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

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock code: 3330)**

**ANNOUNCEMENT**

**CONTINUING CONNECTED TRANSACTIONS**

**Electricity Supply Agreements**

*(a) Old Electricity Supply Agreements*

The Group has been relying on Lingbao Electric, which is a PRC government entity, for the supply of electricity. Pursuant to the Old Electricity Supply Agreements which were entered into between Lingbao Electric and the Company in 2005 for the supply of electricity to the Group, Lingbao Electric agreed to supply electricity to the Group for a period of three years and the Old Electricity Supply Agreements expired by 2008.

*(b) New Electricity Supply Agreements*

In contemplation of the expiry of the terms of the Old Electricity Supply Agreement and in order to ensure stable supply of electricity to support normal operations of the Group, the Group has between September 2007 and October 2008 entered into the New Electricity Supply Agreements with Lingbao Electric for a term of three years.

**Listing Rules Requirements and Non-compliance with the Listing Rules**

As Lingbao Electric is a promoter and hence a connected person of the Group, the transactions contemplated under New Electricity Supply Agreements are considered to be continuing connected transactions under Chapter 14A of the Listing Rules. As the consideration ratio exceeds 2.5% on an annual basis and the annual consideration of these transactions contemplated under New Electricity Supply Agreements are more than HK\$10,000,000, the transactions contemplated under New Electricity Supply Agreements are subject to the reporting, announcement and independent shareholders' approval requirements applicable to non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

In relation to the transactions contemplated under the Old Electricity Supply Agreements, the Company applied to the Stock Exchange for and was granted the Waiver from strict compliance with the announcement

and independent shareholders' approval requirements pursuant to Rule 14A.42(3) of the Listing Rules on 29 December 2005.

However, it has only recently come to the notice of the Board that the Waiver had lapsed upon its expiration on 31 December 2007. As the Group had continued to carry on the transactions as described above with Lingbao Electric to maintain stable electricity supply, the Group should have complied with the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules in relation to the transactions contemplated under the Old Electricity Supply Agreements carried on after expiry of the Waiver.

### **General**

A circular containing details relating to the New Electricity Supply Agreements, a letter from the independent board committee containing its advice in respect of the New Electricity Supply Agreements, a letter of advice from the independent financial adviser, and a notice convening an extraordinary general meeting of the Company to consider and, if thought fit, approve the transactions contemplated under the New Electricity Supply Agreements and the related annual caps will be despatched to shareholders of the Company as soon as practicable.

## **BACKGROUND**

The Group has been relying on Lingbao Electric, which is a PRC government entity, for the supply of electricity. Pursuant to the Old Electricity Supply Agreements which were entered into between Lingbao Electric and the Company in 2005 for the supply of electricity to the Group, Lingbao Electric agreed to supply electricity to the Group for a period of three years and the Old Electricity Supply Agreements had expired by November 2008.

In contemplation of the expiry of the Old Electricity Supply Agreements and in order to ensure continuous and stable supply of electricity to support normal operations of the Group, the Group had between September 2007 and October 2008 entered into the New Electricity Supply Agreements with Lingbao Electric for a term of three years.

## **THE NEW ELECTRICITY AGREEMENTS**

The New Electricity Supply Agreements consist of seven electricity supply agreements entered into between Lingbao Electric and the Group with details as follows:

- |                                   |   |
|-----------------------------------|---|
| Date:                             | 30 January 2008   |
| Parties:                          | Lingbao Electric; and<br>Gold Metallurgical Branch of the Company (冶煉分公司) |
| Nature of<br>Transaction:         | Supply of electricity   |
| Term:                             | 30 January 2008 to 30 January 2011  |
| Site of supply of<br>electricity: | Yinzhuang Town, South Industrial Zone, Lingbao City (靈寶市尹<br>莊鎮道南工業區)     |

- Payment of consideration: Payment is based on consumption of electricity each month and is payable in arrear on the 20th day of each month
2. Date: 11 February 2008
- Parties: Lingbao Electric; and  
Qiangma Gold Mine Branch of the Company (槍馬金礦分公司)
- Nature of Transaction: Supply of electricity
- Term: 11 February 2008 to 11 February 2011
- Site of supply of electricity: Zhuyang Town, Qiangma Gold Mine, Lingbao City (靈寶市朱陽鎮槍馬金礦)
- Payment of consideration: Payment is based on consumption of electricity each month and is payable in arrear on the 20th day of each month
3. Date: 21 January 2008
- Parties: Lingbao Electric; and  
Qiangma Gold Mine Branch of the Company (槍馬金礦分公司)
- Nature of Transaction: Supply of electricity
- Term: 21 January 2008 to 21 January 2011
- Site of supply of electricity: Zhuyang Town, Qiangma Gold Mine, Lingbao City (靈寶市朱陽鎮槍馬金礦)
- Payment of consideration: Payment is based on consumption of electricity each month and is payable in arrear on the 20th day of each month
4. Date: 10 October 2008
- Parties: Lingbao Electric; and  
Yinxin Gold Mine Branch of the Company (峯鑫金礦分公司)
- Nature of Transaction: Supply of electricity
- Term: 10 October 2008 to 10 October 2011
- Site of supply of electricity: Zhuyang Town, Laohugou Village, Lingbao City (靈寶市朱陽鎮老虎溝村)
- Payment of consideration: Payment is based on consumption of electricity each month and is payable in arrear on the 25th day of each month

5. Date: 15 September 2007
- Parties: Lingbao Electric; and  
Yinxin Gold Mine Branch of the Company (峯鑫金礦分公司)
- Nature of Transaction: Supply of electricity
- Term: 15 September 2007 to 15 Sept 2010
- Site of supply of electricity: Zhuyang Town, Laohugou Village, Lingbao City (靈寶市朱陽鎮老虎溝村)
- Payment of consideration: Payment is based on consumption of electricity each month and is payable in arrear on the 20th day of each month
6. Date: 26 November 2007
- Parties: Lingbao Electric; and  
Yinxin Gold Mine Branch of the Company (峯鑫金礦分公司)
- Nature of Transaction: Supply of electricity
- Term: 26 November 2007 to 26 November 2010
- Site of supply of electricity: Zhuyang Town, Laohugou Village, Lingbao City (靈寶市朱陽鎮老虎溝村)
- Payment of consideration: Payment is based on consumption of electricity each month and is payable in arrear on the 20th day of each month
7. Date: 30 July 2006 <sup>(Note)</sup>
- Parties: Lingbao Electric; and  
Lingbao Wason Copper-Foil Company Limited (靈寶華鑫銅箔有限責任公司), a wholly-owned subsidiary of the Company
- Nature of Transaction: Supply of electricity
- Term: 30 July 2006 to 30 July 2009
- Site of supply of electricity: Lingbao City, 131 Huanghe Road, Lingbao City (靈寶市黃河路131號)
- Payment of consideration: Payment is based on consumption of electricity each month and is payable in arrear on the 25th day of each month

Note:

The Company acquired the entire interest in Lingbao Wason Copper-Foil Company Limited ("**Wason**") on 24 March 2008. The electricity supply agreement between Wason and Lingbao Electric was entered into prior to the acquisition of Wason by the Company.

### Consideration

Under the New Electricity Supply Agreements, the electricity fee payable by the Company is calculated with reference to the readings on the meters separately installed by Lingbao Electric at the sites and the prevailing unit rate of the electricity tariff as approved by the relevant authorities. The unit rate of the electricity tariff will vary with the consumption of the electricity and the unit rate of the electricity tariff in Henan Province is a standard rate as pre-determined by Henan Development and Reform Commission from time to time. Accordingly, the unit rate of electricity tariff charged by Lingbao Electric is comparable with that of other independent third parties in the same region.

### Annual Caps and Basis of Annual Caps

The following table sets out the electricity payment made by the Company to Lingbao Electric for the three years ended 31 December 2008 for its supply of electricity and the proposed annual caps under the New Electricity Supply Agreements:

	Year ended 31 December 2006 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2008 RMB	Year ending 31 December 2009 RMB	Year ending 31 December 2010 RMB	Year ending 31 December 2011 RMB
Electricity fee paid	50,191,000	51,903,000	69,435,000	N/A	N/A	N/A
Proposed annual caps	N/A	N/A	N/A	77,500,000	89,100,000	93,600,000

The proposed annual caps for the electricity payment are determined based on (i) the Group's historical electricity expenses for the past years, (ii) the estimated increase in the electricity tariff of approximately 5% in the year ending 31 December 2010 with reference to the historic rates of the electricity tariff, (iii) the projected increase in the production capacity of gold bullion, silver, copper products and sulphuric acid of the Group with a projected annual growth rate of not more than 10% for the three years ending 31 December 2011.

### Reasons for the New Electricity Supply Agreements

The Group is mainly engaged in gold mining, smelting and refining. The principal product of the Group is gold and the principal by-products of the group are silver, copper products and sulphuric acid.

Lingbao Electric is a company incorporated in the PRC and is a PRC government entity that engages in supply of electricity.

Lingbao Electric has been supplying electricity to the Company on an ongoing basis. The Board considers it essential to enter into the New Electricity Supply Agreements with Lingbao Electric, being the only electricity provider within the region of Lingbao city, in order to secure regular and stable electricity supply from

Lingbao Electric to maintain the Group's daily operations. There is no major difference between the terms of the Old Electricity Supply Agreements and that of the New Electricity Supply Agreements.

The Directors (excluding the independent non-executive Directors whose views will be subject to the opinion of an independent financial adviser on the transactions contemplated under the New Electricity Supply Agreements) consider that the New Electricity Supply Agreements were entered into after arm's length negotiations, is on normal commercial terms and on terms no less favourable to the Group than terms available to independent third parties, and that the terms of the New Electricity Supply Agreements and the relevant annual caps are fair and reasonable so far as the shareholders of the Company are concerned and are in the interests of the Company and its shareholders as a whole.

## **LISTING RULES REQUIREMENTS AND NON-COMPLIANCE WITH THE LISTING RULES**

As Lingbao Electric is a promoter and hence a connected person of the Group, the transactions contemplated under New Electricity Supply Agreements are considered to be continuing connected transactions under Chapter 14A of the Listing Rules. As the consideration ratio exceeds 2.5% on an annual basis and the annual consideration of the transactions contemplated under New Electricity Supply Agreements are more than HK\$10,000,000, the transactions contemplated under New Electricity Supply Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

In relation to the transactions contemplated under the Old Electricity Supply Agreements, the Company applied to the Stock Exchange for and was granted the Waiver from strict compliance with the announcement and independent shareholders' approval requirements pursuant to Rule 14A.42(3) of the Listing Rules on 29 December 2005. However, it has only recently come to the notice of the Company when the Company was reviewing its related parties transactions in the course of preparation of its financial results for 2008 that the Waiver had lapsed upon its expiration on 31 December 2007. As the Group had continued to carry on the transactions as described above with Lingbao Electric to maintain stable electricity supply, the Group should have complied with the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules in relation to the transactions contemplated under the Old Electricity Supply Agreements carried on after expiry of the Waiver.

In addition, as the transactions contemplated under the New Electricity Agreements are also non-exempt continuing connected transactions, the Group should have complied with the reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules in respect of the New Electricity Agreements.

The Company failed to comply with the reporting, announcement and independent shareholders' approval requirements in relation to the transactions under the Old Electricity Supply Agreements which took place upon expiry of the Waiver and the transactions under the New Electricity Agreements pursuant to Chapter 14A of the Listing Rules on a timely basis. The Company considers that this was an inadvertent oversight and an unintentional non-compliance with the Listing Rules. Since Lingbao Electric is the only electricity supplier in Lingbao city, the Company considered it necessary to continue the transactions with Lingbao Electric so as to secure stable electricity supply for its operations.

## **GENERAL**

An independent board committee will be established to advise the independent shareholder in connection with the terms of the New Electricity Supply Agreements and the proposed annual caps for the three years ending 31 December 2011. The Company will appoint an independent financial adviser to advise the independent board committee in this regard.

A circular containing details relating to the New Electricity Supply Agreements, a letter from the independent board committee containing its advice in respect of the New Electricity Supply Agreements, a letter of advice from the independent financial adviser, and a notice convening an extraordinary general meeting of the Company to consider and, if thought fit, approve the transactions contemplated under the New Electricity Supply Agreements and the related annual caps will be despatched to shareholders of the Company as soon as practicable.

Voting on the resolutions approving the New Electricity Supply Agreements and the related annual caps will be conducted by poll. Lingbao Electric and together with any of its associates will abstain from voting on the resolutions to be proposed at the Company's extraordinary general meeting to approve the New Electricity Supply Agreements and the related annual caps. As at the date of this announcement, Lingbao Electric holds 17,435,687 shares in the Company, representing approximately 2.26 % of the issued share capital of the Company.

## **DEFINITIONS**

*Unless the context requires otherwise, the use of capitalised terms in this announcement shall have the following meanings:*

“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Lingbao Gold Company Ltd, 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
“Director(s)”	the director(s) of the Company
"Group"	The Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
“Lingbao Electric”	Lingbao Electric Company, a wholly State owned company established in the PRC as a result of restructuring of Lingbao Electric Bureau
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
“New Electricity Supply Agreements”	the seven electricity supply agreements entered into between Lingbao Electric and the Company in 2006, 2007 and 2008 in relation to the supply of electricity by Lingbao Electric to the Company, for a term of three years
“Old Electricity Supply Agreements”	the seven electricity supply agreements entered into between Lingbao Electric and the Company in 2005 in relation to the supply of electricity by Lingbao Electric to the Company, which had all expired in November 2008
“PRC”	The People's Republic of China and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“RMB”	the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Waiver”	a waiver from strict compliance with the announcement and independent shareholders’ approval requirements pursuant to Rule 14A.42(3) of the Listing Rules in relation to the Old Electricity Supply Agreements entered into between Lingbao Electric and the Company in 2005, particulars of which are set forth in the prospectus published by the Company on 30 December 2005.

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

Henan, the PRC, 22 January 2009

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