-bearing borrowings | **–** | 17,909 |
| Other borrowing costs | **163** | 393 |
| | **48,041** | 48,156 |

## 7 Profit before taxation (continued)

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

| | Six months ended 30 June 2009 RMB'000 | 2008 RMB'000 |
|---|---|---|
| (b) Other items: | | |
| Amortisation of lease prepayments | **1,072** | 583 |
| Operating lease charges in respect of properties | **888** | 666 |
| Total depreciation | **73,139** | 52,524 |
| Less: Depreciation capitalised into construction in progress | **(334)** | (453) |
| | **72,805** | 52,071 |
| Total amortisation of intangible assets | **34,485** | 52,256 |
| Less: Amortisation capitalised into exploration and evaluation assets | **(21,655)** | (29,948) |
| | **12,830** | 22,308 |

## 8 Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

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



## 8 Income tax in the consolidated income statement (continued)

(a) The provision for PRC income tax is based on a statutory rate of 25% (2008: 25%) of the estimated assessable profit of the Company and its subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

(b) The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit of Lingbao Gold International Company Limited ("LGICL"). No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2009 and 2008 as LGICL did not earn any income which is subject to Hong Kong Profits Tax.

(c) The provision for Kyrgyzstan Profits Tax for 2009 is calculated at 10% (2008: 10%) of the estimated assessable profit of Full Gold Mining Limited Liability Company ("FGMLLC"). No provision for Kyrgyzstan Profits Tax is made for the six months ended 30 June 2009 and 2008 as FGMLLC did not earn any income which is subject to Kyrgyzstan Profits Tax.

## 9 Earnings per share

### (a) Basic earnings per share

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

### (b) Diluted earnings per share

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

## 10 Property, plant and equipment and construction in progress

### Acquisitions and disposals

During the six months ended 30 June 2009, additions of property, plant and equipment and construction in progress made by the Group amounting to RMB73,180,000 (six months ended 30 June 2008: RMB84,557,000, including RMB64,467,000 acquired through business combination) and RMB241,864,000 (six months ended 30 June 2008: RMB134,744,000, including RMB6,083,000 acquired through business combination) respectively. Items of property, plant and equipment with an aggregate net book value of RMB325,000 were disposed of during the six months ended 30 June 2009 (six months ended 30 June 2008: RMB1,703,000), resulting in a gain on disposal of RMB41,000 (six months ended 30 June 2008: loss on disposal of RMB377,000).



## 11 Intangible assets

**Acquisitions and disposals**

During the six months ended 30 June 2009, additions of mining rights, exploration rights and exploration and evaluation assets made by the Group amounting to RMB14,715,000 (six months ended 30 June 2008: RMB197,380,000), RMB6,152,000 (six months ended 30 June 2008: RMB14,690,000) and RMB31,289,000 (six months ended 30 June 2008: RMB18,464,000) respectively. Items of exploration and evaluation assets with an aggregate net book value of RMB2,020,000 were disposed of during the six months ended 30 June 2009 (six months ended 30 June 2008: RMBNil).

## 12 Investment deposits

During the year ended 31 December 2006, an amount of RMB80,000,000 was paid to an independent third party to acquire 56.25% interest of a company with certain mining assets situated in Gansu Province, the PRC. Upon the expiry of the supplementary agreement dated 6 March 2009, the Group has entered into another supplementary agreement on 30 June 2009 to extend the expiry date of the supplementary agreement to 31 October 2009. The directors expect this acquisition will be completed by the end of October 2009.

During the six months ended 30 June 2009, consideration of RMB52,649,000 was paid to an independent third party to acquire 70% equity interest of a company which is principally engaged in geological exploration of mineral reserves in KR. This acquisition has not yet been completed at 30 June 2009 as the transfer of shareholdings is under relevant government approval.

The amounts are unsecured, interest-free and repayable when the relevant exclusive rights or agreements expire. The directors of the Company consider that appropriate procedures have been taken by the Group to assess the viability of the potential mines and expect that the deposits would be recovered through the acquisition of the mines together with the relevant mining assets or the conversion to equity interests in the relevant mining companies.

## 13 Inventories

| | **At 30 June 2009 RMB'000** | At 31 December 2008 RMB'000 |
|---|---|---|
| Raw materials | **403,602** | 396,558 |
| Work in progress | **45,818** | 48,769 |
| Finished goods | **269,411** | 228,553 |
| Spare parts and materials | **41,741** | 37,453 |
| | **760,572** | 711,333 |

## 13 Inventories (continued)

The analysis of the amount of inventories recognised as an expense is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB'000** | RMB'000 |
| Carrying amount of inventories sold | **1,439,119** | 1,550,867 |

## 14 Trade and other receivables, deposits and prepayments

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

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

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.

## 14 Trade and other receivables, deposits and prepayments (continued)

(b) The Group placed deposits with independent futures trading agents for commodity derivative contracts entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in gold and copper commodities.

(c) According to a supplementary agreement entered between the Company with Beijing Jiuyi Investment Company Limited ("Beijing Jiuyi") regarding the extension of compensation payment for a proposed acquisition, Beijing Jiuyi should pay RMB108,700,000 to the Company in two instalments. The first instalment of RMB50,000,000 should be settled before 30 April 2009 and the second instalment of RMB58,700,000 should be settled before 31 October 2009.

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

## 15 Cash and cash equivalents

| | **At 30 June 2009 RMB'000** | At 31 December 2008 RMB'000 |
|---|---|---|
| Cash at bank and in hand | **897,487** | 575,478 |
| Restricted deposits *(note)* | **–** | (10,067) |
| Cash and cash equivalents in the condensed consolidated cash flow statement | **897,487** | 565,411 |

*Note:* The Company's H shares were successfully listed on the Main Board of the Stock Exchange on 12 January 2006. The Group raised RMB865,379,000 (net of related expenses) from the offer. The proceeds from the offer is placed in designated bank saving and deposits accounts. The deposits can only be used for the specified purposes stipulated in the prospectus of the Company dated 30 December 2005. As at 31 December 2008, the amount of cash and bank deposits placed in the designated accounts amounted to RMB10,067,000. The balance is subsequently released after the approval from State Administration of Foreign Exchange in 2009.



## 16 Trade and other payables

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

| | **At 30 June 2009 RMB'000** | At 31 December 2008 RMB'000 |
|---|---|---|
| Within 3 months | **87,266** | 133,813 |
| Over 3 months but less than 6 months | **11,517** | 6,337 |
| Over 6 months but less than 1 year | **5,670** | 3,938 |
| Over 1 year but less than 2 years | **1,250** | 73 |
| Over 2 years | **1,646** | 1,160 |
| Total creditors | **107,349** | 145,321 |
| Other payables | **168,598** | 182,432 |
| Payable for mining rights | **94,768** | 78,401 |
| Salary and welfare payable | **32,736** | 23,893 |
| Accruals | **20,018** | 13,764 |
| Interest payable | **10,442** | 9,541 |
| Dividend payable | **–** | 3,770 |
| Receipts in advance | **2,214** | 2,288 |
| Derivative financial liabilities | **851** | 4,993 |
| | **436,976** | 464,403 |
| **Non-current other payables** | | |
| Payable for mining rights | **73,418** | 101,630 |
| Payable to minority shareholders | **28,906** | 10,100 |
| | **102,324** | 111,730 |

The amounts payable to minority shareholders of RMB18,812,000 (31 December 2008: RMBNil) and RMB10,094,000 (31 December 2008: RMB10,100,000) are unsecured, interest-free and repayable on 24 June 2012 and 1 April 2011 respectively.



## 17 Interest-bearing borrowings

**(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:**

| | At 30 June 2009 RMB'000 | At 31 December 2008 RMB'000 |
|---|---|---|
| **Current portion:** | | |
| Bank loans | **1,060,000** | 1,280,000 |
| **Non-current portion:** | | |
| Bank loans | **1,293,642** | 455,160 |
| Other loan *(note (b))* | **3,270** | 3,270 |
| | **1,296,912** | 458,430 |

Bank loans are repayable as follows:

| | At 30 June 2009 RMB'000 | At 31 December 2008 RMB'000 |
|---|---|---|
| Within 1 year or on demand | **1,060,000** | 1,280,000 |
| Over 1 year but within 2 years | **582,734** | 150,000 |
| Over 2 years but within 5 years | **527,053** | 172,490 |
| Over 5 years | **183,855** | 132,670 |
| | **2,353,642** | 1,735,160 |
| **Representing:** | | |
| Secured | **283,642** | 205,160 |
| Unsecured | **2,070,000** | 1,530,000 |
| | **2,353,642** | 1,735,160 |

At 30 June 2009, a bank loan of the Group of RMB283,642,000 (31 December 2008: RMB205,160,000) was secured by the mining right of Istanbul Gold Mine with carrying amount of RMB132,285,000 (31 December 2008: RMB145,328,000) and the ordinary shares of FGMLLC.



## 17 Interest-bearing borrowings (continued)

### (b) Other loan

The Finance Bureau of Lingbao (靈寶市財政局) granted the Company a fifteen-year loan for the construction of a new smelting plant in Lingbao City, Henan Province, the PRC. The loan is unsecured, interest-bearing at a rate with reference to the 1-year deposit rate of the People's Bank of China plus 0.3% margin. The loan principal is repayable in eleven equal annual instalments with the first instalment commencing from December 2009.

## 18 Capital and dividends

### (a) Share capital

| | **At 30 June 2009 RMB'000** | At 31 December 2008 RMB'000 |
|---|---|---|
| **Registered, issued and fully paid:** | | |
| 472,975,091 (2008: 472,975,091) Non-circulating domestic shares of RMB0.20 each | **94,595** | 94,595 |
| 297,274,000 (2008: 297,274,000) H shares of RMB0.20 each | **59,455** | 59,455 |
| | **154,050** | 154,050 |

All Domestic shares and H shares are ordinary shares and rank pari passu with same rights and benefits.

### (b) Dividends

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

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

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

## 19 Capital commitments and contingencies

### (a) Capital commitments

Capital commitments, representing purchase of property, plant and equipment outstanding at 30 June 2009 not provided for in the interim financial report were as follows:

| | **At 30 June 2009 RMB'000** | At 31 December 2008 RMB'000 |
|---|---|---|
| Contracted for | **260,849** | 176,184 |
| Authorised but not contracted for | **439,322** | 624,106 |

### (b) Environmental contingencies

To date, the Group has not incurred any significant expenditure for environment remediation, and is currently not involved in any environmental remediation. In addition, the Group has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants whether they are operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material. The Group paid normal routine pollutant discharge fees of RMB684,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB960,000).

## 20 Related party transactions

Particulars of significant transactions with related parties during the period are as follows:

### (a) Non-recurring transactions

The loan with a principal of RMB23,800,000 was provided by Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限責任公司) and assumed by the Group upon the acquisition of Lingbao Wason Copper-Foil Company Limited ("Lingbao Wason") during the six months ended 30 June 2008. The loan is unsecured, interest-free and repayable on demand.

### (b) Recurring transactions

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB'000** | RMB'000 |
| Purchase of electricity from Lingbao Electric Company (靈寶市電業總公司), an equity shareholder of the Company | **34,397** | 27,232 |

### (c) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisation.

Transactions with other state-controlled entities include but are not limited to the following:

– sales and purchase of goods and ancillary materials;
– rendering and receiving of utilities and other services;
– purchase of property, plant and equipment; and
– obtaining finance.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.



## 20 Related party transactions (continued)

### (c) Transactions with other state-controlled entities in the PRC (continued)

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements; the directors are of the opinion that there are no transactions that require disclosure as related party transactions.

### (d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors and supervisors is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **RMB'000** | RMB'000 |
| Short-term employee benefits | **1,638** | 1,990 |
| Contributions to retirement benefit schemes *(note (e))* | **22** | 23 |
| | **1,660** | 2,013 |

### (e) Contribution to retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at the rate of 20% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payables to retired employees.

The Group have no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above. The Group's contributions for the six months ended 30 June 2009 were RMB3,816,000 (six months ended 30 June 2008: RMB3,649,000).

## 21 Business combination

### (a) For the six months ended 30 June 2009

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

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

Acquiree's net assets at the acquisition date:

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

### (b) For the six months ended 30 June 2008

On 24 March 2008, the Group has acquired the entire equity interest in Lingbao Wason from a third party at a consideration of RMB27,900,000 satisfied in cash. The aggregate amount of its assets and liabilities recognised at the acquisition date are RMB243,487,000 and RMB203,150,000 respectively.

The acquired company contributed revenue of RMB81,252,000 and net profit of RMB7,805,000 to the Group since the date of acquisition. If the acquisition had occurred on 1 January 2008, the Group's revenue and net profit for the six months ended 30 June 2008 would have been RMB1,855,681,000 and RMB130,214,000 (restated) respectively.



## 21 Business combination (continued)

**(b) For the six months ended 30 June 2008** (continued)

Acquiree's net assets at the acquisition date:

| | Pre-acquisition carrying amount RMB'000 | Fair value adjustments RMB'000 | Recognised values on acquisition RMB'000 |
|---|---|---|---|
| Property, plant and equipment | 61,902 | 2,565 | 64,467 |
| Construction in progress | 6,083 | – | 6,083 |
| Lease prepayments | 10,529 | 3,555 | 14,084 |
| Inventories | 21,955 | 4,339 | 26,294 |
| Trade and other receivables, deposits and prepayments | 117,766 | 177 | 117,943 |
| Cash at bank and in hand | 14,616 | – | 14,616 |
| Deferred tax assets/(liabilities) | 2,562 | (2,659) | (97) |
| Bank loans and other loan | (73,800) | – | (73,800) |
| Trade and other payables | (127,441) | – | (127,441) |
| Current tax payable | (1,812) | – | (1,812) |
| Net identifiable assets | 32,360 | 7,977 | 40,337 |
| Negative goodwill arising from the acquisition | | | (12,437) |
| Total purchase consideration | | | 27,900 |
| *Satisfied by* | | | |
| Cash | | | 27,900 |
| Cash at bank and in hand acquired | | | 14,616 |
| Cash consideration paid | | | (27,900) |
| Net cash outflow in respect of the acquisition of subsidiary | | | (13,284) |

The excess of fair value of net assets acquired over purchase consideration is recognised as negative goodwill in the consolidated income statement. Such negative goodwill was primarily resulted from low purchase consideration which is the highest bidding price in the public auction on 19 March 2008.

## 22 Comparative figures

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, HKFRS 8, *Operating segments* and HKAS 23 (revised 2007), *Borrowing costs*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

KPMG

**Review report to the board of directors of Lingbao Gold Company Ltd.**
*(Incorporated in the People's Republic of China with limited liability)*

## Introduction

We have reviewed the interim financial report set out on pages 16 to 45 which comprises the consolidated balance sheet of Lingbao Gold Company Ltd. as of 30 June 2009 and the related consolidated income statement, statement of comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting,* issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

**KPMG**
Certified Public Accountants
8th Floor, Prince's Building
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Central, Hong Kong

24 September 2009