

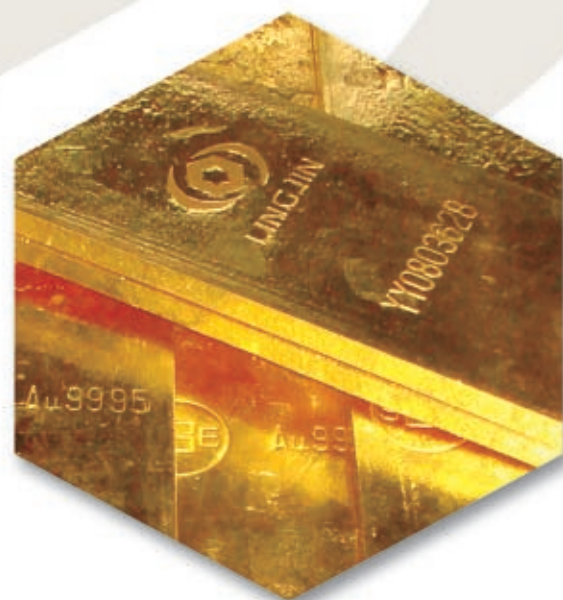
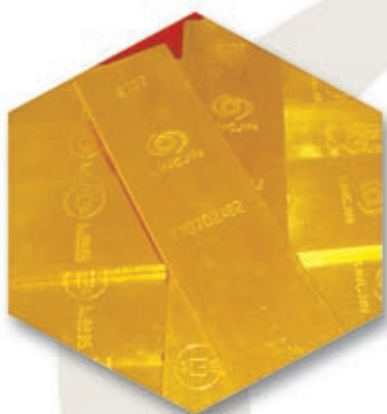


Lingbao Gold Company Ltd. 靈寶黃金股份有限公司

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

(Stock Code: 3330)

Interim Report **2010**



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Corporate Information

Directors

Executive Directors

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

Non-executive Directors

Wang Yumin

Independent Non-executive Directors

Niu Zhongjie
Wang Han
Yan Wanpeng
Du Liping

Supervisors

Liu Shengmin (*Chairman of the Supervisory Committee*)
Meng Fanrui
Guo Xuchang
Guo Xurang
Yang Bo
Hang Zhanping
Jiao Xiaoxiao

Company Secretary

Poon, Lawrence Chi Leung

Authorised Representatives

Jin Guangcai

Alternate Authorised Representative

Poon, Lawrence Chi Leung

Audit Committee

Yan Wanpeng (*Chairman of Audit Committee*)
Wang Yumin
Niu Zhongjie
Wang Han
Du Liping

International Auditors

KPMG

Legal Adviser

HongKong law
DLA Piper Hong Kong
PRC law
Commerce & Finance Law Offices

Principal Bankers

Bank of China, Lingbao City Branch
Agricultural Bank of China, Lingbao City Branch
China Construction Bank, Lingbao City Branch
Industrial and Commercial Bank of China,
Lingbao City Branch
Industrial Bank, Zhengzhou Branch
Bank of Communications, Zhengzhou Branch
China Development Bank
Shenzhen Development Bank
HSBC

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

Corporate Information



Principal Place of Business in Hong Kong

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

Stock Information

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

Investor Relations Contact

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38 Gloucester Road
Wanchai
Hong Kong
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Ms. Qi Haihua
PRC Office
Xin Village, Yinzhuang Town
Daonan Industrial Area
Lingbao
Henan
The People's Republic of China
(Postcode: 472500)
Tel : (86-398) 2296-880
Fax : (86-398) 8860-166
Email : lingbaogold@vip.sina.com

Management Discussion and Analysis

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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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:

Product name	For the six months ended 30 June					
	2010			2009		
Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)	Amount (RMB'000)	Sales volume (kg/tonne)	Unit price (RMB per kg/tonne)	
Gold bullion	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.

Management Discussion and Analysis

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).

Management Discussion and Analysis

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.

Derivative financial instruments

As at 30 June 2010, the Group's realised and unrealised loss on financial instruments at fair value was RMB60,924,000. The Group has entered into commodity derivative contracts primarily to protect the Group from the impact of price fluctuations in gold and copper commodities.

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.

Management Discussion and Analysis

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 Shares 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.

Management Discussion and Analysis

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

As at 30 June 2010, 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")), as recorded in the register required to be kept under section 352 of the SFO, or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (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%	2.34%
Mr. Guo Xuchang (郭續長先生)	The Company	Interests of Controlled Corporation (Note 2)	12,250,000	2.58%	1.59%

Notes:

- 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.
- Lingbao Guoshi Mining Limited Liability Company (靈寶郭氏礦業有限公司) ("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

Substantial Shareholders' Interests in Shares of the Company

As at 30 June 2010, as far as the Directors are aware of, the following persons, other than the Directors, Supervisors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

	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%
Beijing Wanlaixin Investment Limited Liability Company (北京萬來鑫投資有限責任公司)	37,698,784	Beneficial owner	7.97%	4.89%

Notes:

- 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.
- Mr. Wang Yumin (王育民先生), a non-executive Director, is the general manager of Lingbao State-owned Assets.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

By order of the Board

Xu Gaoming

Chairman

Lingbao City, Henan Province, The PRC
27 August 2010

Consolidated Income Statement

for the six months ended 30 June 2010 – unaudited

	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Turnover	3, 4	2,110,296	1,665,725
Cost of sales		(1,762,613)	(1,439,119)
Gross profit		347,683	226,606
Other revenue	5	6,913	3,520
Other net (loss)/income	6	(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	7(a)	(40,097)	(48,041)
Profit before taxation	7	121,053	104,254
Income tax	8	(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)	9	10	9

The notes on pages 20 to 43 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 18.

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010 – unaudited

	Six months ended 30 June	
	2010 RMB'000	2009 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

The notes on pages 20 to 43 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2010 – unaudited

		At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Non-current assets			
Property, plant and equipment	10	970,776	948,308
Construction in progress	10	1,092,539	930,727
Intangible assets	11	675,881	681,505
Goodwill		41,511	41,511
Lease prepayments		90,749	90,345
Other investments		10,504	10,504
Investment deposit	12	–	–
Non-current prepayments		58,651	119,854
Deferred tax assets		92,057	90,889
		3,032,668	2,913,643
Current assets			
Inventories	13	855,204	759,401
Trade and other receivables, deposits and prepayments	14	688,611	540,970
Current tax recoverable		36,754	12,583
Cash and cash equivalents	15	448,269	685,321
		2,028,838	1,998,275
Current liabilities			
Trade and other payables	16	503,435	423,111
Bank loans	17	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 (continued)

at 30 June 2010 – unaudited

		At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
	<i>Note</i>		
Non-current liabilities			
Bank loans	17	1,126,208	1,694,350
Other loan	17	3,270	3,270
Other payables	16	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	18	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 interests			
		42,317	49,610
TOTAL EQUITY			
		1,959,381	1,882,137

The notes on pages 20 to 43 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010 – unaudited

	Attributable to equity shareholders of the Company							Non-controlling interests		Total
	Share capital	Share premium	Statutory reserve	Capital reserve	Exchange reserve	Other reserve	Retained profits	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	154,050	827,931	106,413	32,334	(3,709)	(858)	594,720	1,710,881	25,913	1,736,794
Change in accounting policy (Note (2b))	-	-	-	(32,334)	-	-	32,334	-	-	-
Balance at 1 January 2009, as adjusted	154,050	827,931	106,413	-	(3,709)	(858)	627,054	1,710,881	25,913	1,736,794
Changes in equity for the six months ended 30 June 2009:										
Acquisition of subsidiary	-	-	-	-	-	-	-	-	44	44
Total comprehensive income for the period	-	-	-	-	3,422	-	72,987	76,409	163	76,572
Balance at 30 June 2009 and 1 July 2009, as adjusted	154,050	827,931	106,413	-	(287)	(858)	700,041	1,787,290	26,120	1,813,410
Changes in equity for the six months ended 31 December 2009:										
Acquisition of subsidiary	-	-	-	-	-	-	-	-	21,456	21,456
Total comprehensive income for the period	-	-	-	-	180	-	45,057	45,237	2,034	47,271
Profit appropriation	-	-	13,548	-	-	-	(13,548)	-	-	-
Balance at 31 December 2009, as adjusted	154,050	827,931	119,961	-	(107)	(858)	731,550	1,832,527	49,610	1,882,137
Balance at 1 January 2010, as adjusted	154,050	827,931	119,961	-	(107)	(858)	731,550	1,832,527	49,610	1,882,137
Changes in equity for the six months ended 30 June 2010:										
Total comprehensive income for the period	-	-	-	-	3,918	-	80,619	84,537	(7,293)	77,244
Balance at 30 June 2010	154,050	827,931	119,961	-	3,811	(858)	812,169	1,917,064	42,317	1,959,381

The notes on pages 20 to 43 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2010 – unaudited

	<i>Note</i>	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Cash generated from operations		159,016	192,612
PRC income tax paid		(77,679)	(23,980)
Net cash generated from operating activities		81,337	168,632
Net cash used in investing activities		(266,665)	(406,446)
Net cash (used in)/generated from financing activities		(50,142)	571,226
Net (decrease)/increase in cash and cash equivalents		(235,470)	333,412
Cash and cash equivalents at 1 January	15	685,321	565,411
Effect of foreign exchange rate changes		(1,582)	(1,336)
Cash and cash equivalents at 30 June	15	448,269	897,487

The notes on pages 20 to 43 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 (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"). It was authorised for issue on 27 August 2010.

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.

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 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 44.

The financial information relating to the financial year ended 31 December 2009 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 2009 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 28 May 2010.

Notes to the Unaudited Interim Financial Report (continued)

2 Changes in accounting policies

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

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and 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.

Notes to the Unaudited Interim Financial Report (continued)

2 Changes in accounting policies (continued)

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

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.

Notes to the Unaudited Interim Financial Report (continued)

2 Changes in accounting policies (continued)

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

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 reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary 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.

Notes to the Unaudited Interim Financial Report (continued)

2 Changes in accounting policies (continued)

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

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, as shown in the consolidated statement of changes in equity, 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.

Notes to the Unaudited Interim Financial Report (continued)

3 Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of business lines (production processes, products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has 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 People's Republic of China (the "PRC").
Mining - KR	–	Gold mining and mineral ores processing operations in Kyrgyz Republic ("KR").
Smelting	–	Gold and other metal smelting and refinery operations carried out in the PRC.
Copper processing	–	Copper processing operation carried out in the PRC.

(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.

Notes to the Unaudited Interim Financial Report (continued)

3 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the 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
<i>For the six months ended</i>										
<i>30 June</i>										
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)
<i>At 30 June/31 December</i>										
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

Notes to the Unaudited Interim Financial Report (continued)

3 Segment reporting (continued)

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

	Six months ended 30 June	
	2010 RMB'000	2009 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

Notes to the Unaudited Interim Financial Report (continued)

3 Segment reporting (continued)

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

	At 30 June 2010 RMB'000	At 31 December 2009 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

Notes to the Unaudited Interim Financial Report (continued)

4 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	
	2010 RMB'000	2009 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

5 Other revenue

	Six months ended 30 June	
	2010 RMB'000	2009 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

Notes to the Unaudited Interim Financial Report (continued)

6 Other net (loss)/income

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Net realised (loss)/gain on 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

7 Profit before taxation

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

	Six months ended 30 June	
	2010 RMB'000	2009 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

Notes to the Unaudited Interim Financial Report (continued)

7 Profit before taxation (continued)

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
(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

8 Income tax in the consolidated income statement

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2010 RMB'000	2009 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

Notes to the Unaudited Interim Financial Report (continued)

8 Income tax in the consolidated income statement (continued)

- (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 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.

9 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.

Notes to the Unaudited Interim Financial Report (continued)

10 Property, plant and equipment and construction in progress

Acquisitions and disposals

During the six months ended 30 June 2010, additions of property, plant and equipment and construction in progress made by the Group amounted to RMB27,064,000 (six months ended 30 June 2009: RMB73,180,000, including RMB471,000 acquired through business combination) and RMB272,356,000 (six months ended 30 June 2009: RMB241,864,000) respectively. Items of property, plant and equipment with an aggregate net book value of RMB1,064,000 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: RMB325,000), resulting in a loss on disposal of RMB78,000 (six months ended 30 June 2009: gain on disposal of RMB41,000). Items of construction in progress with an aggregate net book value of RMB1,780,000 (six months ended 30 June 2009: RMB Nil) were written-off during the six months ended 30 June 2010.

11 Intangible assets

Acquisitions and disposals

During the six months ended 30 June 2010, additions of exploration and evaluation assets made by the Group amounted to RMB14,649,000 (six months ended 30 June 2009: RMB31,289,000). Items of exploration and evaluation assets with an aggregate net book value of RMB1,417,000 (six months ended 30 June 2009: RMB Nil) were written-off during the six months ended 30 June 2010.

12 Investment deposit

During the year ended 31 December 2007, an investment deposit of RMB80,000,000 was paid to an independent third party, Beijing Jiuyi Investment Company Limited (“Beijing Jiuyi”), for acquiring 56.25% interest in a company with mining assets situated in Gansu Province, the PRC. The relevant agreements in connection with this acquisition expired on 31 October 2009 and the acquisition had not been completed as at 31 December 2009. The directors considered that the investment deposit of RMB80,000,000 would not be recoverable and accordingly, an impairment loss of RMB80,000,000 was made in the financial statements for the year ended 31 December 2009.

13 Inventories

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Raw materials	565,402	555,813
Work in progress	56,716	42,390
Finished goods	185,646	116,558
Spare parts and materials	47,440	44,640
	855,204	759,401

Notes to the Unaudited Interim Financial Report (continued)

13 Inventories (continued)

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Carrying amount of inventories sold	1,756,076	1,471,768
Write-down/(reversal of write-down) of inventories	6,537	(32,649)
	1,762,613	1,439,119

14 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	At
	30 June	31 December
	2010	2009
	RMB'000	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.

Notes to the Unaudited Interim Financial Report (continued)

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

- (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.

15 Cash and cash equivalents

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Cash and cash equivalents in the condensed consolidated cash flow statement	448,269	685,321

Notes to the Unaudited Interim Financial Report (continued)

16 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 (<i>Note</i>)	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 (<i>Note</i>)	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.

Notes to the Unaudited Interim Financial Report (continued)

17 Interest-bearing borrowings

The analysis of the carrying amount of interest-bearing borrowings is as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Current portion:		
Bank loans	1,392,032	815,995
Non-current portion:		
Bank loans	1,126,208	1,694,350
Other loan	3,270	3,270
	1,129,478	1,697,620

Bank loans are repayable as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 1 year or on demand	1,392,032	815,995
Over 1 year but within 2 years	500,000	736,826
Over 2 year but within 5 years	256,000	713,143
Over 5 years	370,208	244,381
	2,518,240	2,510,345
Representing:		
Secured	370,208	371,350
Unsecured	2,148,032	2,138,995
	2,518,240	2,510,345

At 30 June 2010, bank loans of the Group amounting to RMB370,208,000 (31 December 2009: RMB371,350,000) were secured by the mining right of Istanbul Gold Mine with a carrying amount of RMB122,885,000 (31 December 2009: RMB129,689,000) and the ordinary shares of Full Gold Mining Limited Liability Company (the "Full Gold"), a subsidiary of the Group established in KR.

Notes to the Unaudited Interim Financial Report (continued)

18 Capital and dividends

(a) Share capital

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Registered, issued and fully paid:		
472,975,091 (2009: 472,975,091) Non-circulating domestic shares of RMB0.20 each	94,595	94,595
297,274,000 (2009: 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 same rights and benefits.

(b) 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 as at 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).

Notes to the Unaudited Interim Financial Report (continued)

19 Capital commitments and contingencies

(a) Capital commitments

Capital commitments, representing purchase of property, plant and equipment, outstanding at 30 June 2010 not provided for in the interim financial report are as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Contracted for	126,598	230,725
Authorised but not contracted for	172,068	295,781

(b) Environmental contingencies

To date, the Company and the Company's PRC subsidiaries have not incurred any significant expenditures for environment remediation and are currently not involved in any environmental remediation. In addition, the Company and the Company's PRC subsidiaries have not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants whether they are operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material. The Group paid normal routine pollutant discharge fees of RMB666,000 for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB684,000) and environmental rehabilitation expenses of RMB5,788,000 for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB4,696,000).

Notes to the Unaudited Interim Financial Report (continued)

19 Capital commitments and contingencies (continued)

(b) Environmental contingencies (continued)

In accordance with the laws and regulations of KR, the Company's subsidiaries in KR have present obligation with regards to dismantling of mine site facilities and equipment and site rehabilitation. Provision for decommissioning costs of RMB4,459,000 was made as at 30 June 2010 (31 December 2009: RMB4,706,000). The Company's subsidiaries in KR do not have present obligation in respect of reclamation of damage to the lands as there are no mining activities carried out up to 30 June 2010.

20 Related party transactions

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

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

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisation.

Transactions with state-controlled entities include but are not limited to the following:

- sales and purchase of goods and ancillary materials;
- rendering and receiving of utilities and other services;
- purchase of property, plant and equipment; and
- depositing and obtaining financial facilities.

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

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

Notes to the Unaudited Interim Financial Report (continued)

20 Related party transactions (continued)

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

Transactions with state-controlled banks

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Interest income	1,580	1,408
Interest expense	54,481	53,585

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

	At	At
	30 June	31 December
	2010	2009
	RMB'000	RMB'000
Cash and cash equivalents at state-controlled banks in the PRC	387,546	502,542
Short-term loans and current portion of long-term loans	1,342,032	765,975
Long-term loans excluding current portion of long-term loans	1,076,208	1,644,350
Total loans from state-controlled banks in the PRC	2,418,240	2,410,325

Notes to the Unaudited Interim Financial Report (continued)

20 Related party transactions (continued)

(b) Key management personnel remuneration

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Short-term employee benefits	1,544	1,638
Contributions to retirement benefit schemes (note (c))	27	22
	1,571	1,660

(c) Contribution to retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at the rate of 20% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with those Schemes beyond the annual contributions described above. The Group's contributions to the Schemes for the six months ended 30 June 2010 were RMB4,869,000 (six months ended 30 June 2009: RMB3,816,000).

Notes to the Unaudited Interim Financial Report (continued)

21 Business risks

The KR has been experiencing political and economic change that has affected, and may continue to affect, the activities of the Company's subsidiaries, Full Gold and Palladex KR Limited Liability Company ("Palladex"), operating under such environment. The contraction in the capital and credit markets and its impact on the economy of the KR have increased the level of economic uncertainty in the environment. Consequently, operations in the KR involve business risks that typically do not exist in other markets.

As at 30 June 2010, the Company holds 82% and 70% equity interests in Full Gold and Palladex respectively. The aggregated summarised financial information of Full Gold and Palladex at 100 percent as at 30 June 2010 are as follows:

	At 30 June 2010 RMB'000
Current assets	86,406
Non-current assets	592,242
Total assets	678,648
Current liabilities	296,009
Non-current liabilities	401,421
Total liabilities	697,430

The management has assessed the impact of the KR business environment and concluded that there is no material impact on the operations and financial positions of the above two subsidiaries of the Company as at 30 June 2010. The future business environment may differ from management's assessment as at 30 June 2010.

Review Report



Review report to the board of directors of Lingbao Gold Company Ltd.

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 14 to 43 which comprises the consolidated balance sheet of Lingbao Gold Company Ltd. as at 30 June 2010 and the related consolidated income statement, statement of comprehensive income, statement of changes in equity and condensed consolidated cash flow statement 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 of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

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 2010 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

27 August 2010