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

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

(Stock code: 3330)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the "Board") of Lingbao Gold Company Ltd. (the "Company"), is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010, which have been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	**2010** *RMB'000*	2009 *RMB'000*
Turnover	3	**4,834,554**	3,961,670
Cost of sales		**(4,019,316)**	(3,206,068)
Gross profit		**815,238**	755,602
Other revenue	4	**15,174**	11,578
Other net loss	5	**(121,378)**	(191,327)
Selling and distribution expenses		**(22,789)**	(18,525)
Administrative expenses and other operating expenses		**(207,972)**	(178,388)
Impairment losses on other receivables and investment deposits		**–**	(110,800)
Profit from operations		**478,273**	268,140
Finance costs	6(a)	**(92,019)**	(96,466)
Profit before taxation	6	**386,254**	171,674
Income tax	7	**(128,377)**	(51,433)
Profit for the year		**257,877**	120,241
Attributable to:			
Equity shareholders of the Company		**266,451**	118,044
Non-controlling interests		**(8,574)**	2,197
Profit for the year		**257,877**	120,241
Basic and diluted earnings per share (RMB cents)	9	**35**	15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**257,877**	120,241
Other comprehensive income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	**6,455**	3,602
Total comprehensive income for the year	**264,332**	123,843
Attributable to:		
Equity shareholders of the Company	**272,906**	121,646
Non-controlling interests	**(8,574)**	2,197
Total comprehensive income for the year	**264,332**	123,843

CONSOLIDATED BALANCE SHEET
At 31 December 2010

	Note	**2010** **RMB'000**	2009 RMB'000
Non-current assets			
Property, plant and equipment		**1,495,863**	948,308
Construction in progress		**686,576**	930,727
Intangible assets		**671,323**	681,505
Goodwill		**41,404**	41,511
Lease prepayments		**94,239**	90,345
Other investments		**10,504**	10,504
Non-current prepayments		**90,253**	119,854
Deferred tax assets		**99,055**	90,889
		3,189,217	2,913,643
Current assets			
Inventories		**1,167,219**	759,401
Trade and other receivables, deposits and prepayments	*11*	**648,958**	540,970
Current tax recoverable		**–**	12,583
Cash and cash equivalents		**323,712**	685,321
		2,139,889	1,998,275
Current liabilities			
Bank loans		**1,393,000**	815,995
Other loan		**3,270**	–
Trade and other payables	*12*	**547,535**	423,111
Loan from ultimate holding company		**23,800**	23,800
Current tax payable		**31,140**	14,315
		1,998,745	1,277,221
Net current assets		**141,144**	721,054
Total assets less current liabilities		**3,330,361**	3,634,697
Non-current liabilities			
Bank loans		**1,184,142**	1,694,350
Other loan		**–**	3,270
Other payables		**30,624**	46,551
Deferred tax liabilities		**7,638**	8,389
		1,222,404	1,752,560
NET ASSETS		**2,107,957**	1,882,137
CAPITAL AND RESERVES			
Share capital		**154,050**	154,050
Reserves		**1,912,871**	1,678,477
Total equity attributable to equity shareholders of the Company		**2,066,921**	1,832,527
Non-controlling interests		**41,036**	49,610
TOTAL EQUITY		**2,107,957**	1,882,137

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the Group's financial statements for the year ended 31 December 2010 but are extracted from those financial statements.

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

2. CHANGES IN ACCOUNTING POLICIES

(a) Standards, amendments and interpretations effective for current accounting period

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

- HKFRS 3 (revised 2008), *Business combinations*

- Amendments to HKAS 27, *Consolidated and separate financial statements*

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

The developments resulted in changes in accounting policies but none of these changes in policies have a material impact on the current or comparative periods, except for the amendments to HKAS 27 in respect of allocation of losses to non-controlling interests (previously known as "minority interests") in excess of their equity interest, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3 and HKAS 27 (except for the allocation of losses to non-controlling interests in excess of their equity interest), have not yet had a material effect on the Group's financial statements as these changes are first effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) has had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policies are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 are recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests are treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration is measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration is recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they are recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets is recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies are applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets is also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies are applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction is accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction is also accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss is recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction is accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary is classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the group retains an interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in HKAS 27, these new accounting policies are applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

The impact of the amendments to HKAS 27 (in respect of allocation of losses to non-controlling interests in excess of their equity interest) is as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary are allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

  Accordingly, deficit balances totalling RMB7,594,000 were recognised in non-controlling interests on the balance sheet as at 31 December 2010, being the allocation of losses incurred by non-wholly owned subsidiaries allocated to the non-controlling interests in excess of their equity interest.

(b) Change in accounting policy for property, plant and equipment

In prior years, property, plant and equipment were carried at revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. In 2010, property, plant and equipment are accounted for using the cost model, being the cost less any accumulated depreciation and impairment losses. This change is to align the Group's accounting policy with industry peers to provide more relevant financial information to the users of the Group's financial statements. This change has been applied retrospectively. Other than the elimination of the revaluation surplus included in capital reserve by transferring the balance to retained profits, this change in accounting policy has no material effect on the financial condition as at 31 December 2008, 31 December 2009 and 31 December 2010, and the results of operation for each of the years then ended. Therefore, no comparative balance sheet as at 1 January 2009 was presented.

3. TURNOVER

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

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

	2010	2009
	RMB'000	*RMB'000*
Sales of:		
– Gold	**3,950,388**	3,208,795
– Other metals	**853,389**	738,274
– Others	**37,759**	19,659
Less: Sales taxes and levies	**(6,982)**	(5,058)
	4,834,554	3,961,670

4. OTHER REVENUE

	2010	2009
	RMB'000	*RMB'000*
Bank interest income	**3,754**	2,886
Delivery service income	**6,141**	3,925
Government grants	**1,481**	1,200
Scrap sales	**2,827**	2,905
Dividend income from other investments	**560**	420
Sundry income	**411**	242
	15,174	11,578

5. OTHER NET LOSS

	2010	2009
	RMB'000	*RMB'000*
Net realised loss on financial instruments at fair value	**(62,608)**	(163,812)
Net unrealised gain on financial instruments at fair value *(note 11(e))*	**–**	5,922
Net loss on disposal of property, plant and equipment, construction in progress and intangible assets	**(8,609)**	(498)
Net foreign exchange losses	**(44,803)**	(32,153)
Impairment of intangible assets and goodwill	**(3,838)**	–
Others	**(1,520)**	(786)
	(121,378)	(191,327)

6. PROFIT BEFORE TAXATION

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

		2010 RMB'000	2009 RMB'000
(a)	Finance costs:		
	Interest expenses on bank advances wholly repayable within five years	**117,623**	118,166
	Interest on other loan	**83**	85
	Interest expenses on financial liabilities measured at amortised cost	**2,696**	5,185
	Other borrowing costs	**2,985**	1,128
	Total interest expenses on financial liabilities not at fair value through profit or loss	**123,387**	124,564
	Less: interest expenses capitalised into construction in progress*	**(31,368)**	(28,098)
		92,019	96,466

* The borrowing costs have been capitalised at a rate of 5.31%~5.76% per annum (2009: 3.50%~5.31%)

		2010 RMB'000	2009 RMB'000
(b)	Staff costs#:		
	Salaries, wages and bonuses	**176,874**	149,501
	Staff welfare	**16,424**	14,939
	Contributions to retirement benefit schemes	**15,796**	11,780
		209,094	176,220
	Less: Staff costs capitalised into construction in progress	**(37,382)**	(14,482)
		171,712	161,738

		2010 *RMB'000*	2009 *RMB'000*
(c)	Other items:		
	Cost of inventories#	**4,019,316**	3,206,068
	Amortisation of lease prepayments	**2,162**	2,143
	Operating lease charges in respect of properties	**3,116**	2,384
	Research and development expenses	**7,665**	7,572
	(Reversal)/provision impairment losses on:		
	– investment deposit	**–**	80,000
	– amount due from Beijing Jiuyi Investment Company Limited ("Beijing Jiuyi") *(note 11(f))*	**–**	30,800
	– trade and other receivables *(note 11(c))*	**(2,197)**	2,376
	– purchase deposits	**5,691**	1,300
	– intangible assets	**3,731**	–
	– goodwill	**107**	–
	Pollution discharge fee	**2,141**	1,801
	Environmental rehabilitation fee	**13,282**	10,485
	Auditors' remuneration	**3,900**	3,582
	Amortisation of intangible assets#	**97,069**	49,667
	Less: Amortisation capitalised into exploration and evaluation assets	**(83,502)**	(25,273)
		13,567	24,394
	Depreciation#	**168,304**	150,933
	Less: Depreciation capitalised into construction in progress	**(6,093)**	(4,871)
		162,211	146,062

\# Cost of inventories includes RMB291,151,000 (2009: RMB247,670,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above for each included in these types of expenses.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2010 *RMB'000*	2009 *RMB'000*
Current tax – PRC income tax		
Provision for the year	**136,664**	96,552
Under/(over)-provision in respect of prior years	**311**	(5,084)
	136,975	91,468
Deferred tax		
Origination and reversal of temporary differences	**(8,598)**	(40,035)
	128,377	51,433

8. DIVIDENDS

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

	2010	2009
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of RMB0.10 (2009: RMB0.05) per ordinary share	**77,025**	38,512

Pursuant to a resolution passed at the directors' meeting on 31 March 2011, a final dividend in respect of the year ended 31 December 2010 of RMB0.10 (2009: RMB0.05) per share totalling RMB77,024,909 (2009: RMB38,512,455) was proposed for shareholders' approval at the annual general meeting. Final dividend of RMB77,024,909 (2009: RMB38,512,455) proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB266,451,000 (2009: RMB118,044,000) and 770,249,091 (2009: 770,249,091) ordinary shares in issue during the year.

(b) Diluted earnings per share

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

10. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (production processes, products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has 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 PRC

Mining – KR – Gold mining and mineral ores processing operations in the KR

Smelting – Gold and other metal smelting and refinery operations carried out in the PRC.

Processing – Copper processing operation carried out in the PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance of the year is set out below.

	Mining – PRC		Mining – KR		Smelting		Processing		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**–**	–	**–**	–	**4,462,989**	3,767,503	**378,547**	199,225	**4,841,536**	3,966,728
Inter-segment revenue	**817,770**	795,235	**–**	–	**343,439**	120,765	**–**	–	**1,161,209**	916,000
Sales tax	**(184)**	(148)	**–**	–	**(6,795)**	(4,908)	**(3)**	(2)	**(6,982)**	(5,058)
Reportable segment revenue	**817,586**	795,087	**–**	–	**4,799,633**	3,883,360	**378,544**	199,223	**5,995,763**	4,877,670
Reportable segment profit/(loss)	**262,560**	240,089	**(3,588)**	(5,140)	**418,844**	388,095	**34,737**	21,042	**712,553**	644,086
Reportable segment assets	**1,666,490**	1,754,228	**690,500**	685,698	**1,659,162**	1,146,638	**1,124,017**	753,848	**5,140,169**	4,340,412
Reportable segment liabilities	**852,511**	816,014	**711,667**	669,981	**276,080**	232,213	**905,525**	553,403	**2,745,783**	2,271,611
Other segment information										
Interest expenses	**(28,234)**	(28,256)	**(2,823)**	(4,808)	**(19,799)**	(11,542)	**(9,368)**	(4,099)	**(60,224)**	(48,705)
Net foreign exchange losses	**–**	–	**(41,327)**	(29,908)	**–**	–	**(1,120)**	(4)	**(42,447)**	(29,912)
Depreciation and amortisation for the year	**(115,278)**	(149,396)	**(157)**	(4,086)	**(36,349)**	(640)	**(21,457)**	(11,219)	**(173,241)**	(165,341)
Reversal/(provision) of impairment on:										
– trade and other receivables	**1,695**	–	**–**	–	**50**	(2,376)	**452**	–	**2,197**	(2,376)
– purchase deposits	**–**	–	**–**	–	**(5,691)**	(1,300)	**–**	–	**(5,691)**	(1,300)
– intangible assets	**(3,731)**	–	**–**	–	**–**	–	**–**	–	**(3,731)**	–

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

	2010 *RMB'000*	2009 *RMB'000*
Revenue		
Reportable segment revenue	**5,995,763**	4,877,670
Elimination of inter-segment revenue	**(1,161,209)**	(916,000)
Consolidated turnover	**4,834,554**	3,961,670
Profit		
Reportable segment profit	**712,553**	644,086
Elimination of inter-segment profits	**(59,979)**	(36,513)
Reportable segment profit derived from the Group's external customers	**652,574**	607,573
Other net loss	**(121,378)**	(191,327)
Finance costs	**(92,019)**	(96,466)
Unallocated head office and corporate expenses	**(52,923)**	(37,306)
Impairment losses on other receivables and investment deposits	**–**	(110,800)
Consolidated profit before taxation	**386,254**	171,674
Assets		
Reportable segment assets	**5,140,169**	4,340,412
Elimination of inter-segment receivables	**(260,082)**	(105,293)
Elimination of unrealised profits	**(51,419)**	(32,198)
	4,828,668	4,202,921
Other investments	**10,504**	10,504
Cash and cash equivalents managed by head office	**272,514**	405,331
Unallocated head office and corporate assets	**217,420**	293,162
Consolidated total assets	**5,329,106**	4,911,918
Liabilities		
Reportable segment liabilities	**2,745,783**	2,271,611
Elimination of inter-segment payables	**(260,082)**	(105,293)
	2,485,701	2,166,318
Unallocated head office and corporate liabilities	**735,448**	863,463
Consolidated total liabilities	**3,221,149**	3,029,781

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade and other receivables, deposits and prepayments comprise:

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**224,271**	69,125
Bills receivables	**65,146**	37,031
Less: Allowance for doubtful debts	**(3,699)**	(4,152)
	285,718	102,004
Other receivables, deposits and prepayments	**191,907**	142,822
Less: Allowance for doubtful debts	**(1,119)**	(2,863)
	190,788	139,959
Purchase deposits *(note 11(d))*	**148,249**	127,761
Less: Allowance for non-delivery	**(20,084)**	(14,393)
	128,165	113,368
Derivative financial assets *(note 11(e))*	**–**	15,766
Deposits for derivative financial instruments *(note 11(e))*	**44,287**	121,973
Amount due from Beijing Jiuyi *(note 11(f))*	**–**	47,900
	44,287	185,639
	648,958	540,970

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

(a) Ageing analysis

An ageing analysis of trade and bills receivables (net of allowance for doubtful debts) as of the balance sheet date is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within three months	**238,102**	75,175
Over three months but less than six months	**43,452**	26,785
Over six months but less than one year	**4,164**	44
At 31 December	**285,718**	102,004

The Group requests customers to pay cash or settle by bills in full prior to delivery of goods. Subject to negotiation, credit term of a maximum of 180 days is only available for certain major customers with well-established trading records.

(b) Trade and bills receivable that are not impaired

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

	2010	2009
	RMB'000	*RMB'000*
Neither past due nor impaired	**281,554**	101,960
Less than one year past due	**4,164**	44
	285,718	102,004

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

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

(c) Impairment of trade and other receivables

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

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

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**7,015**	4,644
Impairment loss recognised	**325**	5,542
Impairment loss written back	**(2,522)**	(3,166)
Uncollectible amounts written off	**–**	(5)
At 31 December	**4,818**	7,015

At 31 December 2010, the Group's trade and other receivables of RMB4,818,000 (2009: RMB7,015,000) were individually determined to be impaired.

(d) Purchase deposits

Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in future periods. The directors of the Company consider that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.

(e) Deposits for derivative financial instruments

The Group had placed deposits of RMB44,287,000 (2009: RMB121,973,000) with independent futures trading agents for commodity derivative contracts entered into by the Group in the normal course of business primarily to protect the Group from the impact of price fluctuations in gold and copper commodities. The notional amounts of the Group's commodity derivative contracts at 31 December 2010 and 2009 were as follows:

	2010	2009
	RMB'000	*RMB'000*
Future commodity contracts		
– Buy	**–**	–
– Sell	**–**	616,337

The net unrealised gains on the Group's commodity derivative contracts remeasured at fair value as at 31 December 2010 recognised in the profit or loss for the year ended 31 December 2010 are as follows:

	2010	2009
	RMB'000	*RMB'000*
Derivative financial assets	**–**	15,766
Derivative financial liabilities *(note 12)*	**–**	(9,844)
Net unrealised gains *(note 5)*	**–**	5,922

(f) Amount due from Beijing Jiuyi

	2010	2009
	RMB'000	*RMB'000*
Amount due from Beijing Jiuyi	**30,800**	78,700
Less: Impairment losses	**(30,800)**	(30,800)
	–	47,900

According to a supplementary agreement entered into between the Company and Beijing Jiuyi regarding the extension of compensation payment for a proposed acquisition, Beijing Jiuyi should pay RMB108,700,000 to the Company in two instalments.

During the year ended 31 December 2009 and 2010, Beijing Jiuyi has settled RMB30,000,000 and RMB47,900,000 respectively to the Company. The directors considered that the remaining balance of RMB30,800,000 would not be recoverable and accordingly, an impairment loss on the remaining balance amounting to RMB30,800,000 was provided as at 31 December 2010 and 2009.

12. TRADE AND OTHER PAYABLES

Current trade and other payables:

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**164,200**	72,187
Other payables	**145,093**	143,479
Payable for mining rights	**92,594**	92,300
Salary and welfare payable	**57,234**	39,281
Deferred income	**43,411**	31,560
Accruals	**14,796**	18,688
Interest payable	**12,994**	12,884
Receipts in advance	**7,408**	2,888
Derivative financial liabilities *(note 11(e))*	**–**	9,844
Payable to non-controlling interests *(note (a))*	**9,805**	–
	547,535	423,111
Non-current other payables		
Payable for mining rights	**7,869**	12,900
Decommissioning costs	**4,410**	4,706
Payable to non-controlling interests *(note (a))*	**18,345**	28,945
	30,624	46,551

(a) The amount payable to non-controlling interests is unsecured, interest-free and repayable on 1 April 2011 and 24 June 2012 respectively.

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

	2010	2009
	RMB'000	*RMB'000*
Within three months	**155,732**	64,513
Over three months but less than six months	**3,898**	3,044
Over six months but less than one year	**1,946**	1,784
Over one year but less than two years	**813**	1,837
Over two years	**1,811**	1,009
	164,200	72,187

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business

In 2010, the Group produced approximately 14,584 kg (equivalent to approximately 468,886 ounce) gold, representing a decrease of approximately 226 kg (equivalent to approximately 7,266 ounce) or 1.5% as compared with the previous year. The Group's turnover for 2010 increased by 22.1% to approximately RMB4,841,536,000. The profit for the year was approximately RMB257,877,000, representing an increase of approximately 114.5% as compared with the previous year. The Company's basic earnings per share for 2010 was RMB0.35. The increase was mainly due to the decrease in impairment loss and the increase in the prices of the key products of the Group.

Given that raw materials accounted for over 83% of total production cost, the Group intends to increase its self-produced output of mineral sand through acquisition and expansion of mining operation, and uplift the overall production and operation targets, so as to minimise the risks associated with raw materials purchased from outsiders.

1. Mining Segment – the People's Republic of China ("PRC")

Turnover and production

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

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

		2010		2009	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold concentrates	kg	**1,946**	**1,793**	1,931	1,844
Compound gold	kg	**1,398**	**1,367**	1,934	1,941
From: Henan region	kg	**342**	**296**	640	641
Xinjiang region	kg	**818**	**817**	907	907
Inner Mongolia region	kg	**238**	**254**	387	393
Total	kg	**3,344**	**3,160**	3,865	3,785
Total	ounce	**107,512**	**101,596**	124,263	121,691

The total turnover of the mining segment of the Group for 2010 was approximately RMB817,586,000, representing an increase of approximately 2.8% from approximately RMB795,087,000 in 2009. During the year, turnover of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 63.79%, 27.50% and 8.71% of the total turnover of the mining segment respectively. The production volume of compound gold of the Group decreased by approximately 536 kg to approximately 1,398 kg while the production volume of its gold concentrates increased by approximately 15 kg to approximately 1,946 kg.

Segment results

The Group's results of the mining segment for 2010 was approximately RMB262,560,000, representing an increase of approximately 9.4% from approximately RMB240,089,000 in 2009. The segment result to segment turnover ratio of the Group's mining segment for 2010 was approximately 32.1%, resulting in an increase of approximately 1.9% from approximately 30.2% in 2009.

2. Smelting Segment

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

		2010		2009	
Product	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold bullion	kg	**14,584**	**14,609**	14,810	14,875
	ounce	**468,886**	**469,690**	476,153	478,242
Silver	kg	**39,662**	**39,165**	40,541	58,653
	ounce	**1,275,163**	**1,259,184**	1,303,423	1,885,738
Copper products	tonne	**13,104**	**13,092**	11,580	13,859
Sulphuric acid	tonne	**157,499**	**157,984**	171,695	172,311

Sales and production

The Group's total turnover from the smelting segment for 2010 was approximately RMB4,799,633,000, representing an increase of approximately 23.6% from approximately RMB3,883,360,000 in 2009. Such increase was principally attributable to the increase in the sales of gold bullion as a result of an approximate 25.4% increase in selling price of gold bullion as compared with the previous year.

The daily processing capacity of the Group is approximately 1,000 tonnes of gold concentrates, and capacity utilisation rate was approximately 100%. The Group's production volume of gold, silver, copper and sulphuric acid increase/(decrease) of approximately (1.5)%, (2.2)%, 13.2% and (8.3)% respectively as compared with the previous year. During the year, the gold recovery rate was approximately 95.5%, the silver recovery rate was approximately 70.7% and the copper recovery rate was approximately 95.3%. The recovery rates remained at high level.

Segment results

Our smelting segment results for 2010 was approximately RMB418,844,000, representing an increase of approximate 7.9% from approximately RMB388,095,000 in 2009. The segment results to segment turnover ratio of our smelting business in 2010 was approximately 8.7%, decreasing by approximately 1.3% from approximately 10.0% in 2009.

FINANCIAL INFORMATION

1. Combined Operating Results

Turnover

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

	2010			2009		
	Amount *(RMB'000)*	**Sales volume *(kg/tonne)***	**Unit price *(RMB per kg/tonne)***	Amount *(RMB'000)*	Sales volume *(kg/tonne)*	Unit price *(RMB per kg/tonne)*
Gold bullion	**3,950,388**	**14,609 kg**	**270,408**	3,208,795	14,875 kg	215,717
Silver	**151,854**	**39,165 kg**	**3,877**	163,434	58,653 kg	2,786
Copper products	**320,168**	**6,452 tonnes**	**49,623**	363,339	10,539 tonnes	34,476
Copper foils	**378,548**	**5,277 tonnes**	**71,735**	199,225	3,591 tonnes	55,479
Sulphuric acid	**37,759**	**157,973 tonnes**	**239**	19,659	172,000 tonnes	114
Lead concentrates	**2,819**	**358 tonnes**	**7,874**	12,276	2,680 tonnes	4,581
Turnover before sales tax	**4,841,536**			3,966,728		
Less: Sales tax	**(6,982)**			(5,058)		
	4,834,554			3,961,670		

The Group's turnover for 2010 was approximately RMB4,841,536,000, representing an increase of approximate 22.1% as compared with the previous year, of which the turnover of gold bullion accounted for 81.6% of its total turnover. Such increase was mainly attributable to the increase in our average selling price of gold bullion sold of approximately 25.4% during the year.

The Group commenced its copper processing business during the year 2008, mainly involving the production of copper foil. In 2010, the production and sales volume of copper foil were 5,711 tonnes and 5,277 tonnes respectively, representing an increase of approximately 64.7% and 47.0% respectively as compared with last year.

In 2011, the Phase II copper foil plant which mainly produces high-grade copper foils will commence full-capacity operation with an expected output of approximately 13,000 tonnes of copper foils. The processing plant with a daily processing capacity of 2,000 tonnes of Full Gold Mining Limited Liability Company ("Full Gold") has been completed and put into trial run and is scheduled to commence operation by June 2011.These two key projects will contribute to the increase in the operating results and gold production of the Group.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for 2010 were approximately RMB815,238,000 and approximately 16.9% respectively, representing an increase/(decrease) of approximately 7.9% and (2.2)% respectively as compared with 2009. The increase in gross profit was mainly due to the increase in selling price of gold and the decrease in gross profit margin were due to the increase in the exploitation costs of mines and the rising costs of raw materials.

Other revenue

The Group's other revenue for 2010 was approximately RMB15,174,000, representing an increase of approximately 31.1% as compared with approximately RMB11,578,000 for 2009. Such increase was principally attributable to an increase in interest income of RMB868,000 and an increase in sulphuric acid delivery service income of RMB2,216,000 respectively.

Other net loss

The Group's other net loss for 2010 was approximately RMB121,378,000, representing a decrease of approximately 36.6% as compared with a net loss of approximately RMB191,327,000 for 2009. Such loss was mainly attributable to the realised loss from derivative financial instruments of approximately RMB62,608,000 and the foreign exchange loss of approximately RMB44,803,000.

Selling and distribution expenses

The Group's selling and distribution expenses for 2010 were approximately RMB22,789,000, representing an increase of approximately 23.0% as compared with the previous year. Such increase was mainly attributable to the increase in production of copper foil and correspondingly increase in selling and distribution expenses.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses for 2010 were approximately RMB207,972,000, representing an increase of approximately 16.6% as compared with approximately RMB178,388,000 for 2009. The increase was mainly attributable to the expansion of the production and operation scale of the Group.

Finance costs

The Group's finance costs for 2010 were approximately RMB92,019,000, representing a decrease of approximately 4.6% as compared with approximately RMB96,466,000 for 2009. Such decrease was mainly attributable to the slight decrease in average loan principals in the year as compared with that in the previous year.

Profit attributable to the Company's equity shareholders

The Group's profit attributable to our equity shareholders in 2010 was approximately RMB266,451,000, representing an increase of approximately 125.7% as compared with approximately RMB118,044,000 in 2009. The net profit margin for 2010 was approximately 5.3%, representing an increase of 2.3% as compared with approximately 3.0% for 2009. The Company's basic earning per share was RMB0.35. The Group recommended the payment of a dividend of RMB0.10 per share for the year.

2. Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 31 December 2010 amounted to RMB323,712,000 of which 6.3% was denominated in Hong Kong dollars.

The shareholders' equity of the Group as at 31 December 2010 amounted to RMB2,107,957,000 (31 December 2009: RMB1,882,137,000). As at 31 December 2010, the Group had current assets of RMB2,139,889,000 (31 December 2009: RMB1,998,275,000) and current liabilities of RMB1,998,745,000 (31 December 2009: RMB1,277,221,000). The current ratio was 1.07 (31 December 2009: 1.56).

As at 31 December 2010, the Group had total outstanding bank loans of approximately RMB2,577,142,000 with interest rates ranging from 4.62% to 5.96% per annum, of which approximately RMB1,393,000,000 was repayable within one year, approximately RMB500,000,000 was repayable after one year but within two years while approximately RMB684,142,000 was repayable after two years. The gearing ratio as at 31 December 2010 was 48.4% (31 December 2009: 51.2%) which was calculated by total borrowings divided by total assets.

On 20 October 2010, the Group announced in respect of the proposed issuance of Medium Term Notes with an aggregate principal amount of RMB700 million. 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. The Medium Term Notes will be issued in two batches and the proceeds raised will be used as supplementary liquidity for the projects of the Company and for repayment of bank loans.

3. Security

As at 31 December 2010, the mining right of Istanbul Gold Mine with carrying value amounting to RMB118,070,000 and the ordinary shares of Full Gold, a subsidiary located in Kyrgyz Republic ("KR") were pledged to secure the borrowings from the National Development Bank.

4. Substantial Acquisition

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

5. Market Risks

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

Gold price and other commodities price risk

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

Interest rate

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

Exchange rate risk

The Group's transactions are mainly denominated in Renminbi. Fluctuations in exchange rates may affect the international and domestic gold price, which may impact our results of operation. Renminbi is not freely convertible and the currency would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi.

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

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

Business risk

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

6. Contractual Obligations

As at 31 December 2010, the Group's capital commitments in respect of the construction costs which were not provided for in the financial statements were approximately RMB100,835,000, representing a decrease of approximately RMB129,890,000 from approximately RMB230,725,000 as at 31 December 2009.

As at 31 December 2010, our total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB9,444,000, of which approximately RMB2,396,000 was payable within one year, approximately RMB6,650,000 was payable after one year but within five years, and approximately RMB398,000 was payable after five years.

7. Contingent Liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

8. Capital Expenditure

During the year 2010, the Group's capital expenditure was approximately RMB529,672,000, representing a decrease of approximately 35.7% from approximately RMB823,560,000 in 2009.

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

9. Human Resources

In 2010, the average number of employees of the Group was 5,697. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

CORPORATE GOVERNANCE

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

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

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

AUDIT COMMITTEE

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

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters regarding the preliminary final results for the year ended 31 December 2010 together with the management of the Group. The audit committee considered that the audited financial statements for the year had complied with the requirements of applicable standard and appropriate disclosure was made.

PURCHASE, SALES OR REDEMPTION OF SHARES OF THE COMPANY

For the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

DIVIDENDS

At the board meeting held on 31 March 2011, the Directors declared a final dividend of RMB0.10 (with tax) per share (2009: RMB0.05) in respect of the year ended 31 December 2010. The 2010 final dividend is subject to the consideration and approval at the annual general meeting of the Company.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Thursday, 5 May 2011 to Friday, 3 June 2011, (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office address of the Company at Xin Village, Yinzhuang Town, Daonan Industrial Area, Lingbao, Henan, the PRC (for holders of domestic shares), no later than 4:00 p.m. on Wednesday, 4 May 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors and supervisors. Having made specific enquiry of all the Company's Directors, all directors and supervisors of the Company have confirmed that they had fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2010.

PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT

This result announcement has been published on the website of Hong Kong Exchanges and Clearing Limited ("HK Exchange"), www.hkexnews.hk, and the website of the Company, www.irasia.com/listco/hk/lingbao. The 2010 Annual Report will be despatched to shareholders in due course and published on the websites of HK Exchange and the Company.

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

Hong Kong, 31 March 2011

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

Executive Directors: Xu Gaoming, Jin Guangcai, Liu Pengfei, Zhang Guo and He Chengqun;
Non-Executive Directors: Wang Yumin; and
Independent Non-Executive Directors: Niu Zhongjie, Wang Han, Yan Wanpeng and Du Liping.