



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)

Interim Report 2012



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Corporate Information

Directors

Executive Directors

Xu Gaoming (*Chairman*)
Jin Guangcai
Liu Pengfei
Zhang Guo
He Chengqun

Non-executive Directors

Wang Yumin
Yang Liening

Independent Non-executive Directors

Yan Wanpeng
Du Liping
Xu Qiangsheng
Han Qinchun

Supervisors

Liu Shengmin
(*Chairman of the Supervisory Committee*)
Di Qinghua
Yao Shun
Zhu Zhisheng
Jiao Xiaoxiao

Company Secretary

Poon, Lawrence Chi Leung

Authorised Representatives

Jin Guangcai
Poon, Lawrence Chi Leung

Audit Committee

Yan Wanpeng (*Chairman of Audit Committee*)
Wang Yumin
Du Liping
Xu Qiangsheng
Han Qinchun

Nomination Committee

Xu Qiangsheng
(*Chairman of the Nomination Committee*)
Wang Yumin
Yan Wanpeng
Du Liping
Han Qinchun

Remuneration Committee

Du Liping
(*Chairman of the Remuneration Committee*)
Wang Yumin
Yan Wanpeng
Xu Qiangsheng
Han Qinchun

Auditors

KPMG

Legal Adviser

Hong Kong 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 and Commercial Bank of China,
Lingbao City Branch
Industrial Bank, Zhengzhou Branch
Bank of Communications, Zhengzhou Branch
China Development Bank
Shenzhen Development Bank
HSBC

Corporate Information

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 of the Company

Xin Village, Yin Zhuang 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

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Management Discussion and Analysis

Review of Business and Prospect

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

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

1. Mining Segment

Turnover and production

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

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

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

Management Discussion and Analysis

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

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

Segment results

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

2. Smelting Segment

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

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

Management Discussion and Analysis

Sales and production

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

The Group's smelting plants processed 960 tonnes of gold concentrates per day, with an utilisation rate of approximately 100%. During the first half of 2012, the Group continued to maintain the recovery rates of gold, silver and copper at a high level, which were approximately 95.6%, 70.5% and 95.9% respectively.

Segment results

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

Consolidated Operating Results

Turnover

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

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

Management Discussion and Analysis

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

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

Outlook

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

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

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

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

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

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

Management Discussion and Analysis

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

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

Financial Review

Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds, medium-term notes and bank loans. The cash and bank balances as at 30 June 2012 amounted to RMB318,261,000.

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

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

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

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

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

Management Discussion and Analysis

Security

As at 30 June 2012, the mining right of Istanbul Gold Mine with carrying value amounting to RMB104,017,000 and the ordinary shares of Full Gold were pledged for the borrowings from the National Development Bank.

Market risks

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

Gold price and other commodities price risk

The Group's turnover and profit for the period were affected by fluctuations in the gold prices and other commodities price as the Group's products are sold at market prices and the fluctuations in prices are not controlled by the Group. The considerable fluctuation of gold price would lead to the Group's instability in operating results, especially in the event of a significant drop in gold price which would have a larger adverse impact to the Group's operating results.

Interest rate risk

The Group is exposed to risks resulting from fluctuations in interest rates on our debt. The Group undertakes debt obligations for supporting general corporate purposes, including capital expenditure and working capital needs. Our bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant People's Bank of China ("PBOC") regulations, which may cast financial impact to the Group.

Exchange rate risk

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

Contractual obligations

As at 30 June 2012, contracted capital commitments was approximately RMB39,752,000, representing a decrease of approximately RMB103,413,000 from approximately RMB143,165,000 as at 31 December 2011.

Capital expenditures

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

Contingent liabilities

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

Human resources

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

Other Information

Share Capital

As at 30 June 2012, there was a total of share capital of 770,249,091 shares of the Company which includes:

	Number of shares	Approximate percentage of total share capital
Domestic shares	472,975,091	61.41%
H Shares	297,274,000	38.59%
Total	770,249,091	100.00%

Purchase, Sale or Redemption of Listed Securities of the Company

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

Directors', Supervisors and Chief Executive's Interests and Short Positions in Shares of the Company

The Directors, Supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance ("SFO") as at 30 June 2012 that are required to be recorded in the register required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) kept under section 352 of the SFO; or (iii) required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code for Securities Transactions by Directors of listed issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rule").

Substantial Shareholders' Interests in Shares of the Company

As at 30 June 2012, 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:

Name of shareholders	Number of domestic shares	Nature of interest	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total 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)	296,840,620	Beneficial owner	62.76%	38.54%
Huibang Investment Development Company Limited	77,000,000	Beneficial owner	16.28%	10.00%
Beijing Wanlaixin Investment Limited Liability Company (北京萬來鑫投資有限責任公司)	37,698,784	Beneficial owner	7.97%	4.89%

Other Information

Name of shareholders	Number of H shares	Capacity	Approximate percentage of the total issued H share capital	Approximate percentage of the total share capital
The Bank of New York Mellon Corporation (Note 3)	23,842,000	Interest in controlled corporation	8.02%	3.10%
The Bank of New York Mellon (Note 3)	23,842,000	Beneficial owner	8.02%	3.10%
Market Vectors ETF Trust – Market Vectors Junior Gold Miners ETF	18,034,000	Beneficial owner	6.07%	2.34%

Notes:

- In addition to its direct interest in 296,840,620 domestic shares, Lingbao State-owned Assets has an indirect interest in the Company through its equity interest of approximately 49.41% 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 21.05% 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 1.79% shareholding in the Company as at the date of this report.
- Mr. Wang Yumin (王育民先生), a non-executive Director, is the general manager of Lingbao State-owned Assets.
- The 23,842,000 shares represent the same block of shares.

Change in Information of Directors and Supervisors

During the reporting period, Mr. Yang Lienen was appointed as a non-executive director of the Company; Mr. Han Qinchun and Mr. Xu Qiangsheng were appointed as independent non-executive directors of the Company.

Mr. Di Qinghua, Mr. Yao Shun and Mr. Zhu Zhisheng were appointed as supervisors of the Company representing Company shareholders for the fourth term.

Mr. Niu Zhongjie and Mr. Wan Han retired as independent non-executive directors of the Company, and Mr. Meng Fanrui, Mr. Guo Xuchang, Mr. Guo Xurang, Mr. Yang Bo and Mr. Hang Zhanping retired as supervisors of the Company.

Interim Dividend

The Board of Directors does not recommend the payment of an 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.

Other Information

The Company has complied with all Code Provisions under the Code on Corporate Governance Practices (as revised on 1 April 2012 and its previous version, as appropriate) set out in Appendix 14 of the Listing Rules save for the deviations discussed below:

- (i) **Code Provision A.2.1** (Division of responsibilities between the chairman and chief executive officer)
Code Provision A.2.1 of the Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The chairman is responsible for ensuring that the Directors are properly explained on matters 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 namely, Mr. Yan Wanpeng, Ms. Du Liping, Mr. Xu Qiangsheng, Mr. Han Qinchun and one non-executive Director namely, Mr. Wang Yumin has reviewed the accounting principles and practices adopted by the Group and have discussed and reviewed the internal control and financial reporting matters, including the unaudited interim financial report for the six months ended 30 June 2012, with the management and external auditors of the Company. The Audit Committee is of the opinion that such report complies with applicable accounting standards, the Listing Rules and the legal requirements and that adequate disclosures have been made.

By order of the Board

Xu Gaoming
Chairman

Lingbao City, Henan Province, The PRC
29 August 2012

Consolidated Income Statement

for the six months ended 30 June 2012 – unaudited

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

The notes on pages 19 to 38 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 19.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2012 – unaudited

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

The notes on pages 19 to 38 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2012 – unaudited

		At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	10	1,999,179	1,954,144
Construction in progress	10	269,738	331,830
Intangible assets	11	679,443	676,651
Goodwill		41,404	41,404
Lease prepayments		162,195	149,903
Other investments		10,504	10,504
Long-term receivables		15,758	39,531
Non-current prepayments		22,279	17,613
Deferred tax assets		125,885	115,699
		3,326,385	3,337,279
Current assets			
Inventories	12	3,404,758	2,042,117
Trade and other receivables, deposits and prepayments	13	1,083,224	782,073
Current tax recoverable		5,643	–
Assets classified as held for sale	14	20,123	20,123
Pledged deposits		48,000	30,000
Cash and cash equivalents	15	270,261	349,568
		4,832,009	3,223,881
Current liabilities			
Bank loans	16	2,549,669	1,502,072
Other loan		2,675	2,675
Trade and other payables	18	1,371,565	908,667
Loan from ultimate holding company		23,800	23,800
Current tax payable		8,389	17,655
		3,956,098	2,454,869
Net current assets		875,911	769,012
Total assets less current liabilities		4,202,296	4,106,291

Consolidated Statement of Financial Position

at 30 June 2012 – unaudited

		At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current liabilities			
Debenture payable	17	700,000	700,000
Bank loans	16	1,143,527	1,029,609
Other payables	18	38,882	22,978
Deferred tax liabilities		7,287	7,338
		1,889,696	1,759,925
NET ASSETS		2,312,600	2,346,366
CAPITAL AND RESERVES	19		
Share capital		154,050	154,050
Reserves		2,115,759	2,145,280
Total equity attributable to equity shareholders of the Company		2,269,809	2,299,330
Non-controlling interests		42,791	47,036
TOTAL EQUITY		2,312,600	2,346,366

Approved and authorised for issue by the board of directors on 29 August 2012.

Xu Gaoming
Executive director and chairman

Jin Guangcai
Executive director

The notes on pages 19 to 38 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2012 – unaudited

	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Exchange reserve	Other reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
Balance at 1 January 2011	154,050	827,931	140,655	6,348	(858)	938,795	2,066,921	41,036	2,107,957
Changes in equity for the six months ended 30 June 2011:									
Total comprehensive income for the period	-	-	-	(4,822)	-	149,479	144,657	6,588	151,245
Acquisition of a subsidiary	-	-	-	-	-	-	-	4,133	4,133
Appropriation of safety production funds (note 19(c))	-	-	8,845	-	-	(8,845)	-	-	-
Utilisation of safety production funds (note 19(c))	-	-	(9,562)	-	-	9,562	-	-	-
Dividends approved in respect of the previous year (note 19(b))	-	-	-	-	-	(77,025)	(77,025)	-	(77,025)
Balance at 30 June 2011 and 1 July 2011	154,050	827,931	139,938	1,526	(858)	1,011,966	2,134,553	51,757	2,186,310
Changes in equity for the six months ended 31 December 2011:									
Total comprehensive income for the period	-	-	-	3,694	-	161,083	164,777	(4,721)	160,056
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-
Appropriation of safety production funds (note 19(c))	-	-	10,554	-	-	(10,554)	-	-	-
Utilisation of safety production funds (note 19(c))	-	-	(11,543)	-	-	11,543	-	-	-
Profit appropriation	-	-	21,929	-	-	(21,929)	-	-	-
Dividends approved in respect of the previous year (note 19(b))	-	-	-	-	-	-	-	-	-
Balance at 31 December 2011	154,050	827,931	160,878	5,220	(858)	1,152,109	2,299,330	47,036	2,346,366
Balance at 1 January 2012	154,050	827,931	160,878	5,220	(858)	1,152,109	2,299,330	47,036	2,346,366
Changes in equity for the six months ended 30 June 2012:									
Total comprehensive income for the period	-	-	-	(173)	-	39,861	39,688	(5,960)	33,728
Appropriation of safety production funds (note 19(c))	-	-	36,761	-	-	(36,761)	-	-	-
Utilisation of safety production funds (note 19(c))	-	-	(36,761)	-	-	36,761	-	-	-
Deemed capital contribution (note 19(d))	-	-	-	-	7,816	-	7,816	1,715	9,531
Dividends approved in respect of the previous year (note 19(b))	-	-	-	-	-	(77,025)	(77,025)	-	(77,025)
Balance at 30 June 2012	154,050	827,931	160,878	5,047	6,958	1,114,945	2,269,809	42,791	2,312,600

The notes on pages 19 to 38 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2012 – unaudited

	<i>Note</i>	Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Cash used in operations		(868,127)	(105,388)
PRC income tax paid		(39,674)	(79,016)
Net cash used in operating activities		(907,801)	(184,404)
Net cash used in investing activities		(170,042)	(275,885)
Net cash generated from financing activities		998,381	682,108
Net (decrease)/increase in cash and cash equivalents		(79,462)	221,819
Cash and cash equivalents at 1 January	15	349,568	323,712
Effect of foreign exchange rate changes		155	(1,285)
Cash and cash equivalents at 30 June	15	270,261	544,246

The notes on pages 19 to 38 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1 Basis of preparation

The Company has a financial year end date of 31 December. 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").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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 2011 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 KPMG 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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 39.

The financial information relating to the financial year ended 31 December 2011 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 2011 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2012.

As from 1 January 2012, the functional currency of a subsidiary of the Company changed from Kyrgyzstani som to US dollar as US dollar has become the currency that mainly influences the operation of that subsidiary. The change in functional currency of the subsidiary has been accounted for prospectively since 1 January 2012.

Notes to the Unaudited Interim Financial Report

2 Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following development is relevant to the Group's financial statements:

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

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

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

3 Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of business lines (production processes, products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. Operating segments with similar nature of the production process, products and services have been aggregated to form the following reportable segments.

Mining-PRC	–	Gold mining and mineral ores processing operations in the People's Republic of China (the "PRC").
Mining-KR	–	Gold mining and mineral ores processing operations in Kyrgyz Republic ("KR").
Smelting	–	Gold and other metal smelting and refinery operations carried out in the PRC.
Copper processing	–	Copper processing operation carried out in the PRC.

Notes to the Unaudited Interim Financial Report

3 Segment reporting (continued)

(a) Segment results, assets and liabilities

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

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

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

Notes to the Unaudited Interim Financial Report

3 Segment reporting (continued)

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Revenue		
Reportable segment revenue	2,926,102	3,387,089
Elimination of inter-segment revenue	(614,708)	(696,712)
Consolidated turnover	2,311,394	2,690,377
Profit		
Reportable segment profit	227,504	367,365
Elimination of inter-segment profits	(37,016)	(70,236)
Reportable segment profit derived from the Group's external customers	190,488	297,129
Other net income	1,024	20,835
Finance costs	(110,721)	(70,191)
Unallocated head office and corporate expenses	(32,205)	(25,477)
Consolidated profit before taxation	48,586	222,296

Notes to the Unaudited Interim Financial Report

3 Segment reporting (continued)

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

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

Notes to the Unaudited Interim Financial Report

4 Turnover

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

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Sales of:		
– gold	1,450,707	1,960,962
– other metals	841,953	707,899
– others	19,330	28,429
Less: Sales taxes and levies	(596)	(6,913)
	2,311,394	2,690,377

5 Other revenue

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

Notes to the Unaudited Interim Financial Report

6 Other net income

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

7 Profit before taxation

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
(a) Finance costs:		
Interest expense on bank loans	91,631	69,321
Interest expense on corporate debentures	21,720	6,920
Interest expense on financial liabilities measured at amortised cost	2,248	–
Less: Interest expense capitalised into construction in progress	(6,086)	(8,017)
	109,513	68,224
Other borrowing costs	1,208	1,967
	110,721	70,191

Notes to the Unaudited Interim Financial Report

7 Profit before taxation (continued)

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
(b) Other items:		
Amortisation of lease prepayments	1,773	1,150
Amortisation of intangible assets	15,195	4,345
Total depreciation	128,136	92,120
Less: Depreciation capitalised into construction in progress	(246)	(2,473)
	127,890	89,647
Operating lease charges in respect of properties	1,582	1,119
Impairment losses on prepayments and purchase deposits	–	3,214
Environmental rehabilitation fee	5,835	7,931
Research and development costs	15,685	2,819

8 Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

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

Notes to the Unaudited Interim Financial Report

8 Income tax in the consolidated income statement (continued)

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

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

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

9 Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2012 and 2011 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the periods.

Notes to the Unaudited Interim Financial Report

10 Property, plant and equipment and construction in progress

Acquisitions and disposals

During the six months ended 30 June 2012, acquisitions of property, plant and equipment and additions of construction in progress of the Group amounted to RMB22,840,000 (six months ended 30 June 2011: RMB23,633,000) and RMB86,816,000 (six months ended 30 June 2011: RMB153,866,000) respectively. Items of property, plant and equipment with an aggregate net book value of RMB659,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB3,572,000), resulting in a gain on disposal of RMB290,000 (six months ended 30 June 2011: loss on disposal of RMB1,697,000).

11 Intangible assets

Acquisitions

During the six months ended 30 June 2012, additions of exploration and evaluation assets made by the Group amounted to RMB10,220,000 (six months ended 30 June 2011: RMB19,973,000).

12 Inventories

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Raw materials	921,422	823,655
Work in progress	107,074	84,188
Finished goods	2,276,266	1,033,183
Spare parts and materials	99,996	101,091
	3,404,758	2,042,117

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

	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Carrying amount of inventories sold	2,007,400	2,308,578
Write-down/(reversal of write-down) of inventories	8,440	(193)
	2,015,840	2,308,385

Notes to the Unaudited Interim Financial Report

13 Trade and other receivables, deposits and prepayments

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 3 months	465,425	287,649
Over 3 months but less than 6 months	172,011	97,456
Over 6 months but less than 1 year	4,943	32,145
Over 1 year	632	874
Trade debtors and bills receivable, net of allowance for doubtful debts	643,011	418,124
Other receivables, net of allowance for doubtful debts	282,290	320,644
Purchase deposits, net of allowance for non-delivery (note (a))	157,844	41,226
Deposits for derivative financial instruments (note (b))	79	2,079
	1,083,224	782,073

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

- (a) Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in future periods. The directors of the Company consider that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.
- (b) The Group placed deposits with independent futures trading agents for commodity derivative contracts entered into by the Group in the normal course of business primarily to protect the Group from the impact of price fluctuations in gold and copper commodities.

Notes to the Unaudited Interim Financial Report

14 Assets classified as held for sale

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Intangible assets	19,039	19,039
Construction in progress	1,084	1,084
	20,123	20,123

The Group entered into an agreement with a third party to dispose of certain exploration and evaluation assets at a consideration of RMB10,200,000. The directors expect the disposal to be completed in 2012 and as a result, such exploration and evaluation assets are presented as assets classified as held for sale at a carrying amount of RMB7,539,000 at 30 June 2012 (31 December 2011: RMB7,539,000).

The Group entered into an agreement with a third party to dispose of a mining right and certain construction in progress. The consideration has not been determined but the directors expect the disposal to be completed in 2012 and as a result, a mining right of RMB11,500,000 (31 December 2011: RMB11,500,000) and a construction in progress of RMB1,084,000 (31 December 2011: RMB1,084,000) are presented as assets classified as held for sale at 30 June 2012.

15 Cash and cash equivalents

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Cash and cash equivalents in the condensed consolidated cash flow statement	270,261	349,568

Notes to the Unaudited Interim Financial Report

16 Bank loans

The analysis of the carrying amount of bank loans is as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current portion:		
Bank loans		
– unsecured	2,549,669	1,502,072
Non-current portion:		
Bank loans		
– secured	332,690	336,139
– unsecured	810,837	693,470
	1,143,527	1,029,609

At 30 June 2012, bank loans of the Group amounting to RMB332,690,000 (31 December 2011: RMB336,139,000) were secured by the mining right of Istanbul Gold Mine with a carrying amount of RMB104,017,000 (31 December 2011: RMB112,886,000) and the ordinary shares of Full Gold Mining Limited Liability Company (the "Full Gold"), a subsidiary of the Group established in KR.

17 Debentures

On 25 March 2011, the Company issued five-year Medium Term Notes of RMB400 million to corporate investors in the PRC inter-bank debenture market. The notes are unsecured and repayable 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 2.95% per annum.

On 17 June 2011, the Company issued five-year Medium Term Notes of RMB300 million to corporate investors in the PRC inter-bank debenture market. The notes are unsecured and repayable on 17 June 2016, and bear a floating interest rate, which is based on the one-year deposit rate of the People's Bank of China plus 2.85% per annum.

Notes to the Unaudited Interim Financial Report

18 Trade and other payables

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 3 months	627,769	371,744
Over 3 months but less than 6 months	46,200	11,094
Over 6 months but less than 1 year	10,402	2,017
Over 1 year but less than 2 years	1,806	715
Over 2 years	1,788	1,983
Total trade creditors	687,965	387,553
Bills payable	200,000	30,000
Other payables and accruals	325,967	363,761
Payable for mining rights	88,027	87,733
Payable to non-controlling interests (note (a))	19,190	36,501
Dividend payable (note 19(b))	50,416	3,119
	1,371,565	908,667
Non-current other payables		
Payable for mining rights	3,759	3,509
Decommissioning costs (note 20(b))	3,004	4,238
Payable to non-controlling interests (note (a))	10,196	–
Deferred income	21,923	15,231
	38,882	22,978

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

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

Notes to the Unaudited Interim Financial Report

19 Capital, reserves and dividends

(a) Share capital

	At 30 June 2012		At 31 December 2011	
	Number of shares	RMB'000	Number of shares	RMB'000
Registered, issued and fully paid:				
Domestic state-owned shares of RMB0.20 each	472,975,091	94,595	472,975,091	94,595
H shares of RMB0.20 each	297,274,000	59,455	297,274,000	59,455
	770,249,091	154,050	770,249,091	154,050

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

(b) Dividends

Pursuant to a resolution passed at the shareholders' annual general meeting on 29 May 2012, a final dividend in respect of the year ended 31 December 2011 of RMB0.10 (2010: RMB0.10) per share totalling RMB77,024,909 (2010: RMB77,024,909) was approved and declared by the Company. Dividends of RMB29,727,000 were paid in June 2012 and unpaid dividends of RMB50,416,000 were recognised as a liability as at 30 June 2012.

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB Nil).

(c) Statutory reserve – specific reserve

Pursuant to the relevant regulations in the PRC, the Group is required to provide for safety production fund based on volume of ores excavated and sales amount of certain products.

For the six-month period ended 30 June 2012, the Group transferred RMB36,761,000 (six months ended 30 June 2011: RMB8,845,000) from retained earnings to specific reserve as appropriation for the safety production fund and transferred RMB36,761,000 (six months ended 30 June 2011: RMB9,562,000) from specific reserve to retained earnings on utilisation for the period.

Notes to the Unaudited Interim Financial Report

19 Capital, reserves and dividends (continued)

(d) Deemed capital contribution

In accordance with the contractual terms of a loan agreement signed between Full Gold, a subsidiary of the Group, and China Road and Bridge Corporation (“CRBC”), CRBC, a non-controlling shareholder of Full Gold, provided an interest-free loan amounting to USD 2,752,400 (equivalent to RMB18,800,000) to Full Gold repayable in October 2018. The difference between the fair value of the interest-free loan from CRBC and the principal amount at inception was adjusted to other reserve as deemed capital contribution.

20 Capital commitments and contingencies

(a) Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Contracted for	39,752	143,165
Authorised but not contracted for	157,985	229,618

Notes to the Unaudited Interim Financial Report

20 Capital commitments and contingencies (continued)

(b) Environmental contingencies

Up to the date of issue of this interim financial report, the Company and the Company's PRC subsidiaries have not incurred any significant expenditures for environment remediation and are currently not involved in any environmental remediation. In addition, the Company and the Company's PRC subsidiaries have 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 RMB619,000 for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB442,000) and environmental rehabilitation expenses of RMB5,835,000 for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB7,931,000).

In accordance with the laws and regulations of KR, the Company's subsidiaries in KR have present obligation with regards to dismantling of mine site facilities and equipment and site rehabilitation. Provision for decommissioning costs of RMB3,004,000 was made as at 30 June 2012 (31 December 2011: RMB4,238,000).

Notes to the Unaudited Interim Financial Report

21 Related party transactions

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

(a) Transactions with 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 organisations.

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
- depositing and obtaining financial facilities.

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.

Having considered the transactions potentially affected by related party relationships, the Group’s pricing strategy, procurement policies and approval processes, and the information that would be necessary for an understanding of the potential effect of the related party relationship on the financial statements, the directors are of the opinion that the following related party transactions require disclosure of numeric details:

Transactions with state-controlled banks

The Group deposits its cash with several state-controlled banks in the PRC. The Group also obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People’s Bank of China. The Group’s interest income generated from and interest expenses incurred to these state-controlled banks in the PRC are as follows:

	Six months ended 30 June	
	2012	2011
	RMB’000	RMB’000
Interest income on bank deposits	2,060	1,783
Interest expenses on bank loans	80,705	58,225

Notes to the Unaudited Interim Financial Report

21 Related party transactions (continued)

(a) Transactions with state-controlled entities in the PRC (continued)

Transactions with state-controlled banks (continued)

The amounts of cash deposited at and loans from state-controlled banks in the PRC included in the following account captions are summarised as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Pledged deposits at state-controlled banks in the PRC	48,000	30,000
Cash and cash equivalents at state-controlled banks in the PRC	258,012	326,502
Short-term loans and current portion of long-term loans	2,429,669	1,372,072
Long-term loans excluding current portion of long-term loans	1,143,527	1,029,609
Total loans from state-controlled banks in the PRC	3,573,196	2,401,681

(b) Key management personnel remuneration

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Short-term employee benefits	1,829	1,775
Post-employment benefits	68	55
	1,897	1,830

Review Report



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 13 to 38 which comprises the consolidated statement of financial position of Lingbao Gold Company Ltd. as at 30 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended and explanatory information. 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.

Review Report

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 2012 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

10 Chater Road

Central, Hong Kong

29 August 2012