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 2007

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Corporate Information

Directors

Executive Directors
Xu Gaoming *(Chairman)*
Wang Jianguo
Lu Xiaozhao
Jin Guangcai

Non-executive Directors
Xu Wanmin
Di Qinghua
Qi Guozhong

Independent Non-executive Directors
Ning Jincheng
Wang Yanwu
Niu Zhongjie
Zheng Jinqiao

Supervisors

Gao Yang *(Chairman of the Supervisory Committee)*
Meng Fanrui
Guo Xuchang
Peng Jinzeng
Lei Mingyang

Joint Company Secretary

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

Qualified Accountant

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

Authorised Representatives

Jin Guangcai
Zhao Jugang

Alternate Authorised Representative

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

Audit Committee

Zheng Jinqiao *(Chairman of Audit Committee)*
Xu Wanmin
Ning Jincheng
Wang Yanwu
Niu Zhongjie

International Auditors

KPMG

Compliance Adviser

BOCI Asia Limited

Legal Adviser

Dibb Lupton Alsop

Principal Bankers

Bank of China, Lingbao City Branch
Agricultural Bank of China, Lingbao City Branch
China Construction Bank, Lingbao City Branch

Share Registrar and Transfer Office for H Shares

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

Registered Office

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

Principal Place of Business in Hong Kong

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

Stock Information

Stock code:	3330
Listing date:	12 January 2006
Issued shares:	297,274,000 shares (H Shares)
	472,975,091 shares (Domestic shares)
Nominal value:	RMB0.20 per share
Stock name:	Lingbao Gold
Website:	www.lbgold.com

Investor Relations

The Company:

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38 Gloucester Road
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PRC Office
Xin Village, Yinzhuang Town
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Lingbao
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Management Discussion and Analysis

Review of Business and Prospect

In the first half of 2007, Lingbao Gold Company Ltd. ("Lingbao Gold" or the "Company") and its subsidiaries (together with the Company, the "Group") produced approximately 5,484 kg (equivalent to approximately 176,315 ounce) of gold including approximately 316 kg (equivalent to approximately 10,160 ounce) of compound gold, representing an increase of approximately 718 kg (equivalent to approximately 23,084 ounce) or 15.1% as compared with the corresponding period of the previous year. The internal sale of compound gold amounted to approximately 316kg (approximately 10,160 ounce). The turnover for the six months ended 30 June 2007 was approximately Renminbi ("RMB") 1,012,917,000, representing an increase of approximately 6.4% as compared with the corresponding period of the previous year. For the six months ended 30 June 2007, the profit attributable to the Company's shareholders was approximately RMB38,464,000, representing a decrease of approximately 71.3% as compared with the corresponding period of the previous year. For the six months ended 30 June 2007, the basic earnings per share was RMB0.05. In the first half of 2007, the decrease of profit attributable to Company's shareholders as compared with the corresponding period of 2006 was the mainly due to the rise of the prices of raw materials, resulting in the drop of gross profit of the Group for the first half of 2007 as compared with the corresponding period of 2006.

During the first half of 2007, the international gold price rose from approximately US$637 per ounce as at 1 January to approximately US$649 as at 29 June, peaking at approximately US$690 during this period. The gold price dropped throughout May and June hitting a low of approximately US$640 per ounce. The monthly average sales volume and sales amount of the Group decreased in May and June this year when compared to January to April this year, bringing the inventories (finished products) to increase by approximately 249.4% when compared to the year ended 31 December 2006.

Given that raw materials accounted for over 80% of total production cost and in order to minimize the reliance of purchase of raw materials from outsiders, the Group intends to increase the Group's mine production through acquisition and expansion of mine operations, thereby uplifting the production and operation targets.

The Group's mineral resources are mainly scattered in five provinces in the People's Republic of China (the "PRC"), including Henan, Xinjiang, Jiangxi, Gansu and Inner Mongolia with 42 mining and exploration rights as at 31 August 2007 covering 1,105.08 square kilometers. The total gold reserves and resources as at 30 June 2007 was approximately 121.43 tonnes.

1. Mining Segment

Turnover and production

Our mining business comprises the sales of gold concentrates and other derivative products, such as compound gold and lead concentrates. 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			
		2007		2006	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold concentrates	Kg	**826**	**814**	661	599
Compound gold	Kg	**316**	**316**	70	60
Total	Kg	**1,142**	**1,130**	731	659
Total	Ounce	**36,716**	**36,330**	23,502	21,187
Lead concentrates	Kg	**–**	**–**	72	72

The Group's revenue from the mining segment for the first half of 2007 was approximately RMB164,600,000, representing an increase of approximately 72.8% from approximately RMB95,280,000 for the same period in 2006. During the period, turnover of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 77.0%, 14.3% and 8.7% of the revenue from the mining segment respectively. The production of compound gold increased by approximately 246 kg to approximately 316 kg while production of gold concentrates increased by approximately 165 kg to approximately 826 kg, primarily because the acquisition of Inner Mongolia Chifeng Jinchan Mining Company Limited ("Chifeng Jinchan") during the end of March 2007 led to an increase in the gold production to the Group.

Segment results

The Group's results of the mining segment for the first half of 2007 was approximately RMB14,748,000, representing an increase of approximately 88.2% from approximately RMB7,835,000 for the same period in 2006. The segment result to segment turnover ratio of the Group's mining segment for the first half of 2007 was approximately 9.0%, representing an increase of approximately 0.8% from approximately 8.2% in the corresponding period in 2006. The main reason of the increase is the overall higher average realisation gold price as compared to the corresponding period in 2006. Moreover, the Group is able to benefit from economics of scale generated from the expansion of the Group's mining operations in the period. In the long term, contribution from mining segment is expected to grow in line with the expansion of the mining subsidiaries of the Group.

Management Discussion and Analysis

Prospect

The Group will complete the expansion of the processing facility of Xinjiang Habahe Huatai Gold Limited Liability Company in the second half of 2007. The expansion will improve the daily ores processing capacity from the current 500 tonnes to 1,500 tonnes. The phase II of the new smelting furnaces of the smelter in Henan region will be put into production in the second half of the year, which will improve the Group's daily processing capacity of gold concentrates from 700 tonnes to 880 tonnes.

The Group will strive to increase its gold reserves by continuous exploration activities in the second half of the year. In order to further increase gold production, the Group will continue to develop the deposits of Henan Nanyang Xingyuan's gold mines, Xinjiang Duolanasayi gold mine, Tuokuzibayi gold mine and Inner Mongolia Autonomous Region, and at the same time, enhance the processing capacity of the Xinjiang's gold mines. In order to increase the gold reserves, our mine operations will be concentrated in Henan Nanyang Xingyuan's gold mines, Xinjiang gold mine and Inner Mongolia Jinchan's gold mines, and the Group will strive to make these three gold mining areas to support the future mine operations.

2. Smelting Segment

Our smelter is situated in Henan Province, and is capable of processing gold, silver, copper and sulphur. The products of our smelter 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			
		2007		2006	
Product	**Unit**	**Production volume**	**Sales volume**	Production volume	Sales volume
Gold bullion	Kg	**5,484**	**4,680**	4,696	4,363
	Ounce	**176,315**	**150,466**	150,980	140,274
Silver	Kg	**17,956**	**7,029**	14,115	10,288
	Ounce	**577,298**	**225,988**	453,807	330,767
Copper products	Tonne	**4,326**	**3,938**	4,619	4,980
Sulphuric acid	Tonne	**64,430**	**65,839**	79,671	82,532

Turnover and production

The Group's total turnover in the smelting segment for the first half of 2007 was approximately RMB1,018,086,000, representing an increase of approximately 8.4% from approximately RMB939,192,000 for the same period of 2006. Such increase was principally attributable to an approximate 16.2% increase in the sales amount of gold bullion as a result of an approximate 8.3% increase in average selling price of gold bullion.

In the first half of 2007, the maximum capacity of the Group's smelter is approximately 700 tonnes of gold concentrates per day, and the utilisation rate for production was approximately 97%. This resulted in a slight increase in the Group's production volume. During the period, the gold recovery rate was approximately 97.18%, the silver recovery rate was approximately 79.26% and the copper recovery rate was approximately 93.99%. All recovery rates continued to remain at a high level.

Segment results

Our smelting segment results for the first half of 2007 was approximately RMB101,343,000, representing an approximate 44.2% decrease from approximately RMB181,748,000 for the same period in 2006. The segment results to segment turnover ratio of our smelting business for the first half of 2007 was approximately 10.0%, decreased by approximately 9.4% from approximately 19.4% for the same period in 2006. During the period, the average selling price of gold bullion increased by approximately 8.3% to approximately RMB164.4 per gram (equivalent to approximately USD664.0 per ounce). Despite the use of efficient cost control and production adjustment, profit margin of smelting segment decreased due to the surge of prices of raw materials.

Prospect

The phase II of the smelter has kicked off smoothly in the second half of 2007, giving an impetus to the sustainable development of the Group. The smelting scale has significantly enhanced as the daily processing capacity of concentrates exceeded 880 tonnes, with an increase of the production volume of gold, silver and sulphuric acid of over 30%. The phase II mainly deals with gold concentrates with high copper element. In the meanwhile, the Group strengthened research in the technology area, such as the recovery of lead and zinc from the gold concentrates.

Management Discussion and Analysis

Consolidated Operating Results

Turnover

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

	For the six months ended 30 June					
	2007			2006		
	Amount (RMB'000)	**Sales volume (kg/tonne)**	**Unit price (RMB per kg/tonne)**	Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)
Gold bullion	**769,413**	**4,680 kg**	**164,404**	662,312	4,363 kg	151,802
Compound gold	**–**	**– kg**	**–**	9,592	60 kg	159,867
Silver	**22,288**	**7,029 kg**	**3,171**	26,836	10,288 kg	2,608
Copper products	**204,739**	**3,938 tonnes**	**51,991**	231,319	4,980 tonnes	46,450
Sulphuric acid	**18,261**	**65,839 tonnes**	**277**	16,026	82,532 tonnes	194
Lead concentrates	**–**	**– kg**	**–**	9,069	72 kg	125,958
Turnover before sales tax	**1,014,701**			955,154		
Less: Sales tax	**(1,784)**			(3,317)		
	1,012,917			951,837		

The Group's turnover for the first half of 2007 was approximately RMB1,012,917,000, representing an approximate 6.4% increase compared with the corresponding period of the previous year. Such increase was principally attributable to the increase of approximately 16.2% in the sales of gold bullion, resulting from an increase of approximately 8.3% in our average selling price of gold bullion during the period.

Outlook for 2007

The international gold price increased slightly in the first half of 2007. For the second half of 2007, the Group will strengthen the acquisition activity so as to enhance the gold production and maintain sales growth. The influence of international politics, economy, other uncertain factors, the steady increase in investors' demand for spot gold and the consumers' demand for jewellery and with the problem of the secondary mortgage of real estates in the U.S., these are factors which will beneficial to the gold price while the U.S. dollar performs weakly. It is anticipated that these positive factors will support the upward trend of the gold price and bring more development opportunities to the Group.

Financial Review

Acquisition and disposal

On 27 March 2007, the Group acquired the 100% interests in Chifeng Jinchan based in Inner Mongolia Autonomous Region at a consideration of RMB146,000,000 in cash, adding one mining right and six exploration rights.

On 2 April 2007, the Group and Shenyang Jinlu Materials Company Limited jointly set up Chifeng Lingjin Mining Company Limited with a registered capital of RMB40,000,000. The Group contributes RMB32,000,000, which accounts for its 80% equity interest. This added one exploration right to the Company and the area of the mine is 32.58 square kilometers.

On 29 June 2007, the acquisition of Lingbao Yixin Limited Liability Company ("Lingbao Yixin") has completed. The Company had acquired 80% equity interest of Lingbao Yixin at RMB13,920,000 which is a legal owner of an exploration right with the area of 25.56 square kilometers. Under a profit sharing arrangement, the Group is entitled to receive a profit of RMB13,920,000 million initially generated from Lingbao Yixin. Thereafter, the Group shares 55% profit generated from Lingbao Yixin.

Except for the above, on 30 August 2007, the Group entered an agreement to acquire 20% equity interest of Tongbai Xingyuan Mining Company Limited ("Tongbai Xingyuan") at a cash consideration of RMB4,000,000. After the completion of the acquisition, Tongbai Xingyuan will become a wholly-owned subsidiary of the Company.

Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 30 June 2007 amounted to RMB345,157,000, of which 14.1% was denominated in Hong Kong dollars.

The shareholders' equity of the Group as at 30 June 2007 amounted to RMB1,491,004,000 (31 December 2006: RMB1,516,213,000). As at 30 June 2007, the Group had current assets of RMB1,328,381,000 (31 December 2006: RMB1,508,020,000) and current liabilities of RMB1,446,226,000 (31 December 2006: RMB1,226,635,000). The current ratio was 0.92 (31 December 2006: 1.23).

In August 2007, a bank loan facility of RMB300,000,000 was granted for a period of 2 years, among which approximately RMB285,000,000 were drawn as short-term loans. After the balance sheet date, the Group has applied for a short-term corporate bond of RMB580,000,000 which are pending for approval. The Directors believe that the Group has sufficient operating funds to cope with the requirements of operations and future expansion.

As at 30 June 2007, the Group had total outstanding bank loans and other borrowings of approximately RMB1,233,270,000 at fixed interest rates ranged from 4.86% to 6.12% per annum, of which approximately RMB1,110,000,000 was repayable within one year, approximately RMB120,000,000 was repayable after one year but not exceeding two years while approximately RMB3,270,000 was repayable after five years. There was no secured bank loans for the period. The gearing ratio as at 30 June 2007 was 39.5% (31 December 2006: 33.8%) which was calculated by total borrowings divided by total assets value.

Market risks

The Group are exposed to various types of market risks, including fluctuations in gold prices, changes in interest rates, foreign exchange rates and inflation.

Gold price and other commodities price risk

The Group's turnover and profit during the period are affected by fluctuations in the gold prices and other commodities price as all of our turnover

Management Discussion and Analysis

and profit are generated within the PRC. We do not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of gold and other commodities or for trading purposes. Therefore, fluctuations in the prices of gold and other commodities may have a significant effect on the Group's turnover and profit.

Interest rate

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

Exchange rate risk

The Group's transactions are all 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. The PRC government may take further actions and implement new measures on free trade of Renminbi. Fluctuations in exchange rates may adversely affect the value of our net assets, earnings and any dividends we declare when such are being converted to Hong Kong dollars.

Contractual obligations

As at 30 June 2007, capital commitments for the period was approximately RMB354,025,000, representing an increase of approximately RMB45,427,000 from approximately RMB308,598,000 as at 31 December 2006.

Capital expenditures

Capital expenditures during the period was approximately RMB362,810,000, including a net capital expenditure of approximately RMB118,227,000 paid for the acquisition of a new subsidiary, capital expenditure of approximately RMB168,768,000 in relation to the acquisition of fixed assets and acquisition of intangible assets of approximately RMB75,815,000.

Contingent liabilities

As at 30 June 2007, the Group had no material contingent liabilities.

Human resources

For the six months ended 30 June 2007, the average number of employees of the Group was 3,316. Being one of the largest integrated gold producing companies based in PRC, the Company highly treasures its human resources and offers competitive remuneration to employees and provides employees with training programs. In the first half of 2007, the Group has paid out cash bonus to most employees of the Group in recognition of their performance in 2006.

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 2007.

Directors, Supervisors and Chief Executive

As at 30 June 2007, the interest and short position of each Director, Supervisor and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if applicable to Supervisors) were as follows:

Supervisors	**Relevant entity**	**Capacity**	**Number of domestic shares held (Long position)**	**Approximate percentage of the total issued domestic share capital**	**Approximate percentage of the total issued share capital**
Mr. Meng Fanrui (孟凡瑞先生)	The Company	Interests of Controlled Corporation *(Note 1)*	18,000,000	3.80%	2.33%
Mr. Guo Xuchang (郭續長先生)	The Company	Interests of Controlled Corporation *(Note 2)*	12,250,000	2.58%	1.59%

Notes:

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

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

Management Discussion and Analysis

Interests of Substantial Shareholders

As at 30 June 2007, so far as it was known to the Directors, the following persons, other than the Directors, Supervisors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

	Number of domestic shares	Nature of interest	Approximate percentage of the total 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)*	373,840,620	Beneficial owner	79.04%	48.54%
Sanmenxia Jinqu Group Company Limited (三門峽金渠集團有限公司) ("Sanmenxia Jinqu") *(Note 3)*	37,698,784	Beneficial owner	7.97%	4.89%

	Number of H shares	Nature of interest	Approximate percentage of the total issued H share capital	Approximate percentage of the total issued share capital
Ward Ferry Management (BVI) Limited	20,747,000	Investment manager	6.98%	2.69%

Notes:

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

2. Mr. Xu Wanmin (許萬民先生), a non-executive Director of the Company, is the vice chairman and general manager of Lingbao State-owned Assets and Mr. Di Qinghua (狄清華先生), a non-executive Director of the Company, is the integrated office manager of Lingbao State-owned Assets.

3. Mr. Qi Guozhong (戚國忠先生), a non-executive Director of the Company, is the chairman and legal representative of Sanmenxia Jinqu.

Directors' and Supervisors' Interests in Contracts

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its jointly controlled entities was a party and in which the Directors or the Supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end or at any time during the period under review (excluding the Directors' and Supervisors' service contracts).

Directors' and Supervisors' Rights to Acquire Shares or Debentures

Apart from disclosed under the paragraph headed "Directors, Supervisors and Chief Executive", at no time during the period under review was the Company, its subsidiaries or its jointly controlled entity, a party to any arrangement to enable the Directors, the Supervisors and their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of Directors in Competing Business

During the period under review and as at the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Pre-emptive Rights

There are no provisions regarding pre-emptive rights under the Articles of Association of the Company and related laws of Hong Kong and the PRC, which would oblige the Company to issue new shares on pro-rata basis to the existing shareholders of the Company.

Interim Dividend

The Board of Directors (the "Board") does not recommend the payment of interim dividend.

Corporate Governance

Being one of the largest integrated gold exploration companies based in PRC, the Company is committed to achieving high standards of corporate governance practices and has put in place a set of well-defined corporate governance processes to ensure the transparency of the Company and protect the overall interest and rights of shareholders as well as employees.

The Company has complied with all Code Provisions under the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules save for the deviations discussed below:

(i) **Code Provision A.2.1** (Division of responsibilities between the chairman and chief executive officer)

Code Provision A.2.1 of the Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The chairman is responsible for ensuring that the Directors are properly explained on matters discussed at Board meetings and complete and reliable information has been received by the 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

Management Discussion and Analysis

Provision A.2.1. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is capable to guide discussions and brief the Board (in particular, the non-executive Directors) in a timely manner on various issues and developments of the industry. In addition, the Board believes that this structure can assist the Group to implement decisions promptly and more efficiently.

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

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

Model Code for Securities Transactions

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

Audit Committee

The audit committee ("Audit Committee") of the Company, comprising four independent non-executive Directors and one non-executive Director, namely, Mr. Zheng Jinqiao, Mr. Ning Jincheng, Mr. Wang Yanwu, Mr. Niu Zhongjie and Mr. Xu Wanmin, 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 2007, 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.

Litigation and Arbitration

As at 30 June 2007, as far as the Directors were aware, the Group was not involved in any material litigation or arbitration and no material litigation or claims were pending or threatened or made against the Group.

By order of the Board

Xu Gaoming
Chairman

Lingbao City, Henan Province, The PRC
13 September 2007

Interim Results

The board of directors (the "Board") of Lingbao Gold Company Ltd. (the "Company") present herewith the unaudited consolidated income statement, unaudited consolidated statement of changes in equity and unaudited condensed consolidated cash flow statement of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2007 and the unaudited consolidated balance sheet of the Group at 30 June 2007, together with the comparative figures for the six months ended 30 June 2006 and at 31 December 2006 respectively.

Consolidated Income Statement

for the six months ended 30 June 2007

	Note	Six months ended 30 June 2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Turnover	*2, 3*	**1,012,917**	951,837
Cost of sales	*4*	**(870,988)**	(735,775)
Gross profit		**141,929**	216,062
Other revenue	*5*	**10,962**	55,061
Other net loss	*6*	**(6,114)**	(9,813)
Selling and distribution expenses		**(5,997)**	(7,739)
Administrative expenses and other operating expenses		**(46,818)**	(39,753)
Profit from operations		**93,962**	213,818
Finance costs	*7(a)*	**(30,799)**	(10,966)
Profit before taxation	*7*	**63,163**	202,852
Income tax	*8*	**(24,654)**	(69,587)
Profit for the period		**38,509**	133,265
Attributable to:			
Equity shareholders of the Company		**38,464**	134,132
Minority interests		**45**	(867)
Profit for the period	*19*	**38,509**	133,265
Basic and diluted earnings per share (cents)	*10*	**5**	18

The notes on pages 21 to 39 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2007

	Note	**At 30 June 2007 RMB'000 (Unaudited)**	At 31 December 2006 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**409,255**	292,115
Construction in progress	*11*	**313,777**	254,533
Intangible assets		**324,003**	194,878
Goodwill		**38,882**	4,824
Lease prepayments		**37,493**	8,976
Other investments		**10,504**	10,504
Deposits for long term investments	*12*	**534,276**	460,162
Non-current prepayments		**112,435**	28,267
Deferred tax assets		**16,052**	12,646
		1,796,677	1,266,905
Current assets			
Inventories	*13*	**692,357**	435,010
Trade and other receivables, deposits and prepayments	*14*	**261,899**	199,306
Current tax recoverable		**28,968**	–
Deposits with banks	*15*	**–**	442,057
Cash and cash equivalents	*15*	**345,157**	431,647
		1,328,381	1,508,020
Current liabilities			
Bank loans	*17*	**1,110,000**	935,000
Trade and other payables	*16*	**332,160**	276,189
Current tax payable		**4,066**	15,446
		1,446,226	1,226,635
Net current (liabilities)/assets		**(117,845)**	281,385
Total assets less current liabilities		**1,678,832**	1,548,290

Consolidated Balance Sheet (continued)

at 30 June 2007

	Note	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Non-current liabilities			
Bank loans	*17*	**120,000**	–
Other loan		**3,270**	3,270
Deferred tax liabilities		**28,855**	1,149
		152,125	4,419
NET ASSETS		**1,526,707**	1,543,871
CAPITAL AND RESERVES			
Share capital	*18*	**154,050**	154,050
Reserves		**1,336,954**	1,362,163
Total equity attributable to equity shareholders of the Company	*19*	**1,491,004**	1,516,213
Minority interests	*19*	**35,703**	27,658
TOTAL EQUITY		**1,526,707**	1,543,871

Approved and authorised for issue by the board of directors on 13 September 2007

Xu Gaoming
Executive director and chairman

Wang Jianguo
Executive director

The notes on pages 21 to 39 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2007

		Six months ended 30 June	
		2007	2006
	Note	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Total equity at 1 January		**1,543,871**	502,120
Movements in equity arising from capital transactions:			
Capital contributions from minority interests		**8,000**	–
Movements in share capital			
– Shares issued under the placing and public offer		**–**	54,050
– Net share premium received		**–**	811,329
		8,000	865,379
Net income for the period recognised directly in equity:			
Exchange difference on translation of financial statements of subsidiaries outside the People's Republic of China ("PRC")		**(2,053)**	–
Profit for the period:			
Attributable to:			
– Equity shareholders of the Company		**38,464**	134,132
– Minority interests		**45**	(867)
		38,509	133,265
Total recognised income and expenses for the period		**36,456**	133,265
Dividend declared and approved during the period	*9*	**(61,620)**	(61,620)
Total equity at 30 June		**1,526,707**	1,439,144

The notes on pages 21 to 39 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2007

	Note	**Six months ended 30 June** **2007** **RMB'000** **(Unaudited)**	2006 RMB'000 (Unaudited)
Cash (used in)/generated from operations		**(157,819)**	126,857
PRC income tax paid		**(74,431)**	(48,017)
Net cash (used in)/generated from operating activities		**(232,250)**	78,840
Net cash used in investing activities		**(98,032)**	(10,106)
Net cash generated from financing activities		**230,647**	897,157
Net (decrease)/increase in cash and cash equivalents		**(96,635)**	965,891
Cash and cash equivalents at 1 January		**347,265**	117,861
Effect of foreign exchange rate changes		**(1,513)**	–
Cash and cash equivalents at 30 June	*15*	**249,117**	1,083,752

The notes on pages 21 to 39 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 13 September 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

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 2006 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 ("HKFRS").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and by the auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by an independent auditor of the entity, issued by the HKICPA. KPMG's independent review report to the board of directors is included on page 40.

The financial information relating to the financial year ended 31 December 2006 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 2006 are available from the Company's registered office. The independent auditor has expressed an unqualified opinion on those financial statements in the independent auditor's report dated 24 April 2007.

In preparing the unaudited interim financial report, the directors have considered the future liquidity of the Group in view of its net current liabilities position as at 30 June 2007. The Group has actively discussed with its principal bankers in order to secure continual financial support. The directors are of the opinion that the Group will be able to meet its financial obligations as they fall due and continual support will be provided by the Group's principal bankers to finance its future working capital and financial requirements. In addition, when necessary, the Group's principal bankers allow the Group to extend the repayment dates of bank loans or renew the bank loans when they fall due at higher interest rates. Accordingly, the directors are of the opinion that it is appropriate to prepare the unaudited interim financial report for the six months ended 30 June 2007 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the unaudited interim financial report.

Notes to the Unaudited Interim Financial Report

2 Segment reporting

Turnover and contribution to the Group's profit from principal activities during the period, after elimination of all material inter-company transactions, are as follows:

Business segments

	Mining RMB'000 (Unaudited)	Smelting RMB'000 (Unaudited)	Inter-segment elimination RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
For the six months ended 30 June 2007					
Revenue from external customers	–	1,012,917	–	–	1,012,917
Inter-segment revenue	164,480	–	(164,480)	–	–
Other revenue from external customers	120	5,169	–	5,673	10,962
Total	164,600	1,018,086	(164,480)	5,673	1,023,879
Segment results	14,748	101,343	(6,283)	5,673	115,481
Unallocated operating income and expenses					(21,519)
Profit from operations					93,962

	Mining RMB'000 (Unaudited)	Smelting RMB'000 (Unaudited)	Inter-segment elimination RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
For the six months ended 30 June 2006					
Revenue from external customers	18,658	933,179	–	–	951,837
Inter-segment revenue	76,612	–	(76,612)	–	–
Other revenue from external customers	10	6,013	–	49,038	55,061
Total	95,280	939,192	(76,612)	49,038	1,006,898
Segment results	7,835	181,748	41	49,038	238,662
Unallocated operating income and expenses					(24,844)
Profit from operations					213,818

Geographical segments

The Group's turnover and operating profit are almost entirely derived from the gold mining and smelting business in the PRC. Accordingly, no analysis by geographical segment has been 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 period is as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of:		
– Gold	**769,413**	671,904
– Other metals	**227,027**	267,224
– Others	**18,261**	16,026
Less: Sales taxes and levies	**(1,784)**	(3,317)
	1,012,917	951,837

4 Cost of sales

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Direct materials	**879,062**	692,283
Direct labour	**16,371**	16,675
Electricity	**28,416**	25,477
Tunnelling/extraction expenses	**58,525**	34,898
Depreciation and amortisation	**27,311**	18,019
Resources tax	**2,084**	1,095
Refinery expenses	**12,188**	11,171
Movements in inventories	**(152,969)**	(63,843)
	870,988	735,775

Notes to the Unaudited Interim Financial Report

5 Other revenue

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	**5,393**	48,994
Delivery income	**4,444**	5,765
Scrap sales	**845**	258
Dividend income from unlisted securities	**280**	–
Sundry income	**–**	44
	10,962	55,061

6 Other net loss

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Insurance claims	**16**	–
Net gain/(loss) on disposal of property, plant and equipment	**33**	(661)
Net foreign exchange loss	**(6,242)**	(9,155)
Others	**79**	3
	(6,114)	(9,813)

7 Profit before taxation

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

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	**30,500**	10,749
Interest on other loan	**45**	84
Other borrowing costs	**254**	133
	30,799	10,966
(b) Other items:		
Amortisation of lease prepayments	**171**	201
Operating lease charges in respect of properties	**566**	820
Total depreciation	**22,524**	17,300
Less: Depreciation capitalised into construction in progress	**(294)**	(915)
	22,230	16,385
Total amortisation of intangible assets	**32,232**	6,152
Less: Amortisation capitalised into exploration and evaluation assets	**(22,857)**	(1,769)
	9,375	4,383

Notes to the Unaudited Interim Financial Report

8 Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC income tax for the period	**34,035**	68,302
Deferred tax		
Origination and reversal of temporary differences	**(9,381)**	1,285
	24,654	69,587

Notes:

(i) The provision for PRC income tax is based on the statutory rate of 33% of the assessable profit of the Company and its subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC (2006: 33%). Taxation for subsidiaries outside the PRC is charged at the appropriate current rates of taxation ruling in the relevant countries.

(ii) On 1 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. As a result of the new tax law, the statutory income tax rate currently adopted by the Company and its subsidiaries in the PRC will change from 33% to 25% with effective from 1 January 2008. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, is reflected in the financial statements of the Group for the six months ended 30 June 2007.

9 Dividends

Dividend attributable to the previous financial year and approved during the interim period:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the financial year ended 31 December 2006 and approved during the following interim period, of RMB0.08 per ordinary share (year ended 31 December 2005: RMB0.08)	**61,620**	61,620

Other than the above, the directors do not propose the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity shareholders of the Company of RMB38,464,000 (six months ended 30 June 2006: RMB134,132,000) and the weighted average number of shares in issue during the six months ended 30 June 2007 of 770,249,000 (six months ended 30 June 2006: 753,046,000), calculated as follows:

Weighted average number of ordinary shares

	Number of shares	
	2007	2006
	'000	'000
Issued ordinary shares at 1 January	**770,249**	500,000
Effect of shares issued pursuant to the placing and public offering	**–**	253,046
Weighted average number of ordinary shares at 30 June	**770,249**	753,046

(b) Diluted earnings per share

Diluted earnings per share for the six months ended 30 June 2007 and 2006 are not presented as there are no dilutive potential ordinary shares as at the period ends.

11 Property, plant and equipment

Acquisitions and disposals

During the six months ended 30 June 2007, the Group acquired items of property, plant and equipment with a cost of RMB199,570,000 (six months ended 30 June 2006: RMB51,943,000), including property, plant and equipment acquired through business combination (see note 22) of RMB30,801,000 (six months ended 30 June 2006: nil). Items of property, plant and equipment with a net book value of RMB661,000 were disposed of during the six months ended 30 June 2007 (six months ended 30 June 2006: RMB881,000), resulting in a gain on disposal of RMB33,000 (six months ended 30 June 2006: loss of RMB661,000).

12 Deposits for long term investments

Deposits for investments represent deposits paid to certain independent third parties with a view to securing the exclusive rights to negotiate for the acquisitions of mining assets in the Henan, Shanxi, Gansu and Hebei provinces. The amounts are unsecured, interest-free and repayable when the relative exclusive rights expire. The directors of the Company consider that appropriate procedures have been taken by the Group to assess the viability of the potential new mines and expect that the deposits would be recovered through the acquisitions of the relevant mining assets.

Notes to the Unaudited Interim Financial Report

13 Inventories

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Raw materials	**398,434**	336,350
Work in progress	**27,895**	17,768
Finished goods	**221,873**	63,497
Spare parts and materials	**44,155**	17,395
	692,357	435,010

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

	Six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Carrying amount of inventories sold	**870,988**	735,775

14 Trade and other receivables, deposits and prepayments

Trade and other receivables, deposits and prepayments comprise:

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Trade receivables	**45,752**	26,732
Bills receivable	**41,849**	24,023
Other receivables	**23,395**	10,192
Purchase deposits	**133,452**	97,824
Interest receivable	**–**	9,668
Other deposits and prepayments	**17,451**	30,867
	261,899	199,306

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

Purchase deposits represent amounts paid by the Group in advance to approximately 70 suppliers (31 December 2006: 50) 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.

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

At the balance sheet date, the Group had a certain concentration of credit risk as 44% of trade and bills receivables was due from a copper product customer. The Group maintains long-term and stable business relationship with this particular customer. Status of the receivable is closely monitored to minimize the credit risk associated with the receivable.

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

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Within 3 months	**76,832**	38,354
Over 3 months but less than 6 months	**9,810**	12,277
Over 6 months but less than 1 year	**955**	124
Over 1 year	**4**	–
	87,601	50,755

15 Cash and cash equivalents and deposits with banks

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Cash at bank and in hand	**345,157**	431,647
Bank deposits with maturity over 3 months	**–**	442,057
Cash and cash equivalents in the consolidated balance sheet	**345,157**	873,704
Restricted deposits	**(96,040)**	(526,439)
Cash and cash equivalents in the condensed consolidated cash flow statement	**249,117**	347,265

Notes to the Unaudited Interim Financial Report

15 Cash and cash equivalents and deposits with banks (continued)

The Company's H shares were successfully listed on the Main Board of the Stock Exchange on 12 January 2006. The Group raised RMB865,379,000 (net of related expenses) from the offer. The proceeds from the offer is placed in designated bank saving and deposits accounts. The deposits can only be used for the specified purposes stipulated in the Prospectus dated 30 December 2005 and in accordance of the Resolution passed on the Extraordinary General Meeting on 27 March 2007. As at 30 June 2007, the amount of cash and bank deposits placed in the designated accounts amounted to RMB96,040,000 (31 December 2006: RMB526,439,000). The balance will only be released after the approval from State Administration of Foreign Exchange was obtained.

16 Trade and other payables

Trade and other payables comprise:

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Trade payables	**121,751**	81,681
Other payables	**121,895**	137,801
Salaries and welfare payable	**41,263**	35,536
Dividend payable to equity shareholders of the Company	**27,927**	–
Accruals	**14,440**	12,928
Interest payable	**1,781**	1,643
Receipts in advance	**3,103**	6,600
	332,160	276,189

An ageing analysis of trade payables is as follows:

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Within 3 months	**114,173**	74,631
Over 3 months but less than 6 months	**2,027**	2,892
Over 6 months but less than 1 year	**3,357**	531
Over 1 year but less than 2 years	**2,194**	3,627
	121,751	81,681

17 Bank loans

Bank loans are repayable as follows:

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Within 1 year or on demand	**1,110,000**	935,000
Over 1 year but within 2 years	**120,000**	–
	1,230,000	935,000
Representing:		
Secured	**–**	50,000
Unsecured	**1,230,000**	885,000
	1,230,000	935,000

At 30 June 2007, no bank loan was secured by pledges over the Group's property, plant and equipment. At 31 December 2006, bank loans of RMB50,000,000 were secured by pledges over the Group's property, plant and equipment with an aggregate carrying value of RMB81,612,000.

18 Share capital

	2007		2006	
	Number of shares '000	**Amount RMB'000**	Number of shares '000	Amount RMB'000
At 1 January	**770,249**	**154,050**	500,000	100,000
Shares issued under the placing and public offer	**–**	**–**	270,249	54,050
At 30 June	**770,249**	**154,050**	770,249	154,050

Notes to the Unaudited Interim Financial Report

18 Share capital (continued)

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Registered, issued and fully paid:		
472,975,000 (31 December 2006: 472,975,000) Domestic shares of RMB0.20 each	**94,595**	94,595
297,274,000 (31 December 2006: 297,274,000) H shares of RMB0.20 each	**59,455**	59,455
	154,050	154,050

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

19 Capital and reserves

	Attributable to equity shareholders of the Company							
	Share capital RMB'000 (Unaudited)	**Retained profits** RMB'000 (Unaudited)	**Share premium** RMB'000 (Unaudited)	**Statutory reserve** RMB'000 (Unaudited)	**Capital reserve** RMB'000 (Unaudited)	**Subtotal** RMB'000 (Unaudited)	**Minority interests** RMB'000 (Unaudited)	**Total** RMB'000 (Unaudited)
At 1 January 2006	100,000	289,964	16,602	53,718	32,334	492,618	9,502	502,120
Profit for the period	–	134,132	–	–	–	134,132	(867)	133,265
Shares issued under the placing and public offer	54,050	–	882,687	–	–	936,737	–	936,737
Share issuance costs	–	–	(71,358)	–	–	(71,358)	–	(71,358)
Dividend approved in respect of prior year	–	(61,620)	–	–	–	(61,620)	–	(61,620)
Transfer to reserves	–	(17,143)	–	17,143	–	–	–	–
At 30 June 2006	154,050	345,333	827,931	70,861	32,334	1,430,509	8,635	1,439,144

19 Capital and reserves (continued)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 (Unaudited)	**Retained profits** RMB'000 (Unaudited)	**Share premium** RMB'000 (Unaudited)	**Statutory reserve** RMB'000 (Unaudited)	**Exchange reserve** RMB'000 (Unaudited)	**Capital reserve** RMB'000 (Unaudited)	**Subtotal** RMB'000 (Unaudited)	**Minority interests** RMB'000 (Unaudited)	**Total** RMB'000 (Unaudited)
At 1 January 2007	154,050	426,953	827,931	74,945	–	32,334	1,516,213	27,658	1,543,871
Profit for the period	–	38,464	–	–	–	–	38,464	45	38,509
Dividend approved in respect of prior year	–	(61,620)	–	–	–	–	(61,620)	–	(61,620)
Exchange difference on translation of financial statements of subsidiaries outside the PRC	–	–	–	–	(2,053)	–	(2,053)	–	(2,053)
Restatement of profit appropriations for prior years	–	336	–	(336)	–	–	–	–	–
Capital contributions from minority shareholders	–	–	–	–	–	–	–	8,000	8,000
Transfer to reserves	–	(5,587)	–	5,587	–	–	–	–	–
At 30 June 2007	154,050	398,546	827,931	80,196	(2,053)	32,334	1,491,004	35,703	1,526,707

The Group adopted the Accounting Standards for Business Enterprise (2006) ("new PRC Accounting Standards") and other regulations promulgated by the Ministry of Finance on 15 February 2006 effective from 1 January 2007. Appropriations to statutory surplus reserves for prior years were restated due to the change in net profit arising from the prior year adjustments made under the new PRC Accounting Standards.

Notes to the Unaudited Interim Financial Report

20 Capital commitments and contingencies

(a) Capital commitments

Capital commitments outstanding not provided for in the financial report were as follows:

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Authorised and contracted for	**46,926**	14,195
Authorised but not contracted for	**307,099**	294,403
	354,025	308,598

(b) Environmental contingencies

To date, the Group has not incurred any significant expenditure for environmental remediation, is currently not involved in any environmental remediation, and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants whether 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 cost 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 reasonably be estimated at present, and could be material. The Group paid normal routine pollutant discharge fees of RMB834,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: RMB546,000).

21 Related party transactions

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

(a) Recurring transactions

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Electricity charge payable to Lingbao Electric Company, an equity holder of the Company	**23,740**	23,798

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

The Group 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 services;

– purchases of property, plant and equipment; and

– obtaining finance.

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

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

Notes to the Unaudited Interim Financial Report

21 Related party transactions (continued)

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**618**	526
Post-employment benefits	**12**	13
	630	539

22 Business combination

For the six months ended 30 June 2007

During the period, the Group has acquired the entire equity interest in Chifeng Jinchan Mining Company Limited from Mr. Zhao Meiguang, Mr. Ren Yiguo and Mr. Gao Bo at a consideration of RMB146,000,000 satisfied in cash. The aggregate amounts recognised at the acquisition date of its assets and liabilities are RMB150,552,000 and RMB38,610,000 respectively. The acquired company contributed revenue of RMB14,219,000 and net loss of RMB5,401,000 since acquisition. If the acquisition had occurred on 1 January 2007, the Group's revenue would have been RMB1,016,947,000 and net profit would have been RMB36,527,000.

22 Business combination (continued)

For the six months ended 30 June 2007

Acquiree's net assets at the acquisition date:

	Pre-acquisition carrying amount RMB'000 (Unaudited)	Fair value adjustments RMB'000 (Unaudited)	Recognised values on acquisition RMB'000 (Unaudited)
Property, plant and equipment, and construction in progress	16,316	14,485	30,801
Intangible assets	1,981	69,641	71,622
Lease prepayments	1,279	27,409	28,688
Inventories	5,653	12,482	18,135
Trade and other receivables, deposits and prepayments	98	589	687
Cash at bank and in hand	619	–	619
Trade and other payables	(4,928)	–	(4,928)
Deferred tax liabilities	–	(33,682)	(33,682)
Net identifiable assets	21,018	90,924	111,942
Goodwill arising on acquisition			34,058
Total purchase price consideration			146,000
Satisfied by:			
Cash			146,000
Cash at bank and in hand acquired			619
Cash consideration paid			(146,000)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiary			(145,381)

Notes to the Unaudited Interim Financial Report

23 Post balance sheet event

On 30 August 2007, the Company entered into an equity transfer agreement to acquire the remaining 12% and 8% equity interest in Tongbai Xingyuan Mining Company Limited ("Tongbai Xingyuan") from Mr. Zhou Yudao and Mr. Xu Zhongjian respectively. The total consideration of the acquisition is RMB4,000,000 satisfied by cash, payable within 5 days after the entrance of the equity transfer agreement. After the completion of the acquisition, Tongbai Xingyuan will become a wholly-owned subsidiary of the Company.

The net assets of Tongbai Xingyuan as at 30 June 2007 was valued by Hunan Zhongsheng Union Asset Valuation Company Limited, an independent professsional valuer in the PRC, based on replacement cost method, which is generally adopted by PRC valuer.

24 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2007

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2007:

		Effective for accounting period beginning on or after
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions	1 March 2007
HK(IFRIC) – Int 12	Service concession agreements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
HKAS 23 (revised)	Borrowing costs	1 January 2009

24 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2007 (continued)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far the Group believes that the adoption of the above amendments, new standards and new interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

The above amendments, new standards and interpretations have not been applied in this interim financial report because the directors expect the Group will not early apply them when preparing the Group's annual financial statements for the year ending 31 December 2007.

Independent Review Report

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

Introduction

We have reviewed the interim financial report set out on pages 16 to 39 which comprise the consolidated balance sheet of Lingbao Gold Company Ltd. as of 30 June 2007 and the related consolidated statements of income and changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation for the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2007 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

13 September 2007