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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)

CONNECTED TRANSACTION – EQUITY INTEREST ACQUISITION OF A NON WHOLLY OWNED SUBSIDIARY

The Board wishes to announce that the Company entered into an Equity Transfer Agreement on 30 August 2007 to acquire 12% and 8% equity interest respectively of our subsidiary – Tongbai Xingyuan from Mr. Zhou and Mr. Xu.

As at the date of this announcement, Mr. Zhou and Mr. Xu hold and own 12% and 8% equity interest in Tongbai Xingyuan, a subsidiary of the Company. Mr. Zhou is a substantial shareholder of Tongbai Xingyuan and a connected person of the Company pursuant to the Listing Rules.

The relevant percentage ratio (as set out in the Listing Rules) other than the profit ratio is less than 2.5%. The acquisition constitutes a connected transaction of the Company under 14A.32 of the Listing Rules and is subject to reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47.

EQUITY TRANSFER AGREEMENT

Date: 30 August 2007

Parties:

Vendor: Mr. Zhou (for himself and on behalf of Mr. Xu) As at the date of the Equity Transfer Agreement, Mr. Zhou and Mr. Xu hold and own 12% and 8% equity interest in Tongbai Xingyuan respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Xu is an independent Third Party.

Purchaser: the Company

General

The Board wishes to announce that the Company entered into an Equity Transfer Agreement on 30 August 2007 to acquire 12% and 8% equity interest respectively of our subsidiary – Tongbai Xingyuan from Mr. Zhou and Mr. Xu. After the completion of the acquisition agreement, the Company will own 100% equity interest of Tongbai Xingyuan and Tongbai Xingyuan will be a wholly-owned subsidiary of the Company.

The Company currently owned 80% equity interest in Tongbai Xingyuan. The other 12% equity interest in Tongbai Xingyuan is currently owned by Mr. Zhou and the remaining 8% equity interest is currently owned by Mr Xu. Mr. Zhou is considered to be connected persons of the Group (as defined by the Listing Rules).

Tongbai Xingyuan was formed in May 2003 and is principally engaged in mining business in Henan, the PRC. The registered capital of Tongbai Xingyuan is RMB 17,000,000 which has all been paid up. There are no profit or loss of Tongbai Xingyuan for the year ended 31 December 2005 and for the year ended 31 December 2006 as it has not commenced its mining operation and is still in the exploration stage.

Consideration

Pursuant to the Equity Transfer Agreement, the Company agreed to acquire 20% equity interest of Tongbai Xingyuan with cash consideration of RMB4,000,000, which will be payable by the Company within five working days from the date of the signing of the Equity Transfer Agreement.

The Consideration has been agreed by the parties after arm's length negotiation with reference to a valuation of the net asset of Tongbai Xingyuan of RMB23,859,000 as at 31 May 2007 performed by an Independent Third Party valuer, Henan Zhongsheng Union based on the replacement cost method generally adopted by PRC valuer, and the unaudited financial statement of Tongbai Xingyuan prepared under PRC Generally Accepted Accounting Principles as of 30 June 2007, the value of the total assets of Tongbai Xingyuan was RMB50,608,532, the total liabilities of Tongbai Xingyuan were RMB34,488,162, the value of the net assets of Tongbai Xingyuan was RMB16,120,370 and its net loss is RMB472,894. The original investment cost by Mr. Zhou and Mr. Xu was RMB2,040,000 and RMB1,360,000 respectively.

The Directors (including independent non-executive directors of the Company) consider that the consideration payable for the Acquisition and the terms and conditions of the Equity Transfer Agreement are in the Company's ordinary course of business, on normal commercial terms and fair and reasonable and are in the interests of the Shareholders and the Company as a whole.

Connected Transaction

As at the date of this announcement, Mr. Zhou and Mr. Xu hold and own 12% and 8% equity interest respectively in Tongbai Xingyuan, a subsidiary of the Company. Mr. Zhou is a substantial shareholder of Tongbai Xingyuan and a connected person of the Company pursuant to the Listing Rules. Therefore, any transactions with Mr. Zhou, it will constitutes a connected transaction under Chapter 14A of the Listing Rules.

Reasons for and benefits of the Acquisition

The Group is mainly engaged in gold mining, smelting and refining. The principal product of the Group is gold and the principal byproducts of the Group are silver, copper products and sulphuric acid. The Shanghai Gold Exchange certified the Company as a standard gold bullion production enterprise. As a result of the transaction, the Company has an opportunity to increase investment in Tongbai Xingyuan and will enable the Group to have larger of return in Tongbai Xingyuan. Therefore, The Directors (including independent non-executive directors of the Company) believe that the terms of the Acquisition are in ordinary course of business and on normal commercial terms and fair and reasonable and in the interests of the Shareholders and the Company as a whole.

GENERAL

As the relevant percentage ratio (as set out in the Listing Rules) other than the profit ratio is less than 2.5%, the acquisition constitutes a connected transaction of the Company under 14A.32 of the Listing Rules and is subject to reporting and announcement requirements set out in Listing Rules 14A.45 to 14A.47.

Definitions

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

- “Acquisition” : the acquisition of 12% and 8% equity interest in Tongbai Xingyuan by the Company from Mr. Zhou and Mr. Xu
- “Board” : the board of Directors
- “Company” : Lingbao Gold Company Ltd. (靈寶黃金股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and the shares of which are listed on the main board of the Stock Exchange
- “Directors” : the directors of the Company
- “Equity Transfer Agreement” : the Equity Transfer Agreement in Relation to Tongbai Xingyuan Mining Company Limited dated 30 August 2007 entered into between the Company and Mr. Zhou (for himself and on behalf of Mr. Xu) in relation to the Acquisition
- Henan Zhongsheng Union : Henan Zhongsheng Union Asset Valuation Company Limited (河南中盛聯盟資產評估事務所有限公司), a third party valuer independent from the Company
- “Independent Third Party” : A person who is independent of and not connected with the Company and the connected persons of the Company
- “Listing Rules” : Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
- “Mr. Zhou” : Mr. Zhou Yudao, a shareholder of Tongbai Xingyuan who holds a 12% equity interest in Tongbai Xingyuan

- “Mr. Xu” : Mr. Xu Zhongjian, a shareholder of Tongbai Xingyuan who holds a 8% equity interest in Tongbai Xingyuan
- “Shareholders” : the shareholders of the Company
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “Tongbai Xingyuan” : Tongbai Xingyuan Mining Company Limited, a limited liability company incorporated in the PRC with a registered capital of RMB17,000,000 and which is beneficially owned as to 80% by Company, 12% by Mr. Zhou and 8% by Mr. Xu

By order of the Board
Lingbao Gold Company Ltd.
Xu Gaoming
Chairman

Henan, the PRC, 31 August 2007

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Xu Gaoming, Mr. Wang Jianguo, Mr. Lu Xiaozhao and Mr. Jin Guangcai; three non-executive directors, namely Mr. Xu Wanmin, Mr. Di Qinghua and Mr. Qi Guozhong; and four independent non-executive directors, namely Mr. Ning Jincheng, Mr. Wang Yanwu, Mr. Niu Zhongjie and Mr. Zheng Jinqiao.