LINGJIN
灵 金

Lingbao Gold Company Ltd.
靈寶黃金股份有限公司

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

(Stock code: 3330)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "Board") of Lingbao Gold Company Ltd. (the "Company"), hereby presents the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013, which have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Note	**2013** **RMB'000**	2012 RMB'000
Turnover	3	**7,942,084**	6,393,306
Cost of sales		**(8,072,762)**	(5,589,812)
Gross (loss)/profit		**(130,678)**	803,494
Other revenue	4	**37,340**	24,879
Other net loss	5	**(72,915)**	(1,078)
Selling and distribution expenses		**(29,059)**	(39,138)
Administrative expenses and other operating expenses		**(412,432)**	(322,179)
(Loss)/profit from operations		**(607,744)**	465,978
Finance costs	6(a)	**(239,017)**	(241,281)
(Loss)/profit before taxation	6	**(846,761)**	224,697
Income tax	7	**138,478**	(59,807)
(Loss)/profit for the year		**(708,283)**	164,890
Attributable to:			
Equity shareholders of the Company		**(673,365)**	165,335
Non-controlling interests		**(34,918)**	(445)
(Loss)/profit for the year		**(708,283)**	164,890
Basic and diluted (loss)/earnings per share (cents)	9	**(87)**	21

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(708,283)**	164,890
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**3,753**	419
Total comprehensive income for the year	**(704,530)**	165,309
Attributable to:		
Equity shareholders of the Company	**(670,545)**	165,651
Non-controlling interests	**(33,985)**	(342)
Total comprehensive income for the year	**(704,530)**	165,309

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**2,093,610**	2,024,469
Construction in progress		**352,373**	369,741
Intangible assets		**729,331**	695,465
Goodwill		**7,346**	41,404
Lease prepayments		**178,989**	175,075
Other investments		**10,504**	10,504
Non-current prepayments		**15,279**	32,403
Deferred tax assets		**303,586**	143,831
		3,691,018	3,492,892
Current assets			
Inventories		**1,449,970**	3,267,561
Trade and other receivables, deposits and prepayments	*11*	**1,150,422**	832,407
Assets classified as held for sale		**7,539**	20,123
Pledged deposits		**47,555**	36,140
Cash and cash equivalents		**367,202**	267,935
Current tax recoverable		**9,840**	1,976
		3,032,528	4,426,142
Current liabilities			
Bank loans		**1,721,954**	2,779,345
Other loan		**2,081**	2,378
Trade and other payables	*12*	**1,165,934**	1,186,691
Loan from ultimate holding company		**23,800**	23,800
Current tax payable		**1,317**	21,898
		2,915,086	4,014,112
Net current assets		**117,442**	412,030
Total assets less current liabilities		**3,808,460**	3,904,922

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Debenture payable		**700,000**	700,000
Bank loans		**1,368,117**	734,562
Other payables	*12*	**63,981**	35,617
Deferred tax liabilities		**159**	93
		2,132,257	1,470,272
NET ASSETS		**1,676,203**	2,434,650
CAPITAL AND RESERVES			
Share capital		**154,050**	154,050
Reserves		**1,509,444**	2,233,906
Total equity attributable to equity shareholders of the Company		**1,663,494**	2,387,956
Non-controlling interests		**12,709**	46,694
TOTAL EQUITY		**1,676,203**	2,434,650

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 1, *Presentation of financial statements-Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Amendments to HKFRS 7-*Disclosures-Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of other new or amended HKFRSs are discussed below:

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The application does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods 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:

	2013	2012
	RMB'000	*RMB'000*
Sales of:		
– Gold	**6,260,531**	4,694,853
– Other metals	**1,666,018**	1,666,819
– Others	**24,387**	38,119
Less: Sales taxes and levies	**(8,852)**	(6,485)
	7,942,084	6,393,306

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. In 2013, revenues from sales of gold products to this customer amounted to approximately RMB6,260,531,000 (2012: RMB4,694,853,000) arose in the Henan Province, the PRC.

4 OTHER REVENUE

	2013	2012
	RMB'000	*RMB'000*
Bank interest income	**3,908**	4,506
Delivery service income	**–**	3,139
Government grants	**25,320**	12,980
Scrap sales	**7,052**	2,957
Sundry income	**1,060**	1,297
	37,340	24,879

5 OTHER NET LOSS

	2013	2012
	RMB'000	*RMB'000*
Net realised and unrealised gain on financial instruments at fair value	**2,041**	5,940
Net loss on disposal of property, plant and equipment, and intangible assets	**(4,934)**	(35)
Net foreign exchange losses	**(11,410)**	(1,250)
Impairment of property, plant and equipment, intangible assets and goodwill	**(56,971)**	(4,349)
Others	**(1,641)**	(1,384)
	(72,915)	(1,078)

6 (LOSS)/PROFIT BEFORE TAXATION

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

	2013	2012
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest expenses on bank advances wholly repayable within five years	**199,406**	195,758
Interest expenses on debentures	**41,589**	45,606
Other borrowing costs	**2,303**	3,735
Total interest expenses on financial liabilities not at fair value through profit or loss	**243,298**	245,099
Less: interest expenses capitalised into construction in progress*	**(4,281)**	(3,818)
	239,017	241,281

* *The borrowing costs have been capitalised at a rate of 5.60%~6.30% per annum (2012: 5.70%~6.76%).*

6 (LOSS)/PROFIT BEFORE TAXATION *(continued)*

	2013 *RMB'000*	2012 *RMB'000*
(b) Staff costs#:		
Salaries, wages and bonuses	**319,612**	312,747
Staff welfare	**19,570**	18,704
Contributions to retirement benefit schemes	**21,120**	18,638
	360,302	350,089
Less: Staff costs capitalised into construction in progress	**(28,567)**	(31,090)
	331,735	318,999

	2013 *RMB'000*	2012 *RMB'000*
(c) Other items:		
Cost of inventories	**8,072,762**	5,589,812
Amortisation of lease prepayments	**5,411**	4,584
Amortisation of intangible assets#	**7,097**	14,406
Less: Amortisation capitalised into exploration and evaluation assets	**(3,412)**	–
	3,685	14,406
Depreciation#	**217,180**	252,010
Less: Depreciation capitalised into construction in progress	**(1,750)**	(1,446)
	215,430	250,564
Provision of impairment losses on:		
– trade and other receivables	**1,111**	2,764
– purchase deposits	**11,535**	4,263
– property, plant and equipment	**22,584**	–
– intangible assets	**329**	4,349
– goodwill	**34,058**	–
Operating lease charges in respect of properties	**3,740**	3,130
Auditors' remuneration	**4,766**	4,626
Research and development expenses	**26,862**	34,828
Pollution discharge fee	**1,919**	5,835
Environmental rehabilitation fee	**16,523**	16,075

\# *Cost of inventories includes RMB356,400,000 (2012: RMB424,580,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.*

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2013	2012
	RMB'000	*RMB'000*
Current tax – PRC income tax		
Provision for the year	**19,628**	94,080
Under-provision in respect of prior years	**1,583**	999
	21,211	95,079
Deferred tax		
Origination and reversal of temporary differences	**(171,877)**	(33,975)
Reversal of deferred tax assets recognised in previous year	**12,188**	–
Effect on deferred tax balance resulting from a change in tax rate	**–**	(1,297)
	(159,689)	(35,272)
	(138,478)	59,807

8 DIVIDENDS

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

	2013	2012
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMBNil (2012: RMB0.07) per ordinary share	**–**	53,917

The final dividend proposed after the end of the reporting period had not been recognised as a liability at the end of the reporting period.

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB673,365,000 (2012: profit of RMB165,335,000) and 770,249,091 (2012: 770,249,091) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

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

10 SEGMENT REPORTING

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

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

(a) Segment results, assets and liabilities

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

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

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

10 SEGMENT REPORTING *(continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2013 and 2012 is set out below.

	Mining – PRC		Mining – KR		Smelting		Copper processing		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**–**	–	**–**	–	**7,142,718**	5,439,351	**808,218**	960,440	**7,950,936**	6,399,791
Inter-segment revenue	**768,772**	1,039,286	**972**	140,206	**173,875**	256,317	**–**	–	**943,619**	1,435,809
Sales tax	**(55)**	(142)	**–**	–	**(8,375)**	(6,338)	**(422)**	(5)	**(8,852)**	(6,485)
Reportable segment revenue	**768,717**	1,039,144	**972**	140,206	**7,308,218**	5,689,330	**807,796**	960,435	**8,885,703**	7,829,115
Reportable segment profit/(loss)	**3,122**	323,465	**(74,515)**	28,158	**(563,544)**	189,490	**41,527**	61,792	**(593,410)**	602,905
Reportable segment assets	**2,002,471**	1,973,618	**829,407**	851,995	**2,174,852**	3,729,502	**1,578,374**	1,406,607	**6,585,104**	7,961,722
Reportable segment liabilities	**881,676**	770,223	**938,825**	872,040	**1,940,392**	2,572,942	**1,319,093**	1,162,767	**5,079,986**	5,377,972
Other segment information										
Interest expenses	**(19,482)**	(24,869)	**(16,221)**	(16,532)	**(89,763)**	(88,999)	**(21,753)**	(33,472)	**(147,219)**	(163,872)
Net foreign exchange gain/(losses)	**(8)**	1	**(3,432)**	(106)	**(966)**	81	**(2,679)**	663	**(7,085)**	639
Depreciation and amortisation for the year	**(91,058)**	(123,099)	**(33,979)**	(47,801)	**(43,513)**	(43,567)	**(47,071)**	(49,059)	**(215,621)**	(263,526)
(Provision)/reversal of impairment on:										
– trade and other receivables	**–**	–	**–**	–	**129**	(653)	**(1,240)**	(2,111)	**(1,111)**	(2,764)
– purchase deposits	**–**	–	**–**	–	**(11,535)**	(4,263)	**–**	–	**(11,535)**	(4,263)
– Property, plant and equipment	**(22,584)**	–	**–**	–	**–**	–	**–**	–	**(22,584)**	–
– intangible assets	**(329)**	(4,349)	**–**	–	**–**	–	**–**	–	**(329)**	(4,349)
– goodwill	**(34,058)**	–	**–**	–	**–**	–	**–**	–	**(34,058)**	–

10 SEGMENT REPORTING *(continued)*

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

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**8,885,703**	7,829,115
Elimination of inter-segment revenue	**(943,619)**	(1,435,809)
Consolidated revenue	**7,942,084**	6,393,306
Profit		
Reportable segment (loss)/profit	**(593,410)**	602,905
Elimination of inter-segment profits	**157,745**	(58,426)
Reportable segment (loss)/profit derived from the Group's external customers	**(435,665)**	544,479
Other net loss	**(72,915)**	(1,078)
Finance costs	**(239,017)**	(241,281)
Unallocated head office and corporate expenses	**(99,164)**	(77,423)
Consolidated (loss)/profit before taxation	**(846,761)**	224,697
Assets		
Reportable segment assets	**6,585,104**	7,961,722
Elimination of inter-segment receivables	**(439,687)**	(326,261)
Elimination of unrealised profits	**(4,159)**	(143,876)
	6,141,258	7,491,585
Other investments	**10,504**	10,504
Cash and cash equivalents managed by head office	**23,709**	38,755
Unallocated head office and corporate assets	**548,075**	378,190
Consolidated total assets	**6,723,546**	7,919,034
Liabilities		
Reportable segment liabilities	**5,079,986**	5,377,972
Elimination of inter-segment payables	**(439,688)**	(326,261)
	4,640,298	5,051,711
Unallocated head office and corporate liabilities	**407,045**	432,673
Consolidated total liabilities	**5,047,343**	5,484,384

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade and other receivables, deposits and prepayments comprise:

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**452,640**	432,214
Bills receivable	**163,192**	100,879
Less: Allowance for doubtful debts	**(7,022)**	(5,810)
	608,810	527,283
Other receivables, deposits and prepayments	**274,532**	236,669
Less: Allowance for doubtful debts	**(1,947)**	(2,279)
	272,585	234,390
Purchase deposits	**308,343**	98,515
Less: Allowance for non-delivery	**(39,316)**	(27,781)
	269,027	70,734
Amount due from Beijing Jiuyi	**–**	–
	1,150,422	832,407

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

(a) Ageing analysis

The ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within three months	**317,303**	334,672
Over three months but less than six months	**254,721**	182,599
Over six months but less than one year	**27,395**	9,000
Over one year but less than two years	**9,391**	1,012
At 31 December	**608,810**	527,283

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

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

(b) Trade and bills receivables that are not impaired

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

	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**576,933**	526,271
Less than one year past due	**31,877**	1,012
	608,810	527,283

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 for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(c) Impairment of trade and other receivables

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

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

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**8,089**	5,325
Impairment loss recognised	**1,111**	2,764
Impairment loss written off	**(231)**	–
At 31 December	**8,969**	8,089

At 31 December 2013, the Group's trade and other receivables of RMB8,969,000 (2012: RMB8,089,000) were individually determined to be impaired.

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

(d) Purchase deposits

Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of gold concentrates 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 gold concentrates and expect that the purchase deposits would be gradually recovered through future purchases of gold concentrates from the respective suppliers.

(e) Amount due from Beijing Jiuyi

	2013	2012
	RMB'000	*RMB'000*
Amount due from Beijing Jiuyi	**30,800**	30,800
Less: Impairment losses	**(30,800)**	(30,800)
	–	–

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

12 TRADE AND OTHER PAYABLES

Current trade and other payables:

	2013	2012
	RMB'000	*RMB'000*
Bills payable	**24,850**	–
Trade payables	**529,966**	599,936
Other payables and accruals	**404,667**	358,287
Payable for mining rights	**81,089**	87,897
Deferred income *(note (a))*	**80,900**	100,774
Dividend payable	**9,222**	3,487
Payable to non-controlling interests *(note (b))*	**35,240**	36,310
	1,165,934	1,186,691
Non-current other payables		
Decommissioning costs	**13,938**	14,369
Deferred income *(note (a))*	**50,043**	21,248
	63,981	35,617

(a) Deferred income represents grants received from the government for the exploration of mines and construction of mining related assets. When certain conditions are met, the government grants are recognised as income over the periods necessarily to match them with the related costs of assets constructed which they are intended to compensate over the periods and in the proportion in which depreciation on those assets is charged.

12 TRADE AND OTHER PAYABLES *(continued)*

(b) Payable to non-controlling interests is unsecured, interest free and repayable on demand.

The ageing analysis of trade payables (which are included in trade and other payables) based on the invoice date, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within three months	**487,442**	558,814
Over three months but less than six months	**18,930**	21,491
Over six months but less than one year	**12,183**	11,227
Over one year but less than two years	**6,826**	6,460
Over two years	**4,585**	1,944
	529,966	599,936

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Business

In 2013, the Group produced approximately 17,655 kg (equivalent to approximately 567,621 ounce) gold, representing an increase of approximately 1,302 kg (equivalent to approximately 41,860 ounce) or 8.0% as compared with the previous year. The Group's turnover increased by 24.2% to approximately RMB7,942,084,000. The loss attributable to the equity shareholders of the Company for the year was approximately RMB673,365,000, while the profit attributable to the equity shareholders of the Company for the previous year was RMB165,335,000. The Company's basic loss per share was RMB0.87. The loss was mainly due to (i) the slump of commodity prices; (ii) the inventory write-down of approximately RMB51,956,000; (iii) the operation suspension of Full Gold Mining Limited Liability Company ("Full Gold") due to the recovery rate of its processing plant failed to meet the expected standard. Full Gold is currently reviewing other processing solutions to improve the gold recover rate; and (iv) the Group conducted impairment test on mining operation in view of the slump in gold price. Hence, the Group recognized goodwill impairment of RMB34,058,000 and provision for impairment of property, plant and equipment of RMB22,584,000.

Given that raw materials accounted for over 83% of total production cost, the Group intends to increase its self-produced output of mine gold through 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

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:

		2013		2012	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	**2,168**	**2,167**	2,801	2,708
Compound gold	kg	**930**	**944**	1,218	1,184
Total	kg	**3,098**	**3,111**	4,019	3,892
Total	ounce	**99,603**	**100,021**	129,214	125,131

The total turnover of the mining segment of the Group for 2013 was approximately RMB769,689,000, representing a decrease of approximately 34.7% from approximately RMB1,179,350,000 in 2012. During the year, turnover of gold mines in Henan, Xinjiang, Inner Mongolia and KR represented approximately 63.5%, 27.6%, 8.8% and 0.1% of the total turnover of the mining segment respectively. The production volume of compound gold of the Group decreased by approximately 288 kg to approximately 930 kg while the production volume of its gold concentrates decreased by approximately 633 kg to approximately 2,168 kg.

In 2013, the operation of Full Gold located in KR was fully suspended for rectification due to the complicated geological condition, severe landslide, thin ore vein, difficulty in mining and high costs. Upon research and study, Full Gold decided to introduce the Russian non-explosive mechanical mining equipment, aiming to ensure safety works with higher efficiency and lower mining costs. In respect of the recovery rate of ore processing, the recovery rate of ore processing was low and the loss on resources was severe due to the nature of ores and processing procedures. Full Gold had been conducting testing and reform on processing procedures, which extended the flotation time, enhanced the Knelson concentration procedures and raised the recovery rate. However, the result was below expectations, which directly affected the economic benefits of the company. Therefore, the company is now studying and improving the processing procedures in order to improve the recovery rate. Currently, Full Gold is working on solving the problem and striving to resume the production of the Istanbul Gold Eastern Mine.

Segment results

The Group's results of the mining segment for 2013 was loss of approximately RMB71,393,000, as compared to the profit of approximately RMB351,623,000 in 2012. The segment result to segment turnover ratio of the Group's mining segment for 2013 was approximately (9.3)%, as compared to approximately 29.8% in 2012. The loss was mainly due to significant decline in gold price and suspend production of Full Gold.

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:

		2013		2012	
Product	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold bullion	kg	**17,655**	**22,547**	16,353	13,421
	ounce	**567,621**	**724,903**	525,761	431,495
Silver	kg	**56,302**	**93,041**	45,498	24,509
	ounce	**1,810,151**	**2,991,338**	1,462,795	787,983
Copper products	tonne	**15,002**	**14,946**	13,737	16,654
Sulphuric acid	tonne	**175,111**	**168,323**	149,911	149,460

Sales and production

The Group's total turnover from the smelting segment for 2013 was approximately RMB7,308,218,000, representing an increase of approximately 28.5% from approximately RMB5,689,330,000 in 2012. Such increase was principally attributable to the increase in gold bullion and silver sold of approximate 68.0% and 281.3% as compared with the previous year. As a result of the increase in the sales of gold and silver, the inventories of gold and sliver decreased to 715 kg (31 December 2012: 5,606 kg) and 2,575 kg (31 December 2012: 33,314 kg) respectively.

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 of approximately 8.0%, 23.7%, 9.2% and 16.8% respectively as compared with the previous year. During the year, the gold recovery rate was approximately 94.5%, the silver recovery rate was approximately 71.3% and the copper recovery rate was approximately 96.2%. The recovery rates remained at high level.

Segment results

Our smelting segment results for 2013 was loss of approximately RMB563,544,000, as compared to the profit of approximate RMB189,490,000 in 2012. The segment results to segment turnover ratio of our smelting business in 2013 was approximately (7.7)%, as compared to approximately 3.3% in 2012. The loss was mainly attributable to the significant drop in the selling price of gold and a higher cost of raw materials. The reason for the high cost of raw materials was because a portion of the raw materials was purchased before the slump of gold price.

Deferred income tax asset increased by RMB159,755,000 to RMB303,586,000 as compared with the beginning of the year. The increase was mainly due to the significant loss on smelting segment and write-down of inventory. This deferred income tax asset is expected to be realized in foreseeable future.

Outlook

In 2014, the Group will focus on increasing ore exploration reserve. Nanshan Company will focus on the works in the middle and peripheral area of mines. Huatai Company will focus on the consolidation of the deep and peripheral area of ore body and ore exploration. Xingyuan Company will focus on improvement and exploration in the deep and peripheral area of mines. Jinchan Company will focus on the works in the deep area of mines. 2014 will be a challenging year. The Group will continue its strict cost control policy as to maintain its profitability.

Full Gold will not commence exploration and production in 2014. It will primarily conduct testing on mining methods as well as testing and reform on processing procedures. Full Gold will strive to solve the problems of mining difficulty, high loss ratio of ores, high costs and low recovery rate of ores in Istanbul Gold Eastern Mine.

In respect of the copper foil operation, the Group will focus on exploring high-end customers, retaining quality customers, eliminating poor quality customers and increasing market share in high-end market. The Group will proactively explore new markets through its new profitable high value-added copper foil products, including the 6μm double-matte lithium foil, VLP copper foil and FCF copper foil.

FINANCIAL INFORMATION

1. Operating Results

Turnover

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

	2013			2012		
	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	**6,260,531**	**22,547 kg**	**277,666**	4,694,853	13,421 kg	349,814
Silver	**341,162**	**93,041 kg**	**3,667**	142,669	24,401 kg	5,847
Copper products	**498,343**	**11,160 tonnes**	**44,654**	563,710	11,454 tonnes	49,215
Copper foils	**808,218**	**11,859 tonnes**	**68,152**	960,440	13,951 tonnes	68,844
Sulphuric acid	**24,387**	**168,323 tonnes**	**145**	38,119	149,460 tonnes	255
Gold concentrates	**18,295**	**68 kg**	**269,044**	–	–	–
Turnover before tax	**7,950,936**			6,399,791		
Less: Sales tax	**(8,852)**			(6,485)		
	7,942,084			6,393,306		

The Group's turnover for 2013 was approximately RMB7,942,084,000, representing an increase of approximate 24.2% as compared with the previous year, of which the turnover of gold bullion accounted for 78.7% of its total turnover. Such increase was mainly attributable to the increase in our sales volume of gold bullion and silver sold during the year of approximately 68.0% and 281.3% respectively.

The Group commenced its copper processing business during the year 2008, mainly involving the production of copper foil. In 2013, the production and sales volume of copper foil were 12,143 tonnes and 11,859 tonnes respectively, representing a decrease of approximately 15.8% and 15.0% respectively as compared with last year. In 2013, the Group accelerated the process of high-end production transformation and expanded the high-end market under the sluggish global economic condition. With the dedicated works by all of our staff, the production capacity of lithium-foil gradually increased.

Gross profit and gross profit margin

The Group's gross loss and gross profit margin for 2013 were approximately RMB130,678,000 and (1.6)% respectively, as compared to the gross profit and gross profit margin for 2012 of RMB803,494,000 and 12.6% respectively. The decrease in gross profit and gross profit margin were mainly attributable to the significant drop in the selling price of gold and a higher cost of raw materials. The reason for the high cost of raw materials was because a portion of the raw materials was purchased before the slump of gold price. Raw materials are a major component of the Group's cost of sales and a material change in raw materials price will severely affect the Group's gross profit and gross profit margin.

Other revenue

The Group's other revenue for 2013 was approximately RMB37,340,000, representing an increase of approximately 50.1% as compared with approximately RMB24,879,000 for 2012. Such increase was principally attributable to the increase in government grants of RMB12,340,000.

Other net loss

The Group's other net loss for 2013 was approximately RMB72,915,000, representing an increase of approximately RMB71,837,000 as compared with a net loss of approximately RMB1,078,000 for 2012. Such increase was mainly attributable to the goodwill impairment of approximately RMB34,058,000, provision of impairment of property, plant and equipment of approximately RMB22,584,000 and the foreign exchange loss of approximately RMB11,410,000.

Selling and distribution expenses

The Group's selling and distribution expenses for 2013 were approximately RMB29,059,000, representing a decrease of approximately 25.8% as compared with the previous year. Such decrease was mainly attributable to the operation suspension of Full Gold and correspondingly decrease in selling and distribution expenses.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses for 2013 were approximately RMB412,432,000, representing an increase of approximately 28.0% as compared with approximately RMB322,179,000 for 2012. The increase was mainly attributable to the suspended operation of Full Gold in 2013. The overhead expenses incurred during the suspension period which included the depreciation expense of approximately RMB30,000,000, staff costs of approximately RMB4,000,000 and material consumptions of approximately RMB4,000,000 were recognised as administrative expenses.

Finance costs

The Group's finance costs for 2013 were approximately RMB239,017,000, representing a decrease of approximately 0.9% as compared with approximately RMB241,281,000 for 2012. Such decrease was principally attributable to the decrease in average bank loans during the reporting period.

Profit attributable to the Company's equity shareholders

The loss attributable to our equity shareholders in 2013 was approximately RMB673,365,000, as compared to the profit attributable to our equity shareholders in 2012 of approximately RMB165,335,000. The Company's basic loss per share was RMB0.87. The Group does not recommend the payment of final dividend for the year ended 31 December 2013.

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 2013 amounted to RMB414,757,000 of which 2.5% was denominated in Hong Kong dollars.

The total equity of the Group as at 31 December 2013 amounted to RMB1,676,203,000 (31 December 2012: RMB2,434,650,000). As at 31 December 2013, the Group had current assets of RMB3,032,528,000 (31 December 2012: RMB4,426,142,000) and current liabilities of RMB2,915,086,000 (31 December 2012: RMB4,014,112,000). The current ratio was 1.04 (31 December 2012: 1.10).

As at 31 December 2013, the Group had total outstanding bank loans of approximately RMB3,090,071,000 with interest rates ranging from 2.15% to 7.05% per annum, of which approximately RMB1,721,954,000 was repayable within one year, approximately RMB530,614,000 was repayable after one year but within two years while approximately RMB837,503,000 was repayable after two years. The gearing ratio as at 31 December 2013 was 56.4% (31 December 2012: 53.2%) which was calculated by total borrowings including Medium Term Notes divided by total assets.

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

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

3. Security

As at 31 December 2013, the mining right of Istanbul Gold Mine with carrying value amounting to RMB100,085,000 and the ordinary shares of Full Gold, a subsidiary located in KR were pledged to secure the borrowings from the National Development Bank.

As at 31 December 2013, a bank loan of the Group amounting to RMB52,800,000 was secured by inventories with a carry amount of RMB47,558,000 and a guarantee deposit of RMB5,390,000.

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, trade and other receivables, trade and other payables, as well as bank loans that are denominated in foreign currencies. The currency giving rise to risk is primarily United States dollars.

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

6. Contractual Obligations

As at 31 December 2013, the Group's total capital commitments in respect of the construction costs which were not provided for in the financial statements were approximately RMB192,275,000, representing an increase of approximately RMB64,801,000 from approximately RMB127,474,000 as at 31 December 2012.

As at 31 December 2013, our total future minimum lease payments under noncancellable operating leases amounted to approximately RMB12,621,000, of which approximately RMB2,839,000 was payable within one year, approximately RMB8,136,000 was payable after one year but within five years, and approximately RMB1,646,000 was payable after five years.

7. Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

8. Capital Expenditure

During the year 2013, the Group's capital expenditure was approximately RMB357,797,000, representing a decrease of approximately 10.9% from approximately RMB401,635,000 in 2012.

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

9. Human Resources

In 2013, the average number of employees of the Group was 6,557. 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.2.7 The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present, 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) and Code Provisions A.6.7 (Independent non-executive directors and non-executive directors should attend general meetings).

Code Provision A.2.7 provides that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year 2013, all meetings was hold with the executive directors' presence. However, the chairman has delegated the secretary to the Board to gather any concerns and/or questions that the non-executive directors and the independent non-executive directors might have and report to him and arrange a meeting with them.

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 director 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.

According to Code Provisions A.6.7, all non-executive directors and independent non-executive directors should attend the general meetings of the Company and develop a balanced understanding of views of shareholders. Mr. Han Qinchun, our independent non-executive director, was unable to attend the annual general meeting of the Company held on 3 June 2013 due to other business engagement. Mr. Wang Yumin, our non-executive director, was unable to attend the extraordinary meeting of the Company held on 28 August 2013 due to other business engagement.

AUDIT COMMITTEE

Audit Committee comprises one non-executive director and four independent non-executive directors, namely Yang Dongsheng (Chairman), Wang Yumin, Du Liping, Xu Qiangsheng and Han Qinchun.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters regarding the preliminary final results for the year ended 31 December 2013 together with the management of the Group. The Audit Committee has also reviewed the annual results for the year with the Company's external auditor. 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 2013, 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 27 March 2014, the directors do not recommend the payment of final dividend for the year ended 31 December 2013 (2012: RMB0.10 per ordinary share).

CLOSURE OF REGISTER

The register of members of the Company will be closed from Wednesday, 7 May 2014 to Thursday, 5 June 2014, (both days inclusive), during which period no transfer of shares will be registered. In order for the shareholders 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, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office address of the Company at Xin Village, Yinzhuang Town, Daonan Industrial Area, Lingbao, Henan, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Tuesday, 6 May 2014.

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 2013.

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 2013 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.
Jin Guangcai
Chairman

Hong Kong, 27 March 2014

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

Executive Directors: Jin Guangcai, Zhang Guo and He Chengqun;
Non-Executive Directors: Wang Yumin and Yang Liening; and
Independent Non-Executive Directors: Yang Dongsheng, Du Liping, Xu Qiangsheng and Han Qinchun.