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

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

(Stock code: 3330)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the "Board") of Lingbao Gold Company Ltd. (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2010. The interim financial results has been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT – UNAUDITED
for the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Turnover	*3*	**2,110,296**	1,665,725
Cost of sales		**(1,762,613)**	(1,439,119)
Gross profit		**347,683**	226,606
Other revenue	*4*	**6,913**	3,520
Other net (loss)/income	*5*	**(93,270)**	10,113
Selling and distribution expenses		**(10,593)**	(7,861)
Administrative expenses and other operating expenses		**(89,583)**	(80,083)
Profit from operations		**161,150**	152,295
Finance costs	*6(a)*	**(40,097)**	(48,041)
Profit before taxation	*6*	**121,053**	104,254
Income tax	*7*	**(47,727)**	(31,104)
Profit for the period		**73,326**	73,150
Attributable to:			
Equity shareholders of the Company		**80,619**	72,987
Non-controlling interests		**(7,293)**	163
Profit for the period		**73,326**	73,150
Basic and diluted earnings per share (cents)	*8*	**10**	9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED
for the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit for the period	**73,326**	73,150
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of overseas subsidiaries	**3,918**	3,422
Total comprehensive income for the period	**77,244**	76,572
Attributable to:		
Equity shareholders of the Company	**84,537**	76,409
Non-controlling interests	**(7,293)**	163
Total comprehensive income for the period	**77,244**	76,572

CONSOLIDATED BALANCE SHEET – UNAUDITED
at 30 June 2010

	Note	**At 30 June 2010** *RMB'000*	At 31 December 2009 *RMB'000*
Non-current assets			
Property, plant and equipment		**970,776**	948,308
Construction in progress		**1,092,539**	930,727
Intangible assets		**675,881**	681,505
Goodwill		**41,511**	41,511
Lease prepayments		**90,749**	90,345
Other investments		**10,504**	10,504
Investment deposit		**–**	–
Non-current prepayments		**58,651**	119,854
Deferred tax assets		**92,057**	90,889
		3,032,668	2,913,643
Current assets			
Inventories		**855,204**	759,401
Trade and other receivables, deposits and prepayments	*11*	**688,611**	540,970
Current tax recoverable		**36,754**	12,583
Cash and cash equivalents		**448,269**	685,321
		2,028,838	1,998,275
Current liabilities			
Trade and other payables	*12*	**503,435**	423,111
Bank loans		**1,392,032**	815,995
Loan from ultimate holding company		**23,800**	23,800
Current tax payable		**9,676**	14,315
		1,928,943	1,277,221
Net current assets		**99,895**	721,054
Total assets less current liabilities		**3,132,563**	3,634,697

CONSOLIDATED BALANCE SHEET – UNAUDITED (continued)
at 30 June 2010

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Non-current liabilities			
Bank loans		**1,126,208**	1,694,350
Other loan		**3,270**	3,270
Other payables	12	**35,755**	46,551
Deferred tax liabilities		**7,949**	8,389
		1,173,182	1,752,560
NET ASSETS		**1,959,381**	1,882,137
CAPITAL AND RESERVES			
Share capital		**154,050**	154,050
Reserves		**1,763,014**	1,678,477
Total equity attributable to equity shareholders of the Company		**1,917,064**	1,832,527
Non-controlling interest		**42,317**	49,610
TOTAL EQUITY		**1,959,381**	1,882,137

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The interim financial results set out in this announcement does not constitute the Group's interim financial report for the six months ended 30 June 2010 but is extracted from the interim financial report.

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by an independent auditor of the entity*, issued by the HKICPA.

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  Accordingly, deficit balances totalling RMB6,642,000 were recognised in non-controlling interests on the balance sheet as at 30 June 2010, being the allocation of losses incurred by non-wholly owned subsidiaries allocated to the non-controlling interests in excess of their equity interest.

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

In prior years, property, plant and equipment were carried at revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. In 2010, property, plant and equipment are accounted for using the cost model, being the cost less any accumulated depreciation and impairment losses. This change is to align the Group's accounting policy with industry peers to provide more relevant financial information to the users of the Group's financial statements. This change has been applied retrospectively. Other than the elimination of the revaluation surplus included in capital reserve by transferring the balance to retained profits, this change in accounting policy has no material effect on the financial condition as at 31 December 2008, 31 December 2009 and 30 June 2010, and the results of operation for the year and period then ended. Therefore, no comparative balance sheet as at 1 January 2009 was presented.

3 TURNOVER

The principal activities of the Group are mining, processing, smelting and sales of gold and other metallic products in the People's Republic of China ("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	
	2010	2009
	RMB'000	*RMB'000*
Sales of:		
– gold	**1,743,821**	1,337,199
– other metals	**351,954**	319,077
– others	**17,997**	11,618
Less: Sales taxes and levies	**(3,476)**	(2,169)
	2,110,296	1,665,725

4 OTHER REVENUE

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Bank interest income	**1,707**	1,450
Delivery service income	**2,683**	1,635
Scrap sales	**1,595**	396
Dividend income from unlisted securities	**560**	–
Sundry income	**368**	39
	6,913	3,520

5 OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Net realised (loss)/gain of financial instruments at fair value	**(38,059)**	21,002
Net unrealised (loss)/gain on financial instruments at fair value	**(22,865)**	7,123
Net (loss)/gain on disposal of property, plant and equipment	**(78)**	41
Write-off of construction in progress	**(1,780)**	–
Write-off of intangible assets	**(1,417)**	–
Net foreign exchange losses	**(29,538)**	(17,969)
Others	**467**	(84)
	(93,270)	10,113

6 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	**56,331**	56,254
Less: Interest expense capitalised into construction in progress and intangible assets	**(19,406)**	(11,610)
	36,925	44,644
Interest expenses on financial liabilities measured at amortised cost	**2,206**	3,175
Other borrowing costs	**966**	222
	40,097	48,041
(b) Other items:		
Amortisation of lease prepayments	**1,072**	1,072
Operating lease charges in respect of properties	**911**	888
Impairment losses on purchase deposits	**2,965**	3,741
Environmental rehabilitation fee	**5,788**	4,696
Total depreciation	**90,628**	73,139
Less: Depreciation capitalised into construction in progress	**(6,225)**	(334)
	84,403	72,805
Total amortisation of intangible assets	**90,470**	34,485
Less: Amortisation capitalised into exploration and evaluation assets	**(82,595)**	(21,655)
	7,875	12,830

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Current tax		
PRC income tax for the period	**48,869**	32,786
Deferred tax		
Origination and reversal of temporary differences	**(1,142)**	(1,682)
	47,727	31,104

(a) The Company and the Group's subsidiaries established in the PRC are subject to PRC income tax.

One of the subsidiaries, Lingbao Wason Copper-Foil Company Ltd. was accredited as an "Advanced and New Technology Enterprise" in 2009 and entitled to an income tax rate of 15% from 2009 to 2011.

The provisions for PRC income tax for the Company and the rest of the Group's subsidiaries in the PRC is calculated at a rate of 25% (2009: 25%) of the estimated assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC. Taxation for subsidiaries outside the PRC is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%). No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2010 and 2009 in the financial statements as the Group did not earn any income which is subject to Hong Kong Profits Tax.

(c) The provision for Kyrgyz Republic ("KR") Profits Tax for 2010 is calculated at 10% (2009: 10%). No provision for KR Profits Tax is made for the six months ended 30 June 2010 and 2009 in the financial statements as the Group did not earn any income which is subject to KR Profits Tax.

(d) The provision for Laos Profits Tax for 2010 is calculated at 20% (2009: 20%). No provision for Laos Profits Tax is made for the six months ended 30 June 2010 and 2009 in the financial statements as the Group did not earn any income which is subject to Laos Profits Tax.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to equity shareholders of the Company of RMB80,619,000 (six months ended 30 June 2009: RMB72,987,000) and 770,249,000 ordinary shares in issue during the six months ended 30 June 2010 (six months ended 30 June 2009: 770,249,000 ordinary shares).

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2010 and 2009 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the periods.

9 DIVIDENDS

Pursuant to a resolution passed at the shareholders' annual general meeting on 21 July 2010, a final dividend in respect of the year ended 31 December 2009 of RMB0.05 (2008: RMB Nil) per share totalling RMB38,512,000 (2008: RMB Nil) was approved and declared by the Company. This dividend has not been recognised as a liability at the 30 June 2010.

Other than the above, the directors do not propose the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB Nil).

10 SEGMENT REPORTING

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

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

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

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

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

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

	Mining – PRC		Mining – KR		Smelting		Copper processing		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
For the six months ended 30 June										
Revenue from external customers	**–**	–	**–**	–	**1,979,462**	1,586,250	**134,310**	81,644	**2,113,772**	1,667,894
Inter-segment revenue	**324,119**	270,720	**–**	–	**82,307**	45,480	**–**	–	**406,426**	316,200
Sales taxes and levies	**(57)**	(43)	**–**	–	**(3,417)**	(2,126)	**(2)**	–	**(3,476)**	(2,169)
Reportable segment revenue	**324,062**	270,677	**–**	–	**2,058,352**	1,629,604	**134,308**	81,644	**2,516,722**	1,981,925
Reportable segment profit/(loss)	**72,093**	35,667	**(31,400)**	(20,182)	**156,053**	171,060	**20,180**	13,212	**216,926**	199,757
Allowance for non-delivery of purchase deposits	**–**	–	**–**	–	**(2,965)**	(3,741)	**–**	–	**(2,965)**	(3,741)
At 30 June/31 December										
Reportable segment assets	**1,825,256**	1,754,228	**646,054**	685,698	**1,320,069**	1,146,638	**855,199**	753,848	**4,646,578**	4,340,412
Reportable segment liabilities	**833,115**	816,014	**664,836**	669,981	**284,178**	232,213	**641,717**	553,403	**2,423,846**	2,271,611

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**2,516,722**	1,981,925
Elimination of inter-segment revenue	**(406,426)**	(316,200)
Consolidated turnover	**2,110,296**	1,665,725
Profit		
Reportable segment profit	**216,926**	199,757
Elimination of inter-segment profits	**(35,916)**	(29,829)
Reportable segment profit derived from the Group's external customers	**181,010**	169,928
Finance costs	**(40,097)**	(48,041)
Unallocated head office and corporate expenses	**(19,860)**	(17,633)
Consolidated profit before taxation	**121,053**	104,254

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**4,646,578**	4,340,412
Elimination of inter-segment receivables	**(113,909)**	(105,293)
Elimination of unrealised profits	**(31,718)**	(32,198)
	4,500,951	4,202,921
Other investments	**10,504**	10,504
Cash and cash equivalents managed by head office	**242,753**	405,331
Unallocated head office and corporate assets	**307,298**	293,162
Consolidated total assets	**5,061,506**	4,911,918
Liabilities		
Reportable segment liabilities	**2,423,846**	2,271,611
Elimination of inter-segment payables	**(113,909)**	(105,293)
	2,309,937	2,166,318
Unallocated head office and corporate liabilities	**792,188**	863,463
Consolidated total liabilities	**3,102,125**	3,029,781

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Within 3 months	**126,413**	75,175
Over 3 months but less than 6 months	**33,761**	26,785
Over 6 months but less than 1 year	**1,113**	39
Over 1 year	**34**	5
Trade debtors and bills receivable, net of allowance for doubtful debts	**161,321**	102,004
Other receivables, net of allowance for doubtful debts	**189,998**	139,959
Purchase deposits, net of allowance for non-delivery *(note (a))*	**177,456**	113,368
Derivative financial assets	**–**	15,766
Deposits for derivative financial instruments *(note (b))*	**159,836**	121,973
Amount due from Beijing Jiuyi	**–**	47,900
	688,611	540,970

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

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

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

12 TRADE AND OTHER PAYABLES

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Within 3 months	**131,794**	64,513
Over 3 months but less than 6 months	**2,593**	3,044
Over 6 months but less than 1 year	**3,213**	1,784
Over 1 year but less than 2 years	**134**	1,837
Over 2 years	**2,035**	1,009
Total creditors	**139,769**	72,187
Other payables	**159,959**	175,039
Payable for mining rights	**92,889**	92,300
Salary and welfare payable	**47,186**	39,281
Accruals	**17,648**	18,688
Interest payable	**11,002**	12,884
Receipts in advance	**2,066**	2,888
Payable to non-controlling interests *(note)*	**10,051**	–
Derivative financial liabilities	**22,865**	9,844
	503,435	423,111
Non-current other payables		
Payable for mining rights	**12,491**	12,900
Decommissioning costs	**4,459**	4,706
Payable to non-controlling interests *(note)*	**18,805**	28,945
	35,755	46,551

Note: The current portion of the payable to non-controlling interests amounting to RMB10,051,000 (31 December 2009: RMB Nil) and the non-current portion of the payable to non-controlling interests amounting to RMB18,805,000 (31 December 2009: RMB28,945,000) are unsecured, interest-free and repayable on 1 April 2011 and 24 June 2012 respectively.

REVIEW OF BUSINESS AND PROSPECT

In the first half of 2010, Lingbao Gold Company Ltd. ("Lingbao Gold" or the "Company") and its subsidiaries (together with the Company, the "Group") produced approximately 6,890 kg (equivalent to approximately 221,519 ounce) of gold, representing an increase of approximately 273 kg (equivalent to approximately 8,777 ounce) or approximately 4.1% as compared with the corresponding period of the previous year. The Group's turnover for the six months ended 30 June 2010 was approximately Renminbi ("RMB") 2,110,296,000, representing an increase of approximately 26.7% as compared with the corresponding period of the previous year. For the six months ended 30 June 2010, the profit attributable to the Company's shareholders was approximately RMB80,619,000, representing an increase of approximately 10.5% as compared with the corresponding period of the previous year. For the six months ended 30 June 2010, the basic earnings per share was RMB0.10. In the first half of 2010, the increase in profit attributable to the Group's shareholders as compared with the corresponding period of 2009 was mainly due to commodity prices remaining at a high level, resulting in an increase of the Group's gross profit for the first half of 2010 as compared with the same period of 2009.

The Group's mineral resources are mainly scattered in the PRC regions of Henan, Xinjiang, Inner Mongolia, Jiangxi, Gansu and Kyrgyz Republic with 56 mining and exploration rights as at 31 July 2010 covering 2,222.89 square kilometers. The total gold reserves and resources as at 30 June 2010 were approximately 55.37 tonnes (1,780,187 ounce) and 100.09 tonnes (3,217,968 ounce) respectively.

1. Mining Segment

Turnover and production

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

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

		For the six months ended 30 June			
		2010		2009	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold concentrates	kg	**889**	**798**	929	924
Compound gold	kg	**600**	**506**	510	520
Total	kg	**1,489**	**1,304**	1,439	1,444
Total	ounce	**47,872**	**41,925**	46,265	46,426

The Group's revenue from the mining segment for the first half of 2010 was approximately RMB324,062,000, representing an increase of approximately 19.7% from approximately RMB270,677,000 for the same period in 2009. During the first half of 2010, revenue of gold mines in Henan, Xinjiang and Inner Mongolia represented approximately 71.5%, 19.1% and 9.4% of the revenue from the mining segment respectively. The production of compound gold increased by approximately 90 kg to approximately 600 kg, while production of gold concentrates decreased by approximately 40 kg to approximately 889 kg.

Segment results

The Group's results of the mining segment for the first half of 2010 was approximately RMB72,093,000, representing an increase of approximately 102.1% from approximately RMB35,667,000 for the same period in 2009. The segment result to segment turnover ratio of the Group's mining segment for the first half of 2010 was approximately 22.2%, representing an increase of approximately 9.0% from approximately 13.2% in the corresponding period in 2009.

2. Smelting Segment

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

		For the six months ended 30 June			
		2010		2009	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold bullion	kg	**6,890**	**6,810**	6,617	6,621
	ounce	**221,519**	**218,947**	212,741	212,870
Silver	kg	**17,125**	**19,267**	22,273	32,613
	ounce	**550,582**	**619,448**	716,094	1,048,532
Copper products	tonne	**6,137**	**4,697**	5,676	7,145
Sulphuric acid	tonne	**79,082**	**77,729**	88,752	83,831

Sales and production

The Group's total turnover in the smelting segment for the first half of 2010 was approximately RMB2,058,352,000, representing an increase of approximately 26.3% from approximately RMB1,629,604,000 for the same period of 2009. Such increase was principally attributable to an approximate 32.4% increase in the sales amount of gold bullion and copper foils as a result of an approximate 26.8% and 43.8% increase in average selling price respectively as compared with the corresponding period of the previous year.

The Group's smelting plants processed 960 tonnes of gold concentrates per day, with an utilisation rate of approximately 100%. During the first half of 2010, the Group continued to maintain the recovery rates of gold, silver and copper at a high level, which were approximately 95.5%, 72.4% and 95.7% respectively.

Segment results

Our smelting segment results for the first half of 2010 was approximately RMB156,053,000, representing a decrease of approximate 8.8% from approximately RMB171,060,000 for the same period in 2009. The segment results to segment turnover ratio of our smelting business for the first half of 2010 was approximately 7.6%, decreased by approximately 2.9% from approximately 10.5% for the same period in 2009.

CONSOLIDATED OPERATING RESULTS

Turnover

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

	For the six months ended 30 June					
	2010			2009		
Product name	**Amount *(RMB'000)***	**Sales volume *(kg/tonne)***	**Unit price *(RMB per kg/tonne)***	Amount *(RMB'000)*	Sales volume *(kg/tonne)*	Unit price *(RMB per kg/tonne)*
Gold bullion	**1,743,821**	**6,810 kg**	**256,068**	1,337,199	6,621 kg	201,963
Silver	**66,602**	**19,267 kg**	**3,457**	80,709	32,613 kg	2,475
Electrolytic coppers	**151,042**	**3,041 tonnes**	**49,669**	156,724	5,595 tonnes	28,011
Copper foils	**134,310**	**1,863 tonnes**	**72,093**	81,644	1,628 tonnes	50,150
Sulphuric acid	**17,997**	**77,729 tonnes**	**232**	11,618	83,831 tonnes	139
Turnover before sales tax	**2,113,772**			1,667,894		
Less: Sales taxes and levies	**(3,476)**			(2,169)		
	2,110,296			1,665,725		

The Group's turnover for the first half of 2010 was approximately RMB2,110,296,000, representing an increase of approximate 26.7% as compared with the corresponding period of the previous year. Such increase was principally attributable to the increase in the average selling price of gold bullion and copper foils by 26.8% and 43.8% during the period, which resulted in the increase in sales of gold bullion and copper foils by approximately 30.4% and 64.5% respectively as compared to the corresponding period of last year.

OUTLOOK FOR 2010

In the second half of 2010, the Company will continue to adhere to the overall goal of "reducing operating cost, increasing reserve through active exploration and enhancing management efficiency". It will also continue the exploration, mining, processing and sales in Nanshan Gold Mine and the major mines of Lingbao Hongxin Mining Limited Liability Company ("Hongxin"), Tongbai Xingyuan Mining Company Limited ("Xingyuan"), Habahe Huatai Gold Limited Liability Company ("Habahe Huatai") and Chifeng Jinchan Mining Company Limited ("Chifeng Jinchan"), as well as speeding up the exploration in the Qiangma Hejiagou Mine Region, the neighbouring area of Shangshanghe of Nanyang Xingyuan, the neighbouring area of Chifeng Jinchan in Inner Mongolia, Gansu region, the neighbouring area of Xinjiang Habahe Huatai, Xinjiang Hami region, as well as Full Gold Mining Limited Liability Company ("Full Gold") in Kyrgyz Republic ("KR"). The reconstruction of Nanyang Xingyuan production plant will be completed in late August, and the Company will capitalize on the benefits resulting from the expansion of the carbon-in-pulp adsorption plant of Hongxin to increase the Company's gold production. The production of Full Gold will be delayed due to the riot in the KR.

In the second half year, the smelting segment will continue to strengthen the management of raw materials to ensure the stability of production and to maximize the production volume. It will also reinforce the management of metallic products to increase recovery rate, keep in line with production targets, enhance the performance assessment system, further improve management execution as well as meeting the annual goal. In addition, it will engage in market research and preparation of the recovery of lead and zinc, undergo experiments on the reuse of tailings and gold sludge, as well as enhancing the research and development of technology to increase competitiveness.

The major goal of Lingbao Wason Copper-Foil Limited Liability Company in the second half of 2010 is to commence the operation of phase two of the copper foil project. After two years of construction, the project has been put into trial run. It strives to get certifications for approved products within three months time and prepare for sales of products after full operation, which is planned to be by the end of the year.

FINANCIAL REVIEW

Acquisition and disposal

The Group had no material acquisition and disposal during the six months ended 30 June 2010.

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 2010 amounted to RMB448,269,000.

The shareholders' equity of the Group as at 30 June 2010 amounted to RMB1,917,064,000 (31 December 2009: RMB1,832,527,000). As at 30 June 2010, the Group had current assets of RMB2,028,838,000 (31 December 2009: RMB1,998,275,000) and current liabilities of RMB1,928,943,000 (31 December 2009: RMB1,277,221,000). The current ratio was 1.05 (31 December 2009: 1.56).

As at 30 June 2010, the Group had total outstanding bank loans of approximately RMB2,518,240,000 with interest rates ranged from 2.55% to 5.76% per annum, of which approximately RMB1,392,032,000 was repayable within one year, approximately RMB500,000,000 was repayable after one year but not exceeding two years, approximately RMB256,000,000 was repayable after two years but not exceeding five years and approximately RMB370,208,000 was repayable after five years. The gearing ratio as at 30 June 2010 was 50.2% (31 December 2009: 51.2%) which was calculated as total borrowings divided by total assets value.

Security

As at 30 June 2010, the mining right of Istanbul Gold Mine with carrying value amounting to RMB122,885,000 and the ordinary shares of Full Gold were pledged for the borrowings from the National Development Bank.

Market risks

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

Gold price and other commodities price risk

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

Interest rate risk

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

Exchange rate risk

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

Contractual obligations

As at 30 June 2010, capital commitments was approximately RMB126,598,000, representing a decrease of approximately RMB104,127,000 from approximately RMB230,725,000 as at 31 December 2009.

Capital expenditures

Capital expenditures during the period was approximately RMB314,069,000, including capital expenditure of approximately RMB299,420,000 in relation to the acquisition of fixed assets and construction in progress, and acquisition of intangible assets of approximately RMB14,649,000.

Contingent liabilities

As at 30 June 2010, the Group had no material contingent liabilities.

Human resources

For the six months ended 30 June 2010, the average number of employees of the Group was 5,857. The Company highly treasures its human resources and offers competitive remuneration to employees and provides employees with training programs.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the period ended 30 June 2010.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The audit committee ("Audit Committee") of the Company, comprising four independent non-executive Directors and one non-executive Director, namely, Mr. Niu Zhongjie, Mr. Yan Wanpeng, Mr. Wang Han, Ms. Du Liping and Mr. Wang Yumin has reviewed the accounting principles and practices adopted by the Group and have discussed and reviewed the internal control and financial reporting matters, including the unaudited interim financial report for the six months ended 30 June 2010, 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.

PUBLICATION OF RESULT ANNOUNCEMENT AND INTERIM REPORT

This result announcement has been published on the website of Hong Kong Exchanges and Clearing Limited ("HK Exchange"), www.hkexnews.hk, and the website of the Company, www.irasia.com/listco/hk/lingbao. The 2010 Interim 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
Xu Gaoming
Chairman

Lingbao City, Henan Province, The PRC
27 August 2010

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Xu Gaoming, Mr. Jin Guangcai, Mr. Lu Xiaozhao, Mr. Liu Pengfei, Mr. Zhang Guo and Mr. He Chengqun; one non-executive Director, namely Mr. Wang Yumin; and four independent non-executive Directors, namely Mr. Niu Zhongjie, Mr. Wang Han, Mr. Yan Wanpeng and Ms. Du Liping.