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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 – ACQUISITION OF THE ENTIRE EQUITY INTEREST IN BEIJING FUSHENGDA INVESTMENT COMPANY LIMITED**

The Board wishes to announce that the Company entered into an Equity Transfer Agreement on 27 November 2007 to acquire 53.1% and 46.9% equity interest in Beijing Fushengda from Mr. Chu and Ms. Zhao, respectively.

As at the date of this announcement, Mr. Chu and Ms. Zhao hold and own 53.1% and 46.9% equity interest in Beijing Fushengda, which owns approximately 20% and 16.67% equity interest in Xinjiang Baoxin and Habahe Huatai respectively, and indirectly own 20% equity interest in Akesu Xindi. Mr. Chu is a substantial shareholder of Xinjiang Baoxin and Akesu Xindi (both being subsidiaries of the Company) 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 Rule 14A.32 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

#### **EQUITY TRANSFER AGREEMENT**

**Date:** 27 November 2007

**Parties:**

**Vendor:** Mr. Chu (for himself and on behalf of Ms. Zhao). As at the date of the Equity Transfer Agreement, Mr. Chu and Ms. Zhao hold and own 53.1% and 46.9% equity interest in Beijing Fushengda respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Ms. Zhao is an Independent Third Party.

**Purchaser:** the Company

## **General**

The Board wishes to announce that the Company entered into an Equity Transfer Agreement on 27 November 2007 to acquire 53.1% and 46.9% equity interest in Beijing Fushengda from Mr. Chu and Ms. Zhao respectively. Beijing Fushengda owns approximately 20% and 16.67% equity interest in Xinjiang Baoxin and Habahe Huatai respectively, and indirectly owns 20% equity interest in Akesu Xindi (all being subsidiaries of the Company). After the completion of the Acquisition, the Company will own the entire equity interest in Beijing Fushengda, and Beijing Fushengda, Xinjiang Baoxin, Akesu Xindi and Habahe Huatai will become wholly-owned subsidiaries of the Company. The principal activities of Xinjiang Baoxin is the sales of mineral products. Akesu Xindi is principally engaged in the mining and exploring of mineral reserves and Habahe Huatai is engaged in the mining processing and production of gold.

Mr. Chu currently owns a 53.1% equity interest in Beijing Fushengda, and the remaining 46.9% equity interest in Beijing Fushengda is owned by Ms. Zhao. Mr. Chu thus indirectly owns 10.62%, 10.62% and 8.85% equity interest in Xinjiang Baoxin, Akesu Xindi and Habahe Huatai, respectively. Ms. Zhao indirectly owns 9.38%, 9.38% and 7.82% equity interest in Xinjiang Baoxin, Akesu Xindi and Habahe Huatai, respectively. Mr. Chu is considered to be a connected person of the Company.

Beijing Fushengda was formed in July 2004 and is principally engaged in investment business. The registered capital of Beijing Fushengda is RMB10,000,000 which has been fully paid up. Beijing Fushengda recorded an unaudited net loss of RMB5,782 for the financial year ended 31 December 2005, and an unaudited net loss of RMB12,570 for the financial year ended 31 December 2006. In the half-year period ended 30 June 2007, Beijing Fushengda recorded an unaudited net loss of RMB6,530. These amounts have been arrived at without taking into account the profits or loss of Xinjiang Baoxin, Akesu Xindi and Habahe Huatai. Beijing Fushengda has treated its interests in these companies as investments in its account, and accordingly, no consolidation has been carried out.

The Company does not have any connected transaction entered into with Mr. Chu and Ms. Zhao and/or their associates within the past twelve months or otherwise related or subsisting in the period which is the same as the Equity Transfer Agreement.

## **Consideration**

Pursuant to the Equity Transfer Agreement, the Company agreed to acquire 100% of the equity interest in Beijing Fushengda. The consideration ("Consideration") for the Acquisition is RMB13,200,000 and will be paid by the Company in cash within five 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 the unaudited financial statement of Beijing Fushengda prepared under PRC Generally Accepted Accounting Principles. As of 30 June 2007, the value of the total assets and net assets of Beijing Fushengda was RMB9,969,561 and its net loss was RMB6,530. The original investment cost by Mr. Chu and Ms. Zhao was RMB10,000,000.

The difference between the Consideration and net assets of Beijing Fushengda as of 30 June 2007 represents the increase in the net asset of the Company's subsidiaries as a result of the Acquisition. The net asset of Xinjiang Baoxin, Akesu Xindi and Habahe Huatai as at 30 June 2007 are RMB2,972,368, RMB8,174,448 and RMB31,679,145, respectively. Beijing Fushengda's share of the aggregate of the net assets of the three companies is RMB7,510,276. Beijing Fushengda's total investment cost in the three companies is RMB4,000,000. Accordingly, the Acquisition will result in an increase in the net asset of the Company's subsidiaries by RMB3,510,276. The Consideration has been determined taking into account such net asset increase.

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. Chu and Ms. Zhao hold and own 53.1% and 46.9% equity interest in Beijing Fushengda respectively. Mr. Chu therefore indirectly owns 10.62%, 10.62% and 8.85% in Xinjiang Baoxin, Akesu Xindi and Habahe Huatai, respectively. Ms. Zhao indirectly owns 9.38%, 9.38% and 7.82% in Xinjiang Baoxin, Akesu Xindi and Habahe Huatai, respectively. Mr. Chu is a substantial shareholder of Xinjiang Baoxin and Akesu Xindi (both being subsidiaries of the Company) and a connected person of the Company pursuant to the Listing Rules. Therefore, any transactions with Mr. Chu will constitute a connected transaction under Chapter 14A of the Listing Rules.

### **Reasons for and benefits of the Acquisition**

The Group (as defined in the Listing Rules) 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 Acquisition, the Company has an opportunity to increase investment in Xinjiang Baoxin, Akesu Xindi and Habahe Huatai, and the Acquisition will enable the Group to have larger share of return in Xinjiang Baoxin, Akesu Xindi and Habahe Huatai. According to the respective audited financial accounts for the financial year ended 31 December 2006 of Xinjiang Baoxin, Akesu Xindi and Habahe Huatai, although Xinjiang Baoxin and Akesu Xindi suffered losses in the amount of RMB3,641,788 and RMB1,049,504, respectively for the same period, Habahe Huatai recorded profits in the amount of RMB12,396,125. Beijing Fushengda's share in the aggregate of such profits is RMB1,128,175. The Acquisition therefore will enable the Group to have a larger shareholders' return. 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 the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

### Definitions

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

- “Acquisition” : the acquisition of 53.1% and 46.9% equity interest in Beijing Fushengda by the Company from Mr. Chu and Ms. Zhao
- “Akesu Xindi” : Akesu District Xindi Mining Company Limited (阿克蘇地區新地礦業有限公司), a limited liability company incorporated in the PRC
- “Beijing Fushengda” : Beijing Fushengda Investment Company Limited (北京富盛達投資有限公司), a limited liability company incorporated in the PRC with a registered capital of RMB10,000,000 and which is beneficially owned as to 53.1% by Mr. Chu and 46.9% by Ms. Zhao
- “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 Beijing Fushengda Investment Company Limited dated 27 November 2007 entered into between the Company and Mr. Chu (for himself and on behalf of Ms. Zhao) in relation to the Acquisition
- “Habahe Huatai” : Habahe Huatai Gold Limited Liability Company (哈巴河華泰黃金有限責任公司), a limited liability company incorporated in the PRC
- “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. Chu” : Mr. Chu Yan, a shareholder of Beijing Fushengda who holds a 53.1% equity interest in Beijing Fushengda
- “Ms. Zhao” : Ms. Zhao Li, a shareholder of Beijing Fushengda who holds a 46.9% equity interest in Beijing Fushengda
- “Shareholders” : the shareholders of the Company
- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “Xinjiang Baoxin” : Xinjiang Baoxin Mining Company Limited (新疆寶鑫礦業有限公司), a limited liability company incorporated in the PRC.

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

Henan, the PRC, 27 November 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.*