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Lingbao Gold Group Company Ltd.
靈寶黃金集團股份有限公司

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

(Stock code: 3330)

**ISSUE OF H SHARE CONVERTIBLE BOND
UNDER GENERAL MANDATE**

ISSUE OF H SHARE CONVERTIBLE BOND

On 7 November 2017, the Company entered into the Subscription Agreement with the Subscriber in relation to the issuance of the H Share Convertible Bond in an aggregate principal amount of HK\$76,000,000.

The H Share Convertible Bond will bear interest at the rate of 5.6% per annum. The H Share Convertible Bond is convertible into Conversion Shares at an Initial Conversion Price of HK\$1.28 per Conversion Share (subject to adjustments).

LISTING RULES IMPLICATIONS

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 13 June 2017, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the aggregate nominal amount of H Shares in the issued share capital of the Company as at 13 June 2017, i.e. 59,454,800 H Shares. The Directors have not exercised the power to allot and issue any new H Shares pursuant to the General Mandate. As at the date of this announcement, the Company is entitled to issue up to 59,454,800 H Shares pursuant to the General Mandate. It is intended that the Conversion Shares will be allotted and issued under the General Mandate.

The H Share Convertible Bond and the Conversion Shares will be issued pursuant to authority conferred upon the Directors under the General Mandate granted on 13 June 2017.

On 7 November 2017, the Company entered into the Subscription Agreement with the Subscriber in relation to the issuance of the H Share Convertible Bond in an aggregate principal amount of HK\$76,000,000.

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Details of the terms of the Subscription Agreement and the H Share Convertible Bond are summarised below.

THE SUBSCRIPTION AGREEMENT

Date: 7 November 2017

Issuer: the Company

Subscriber: the Subscriber

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

Novation: The Company and the Subscriber have agreed that the Subscriber was entitled to transfer all of its rights and benefits under the Subscription Agreement to the Designated Party(ies) designated by the Subscriber, and such Designated Party(ies) shall assume and perform of the obligations and liabilities originally assumed by the Subscriber under the Subscription Agreement as if it (they) were party(ies) to the Subscription Agreement (the "**Novation**").

If the Closing occurs before the execution date of the Deed of Novation, the Subscriber shall on such execution date transfer the H Share Convertible Bond to the same Designated Party in accordance with the terms set out in the Conditions.

For the avoidance of doubt, if the Company is willing to execute the Deed of Novation, yet by the Long Stop Date the Subscriber has not ascertained the Designated Party(ies) or the Subscriber and the Designated Party(ies) designated by the Subscriber have not executed the Deed of Novation, the Subscriber shall still be entitled to all rights, and liable to perform all obligations and liabilities under the Subscription Agreement.

Conditions Precedent: The Closing is conditional upon the following conditions being fulfilled (or waived by the relevant Party in writing) at or before 5:00 p.m. (Hong Kong time) on the Long Stop Date:

- (a) the Listing Committee of the Stock Exchange having granted the listing of and the permission to deal in all Conversion Shares that fall to be issued upon the exercise in full of the Conversion Rights attaching to the H Share Convertible Bond;
- (b) the Company having obtained the approval to the issuance of the H Share Convertible Bond from the China Securities Regulatory Commission;

- (c) the Company Warranties remaining true and accurate and not misleading in all material respects as at the Closing; and
- (d) the Subscriber Warranties remaining true and accurate and not misleading in all material respects as at the Closing.

It was also one of the Subscriber Warranties that the Subscriber has represented, warranted and undertaken that it shall designate its Designated Party(ies) and complete the Novation in accordance with the terms of the Subscription Agreement within three months from the date of the Subscription Agreement.

If any of the Conditions Precedent is not fulfilled (or waived by the relevant Party in writing as to Conditions Precedent (c) and (d), which waiver if granted may be subject to such conditions as such Party deems fit) at or before 5:00 p.m. (Hong Kong time) on or before the Long Stop Date or such other time and/or date as the Company and the Subscriber shall mutually agree, the Subscription Agreement (except certain provisions relating to definitions, notice, governing law etc.) shall forthwith become null and void and cease to have any effect whatsoever and neither Party shall have any claims against the other for costs, damages, compensations or otherwise (save for liabilities for any antecedent breaches of the Subscription Agreement).

Closing:

Subject to the fulfilment or waiver (as the case may be) of the Conditions Precedent, the Closing shall take place at the principal place of business of the Company in Hong Kong on or before 5:00 p.m. (Hong Kong time) on the Closing Date (or such other time, date and place the Parties shall otherwise agree).

Termination:

If at any time on or prior to the Closing:

- (a) the Company commits any material breach of any Company Warranties or omits to perform or observe any of its other obligations or undertakings expressed to be assumed by it under the Subscription Agreement in any material aspect (including its obligations on the Closing); or
- (b) the Subscriber commits any material breach of any Subscriber Warranties or omits to perform or observe any of its other obligations or undertakings expressed to be assumed by it under the Subscription Agreement in any material aspect (including its obligations on the Closing); or
- (c) an Event of Default or a prospective Event of Default has occurred and has not been remedied to the satisfaction of the other Party on or prior to the Closing,

then, in any such case, the aforesaid other Party may on or before the Closing Date in its absolute discretion without any liability on its part, by notice in writing terminate the Subscription Agreement. The right to forthwith terminate the Subscription Agreement under each of paragraphs (a) to (c) above is a separate and independent right and the exercise of any such right shall not affect or prejudice or constitute a waiver of any other right, remedy or claim which the aforesaid other Party may have as at the date of such notice.

Indemnification:

The Company has undertaken that it shall at all times following the date of the Subscription Agreement, keep the Subscriber indemnified, on demand, against all losses, damages, costs and expenses which may be reasonably incurred or suffered by the Subscriber as a result of any breach of the Company Warranties, the undertaking, guarantee, covenant or obligation of the Company contained in the Subscription Agreement, including without limitation, the failure of the Company to proceed with the Closing in accordance with the terms and conditions set out in the Subscription Agreement provided that the Company shall have received from the Subscriber a written notice of a claim in respect of the Company Warranties specifying in reasonable details the event or default to which the claim relates and the nature of the breach not later than the expiry of a period of eighteen (18) months after the date of the Subscription Agreement, and the amount claimed exceeds HK\$1,000,000.

The Subscriber has undertaken that it shall at all times following the date of the Subscription Agreement, keep the Company indemnified, on demand, against all losses, damages, costs and expenses which may be reasonably incurred or suffered by the Company as a result of any breach of the Subscriber Warranties, the undertaking, guarantee, covenant or obligation of the Subscriber contained in the Subscription Agreement, including without limitation, the failure of the Subscriber to proceed with the Closing in accordance with the terms and conditions set out in the Subscription Agreement provided that the Subscriber shall have received from the Company a written notice of a claim in respect of the Subscriber Warranties specifying in reasonable details the event or default to which the claim relates and the nature of the breach not later than the expiry of a period of eighteen (18) months after the date of the Subscription Agreement, and the amount claimed exceeds HK\$1,000,000.

PRINCIPAL TERMS OF THE H SHARE CONVERTIBLE BOND

Principal Amount: HK\$76,000,000

Interest Rate: 5.6% per annum of the outstanding principal amount of the H Share Convertible Bond

Interest shall be accrued daily on a 360 days basis and is payable by the Company to the Bondholder on bi-annual basis, up to the Maturity Date.

Status of the H Share Convertible Bond: The H Share Convertible Bond constitutes a direct, unconditional, unsecured and unsubordinated obligation of the Company and ranks *pari passu* and rateably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) with all other unsecured and unsubordinated obligations of the Company.

Transfer of the H Share Convertible Bond: The H Share Convertible Bond may be assigned or transferred in whole or in part of its outstanding principal amount. Such transfer or assignment shall be in compliance with the terms of the H Share Convertible Bond.

The permitted assignment or transfer of the H Share Convertible Bond may only be made to person(s) which are not connected persons of the Company except in accordance with the Listing Rules.

Conversion Price: The Initial Conversion Price of HK\$1.28 per Conversion Share represents:

- (a) a discount of approximately 19.5% over the closing price of HK\$1.59 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 19.0% over the average of the closing prices of HK\$1.58 per H Share as quoted on the Stock Exchange for the last five consecutive trading days of the H Shares up to and including the Last Trading Day; and
- (c) a discount of approximately 18.5% over the average of the closing prices of HK\$1.57 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days of the H Shares up to and including the Last Trading Day.

The Initial Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the H Shares and the business performance of the Group under the prevailing market conditions.

Adjustments to Conversion Price: The Initial Conversion Price will be subject to adjustment in certain events, including: consolidation or sub-division, capitalisation of profits or reserves, capital distribution, rights issues of H Shares or options over H Shares (at less than 20% of the market price per H Share at the date of the announcement of the terms of the offer or grant), issues of other securities carrying rights over H Shares at less than 20% of the market price at the date of the announcement of the terms of issue of such securities; other issues of H Shares or other securities at less than 20% of the market price at the date of the announcement of the terms of such issue etc..

Conversion: Subject to, and upon compliance with, the provisions of the Conditions, the Bondholder shall have the right to convert the whole or any part of the outstanding principal amount of the H Share Convertible Bond (irrespective whether the H Share Convertible Bond may be held by more than one Bondholder) into H Shares at any time and from time to time during the Conversion Period provided that each conversion must be respect of a minimum aggregate principle amount of HK\$2,000,000. The price at which each H Share shall be issued upon an exercise of the Conversion Rights shall be the Conversion Price in force at the relevant Conversion Date. Assuming full conversion of the H Share Convertible Bond at the Initial Conversion Price, the H Share Convertible Bond will be converted into approximately 59,375,000 H Shares, representing approximately 19.97% of the existing issued H Share capital of the Company (7.71% of the existing total issued share capital of the Company) and approximately 16.65% of the issued H Share capital of the Company (7.16% of the existing total issued share capital of the Company) as enlarged by the full conversion of the H Share Convertible Bond.

In the event that, following an exercise of the conversion right attached to the H Share Convertible Bond, an issue of the H Shares is required which would exceed the limit on the allotment and issue of the H Shares in the General Mandate, the Company shall satisfy the exercise of the conversion right by making payment of the cash value in respect of the H Shares in excess of the limit on the allotment and issue of in the General Mandate such that the number of new H Shares to be allotted and issued upon full conversion of the Convertible Bonds will not exceed 59,454,800 H Shares under the General Mandate.

Mandatory Conversion: The Bondholder shall mandatorily convert the whole of the principal moneys outstanding under the H Share Convertible Bond into Conversion Shares on the Maturity Date.

For the avoidance of doubt, no request for the repayment of any part of the principal moneys outstanding under the H Share Convertible Bond can be made by the Bondholder to the Company unless there is any occurrence of Events of Default prior to the Maturity Date.

Events of Default:

If any of the following event or circumstances occurs prior to (but not after) the Maturity Date, the Bondholder may give notice to the Company that the H Share Convertible Bond is, and it shall on the giving of such notice immediately become, due and payable at its principal amount and all other sums payable under the H Share Convertible Bond (including any accrued but unpaid interests):

- (a) the Company fails to pay any amount due in respect of the H Share Convertible Bond unless non-payment of such amount is due to administrative or technical error and payment is made within 3 Business Days of the due date thereof; or
- (b) the Company defaults in the performance or observance of or compliance with any of its other obligations set out under the H Share Convertible Bond which default is incapable of remedy or, if capable of remedy, is not remedied within 3 Business Days after notice of the occurrence of such default by the Bondholder; or
- (c) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries (and, where any such appointment is made in relation to a major subsidiary, the appointment is not discharged within 3 Business Days of it being made); or
- (d) the Company or any of its major subsidiaries becomes insolvent or is unable to pay its debts as they fall due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its major subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries (and, where any such appointment is made in relation to a major subsidiary, the appointment is not discharged or withdrawn within 3 Business Days of it being made) or takes any proceeding under any law for a readjustment or deferment of its respective obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its respective creditors; or
- (e) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company or any of its major subsidiaries (and where any such petition, proceeding or order is presented, commenced or made in relation to a major subsidiary, such petition, proceeding or order is not set aside or withdrawn within 3 Business Days of it being filed, commenced or made), except in the case of winding-up of any subsidiaries of the Company in the course of internal reorganisation without involving insolvency; or

- (f) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its major subsidiaries (and, in the case of a major subsidiary, is not lifted within 3 Business Days of it being agreed or declared) or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its major subsidiaries.

Voting: The Bondholder shall not be entitled to attend or vote at any meeting of the Company by reason only of it being the Bondholder.

Listing: No application will be made for a listing of the H Share Convertible Bond on any stock or securities exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares to be issued pursuant to the General Mandate upon the exercise of the Conversion Rights.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best knowledge of the Directors, the shareholding structure of the Company as at the date of this announcement and immediately after conversion in full of the H Share Convertible Bond (assuming that no other Shares will be issued) is as follows:

	Type of Shares	As at the date of this announcement		Upon full conversion of the H Share Convertible Bond (Note 1)	
		Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
D&R Asset Management Group Company Limited	Domestic Share	185,339,000	24.06	185,339,000	22.34
Lingbao State-owned Assets Operation Limited Liability Company (靈寶市國有資產經營有限公司)	Domestic Share	73,540,620	9.55	73,540,620	8.86
Shanghai Zhengxi Investment Management Partnership (Limited Partnership)	Domestic Share	57,000,000	7.40	57,000,000	6.87
Other Shareholders	Domestic Share	157,095,471	20.40	157,095,471	18.94
Public Shareholders	H Share	297,274,000	38.59	297,274,000	35.83
Subscriber	H Share	—	—	59,375,000	7.16
Total		<u>770,249,091</u>	<u>100.00</u>	<u>829,624,091</u>	<u>100.00</u>

Note:

- The figures in this column are for illustrating the full dilution effect on the shareholding of the existing Shareholders and are arrived at based on the assumption that all the H Share Convertible Bond will be converted at the Initial Conversion Price.

LISTING RULES IMPLICATIONS

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 13 June 2017, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the aggregate nominal amount of H Shares in the issued share capital of the Company as at 13 June 2017, i.e. 59,454,800 H Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the General Mandate. As at the date of this announcement, the Company is entitled to issue up to 59,454,800 H Shares pursuant to the General Mandate. It is intended that the Conversion Shares will be allotted and issued under the General Mandate and no further Shareholders' approval is required.

The H Share Convertible Bond and the Conversion Shares will be issued pursuant to authority conferred upon the Directors under the General Mandate granted on 13 June 2017.

INFORMATION ON THE GROUP AND THE SUBSCRIBER

The principal activities of the Group are gold mining, smelting, refining, copper processing and sales of gold and other metallic products.

The Subscriber is principally engaged in academic tutoring services. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE H SHARE CONVERTIBLE BOND ISSUE AND USE OF PROCEEDS

The Directors consider the issuing the H Share Convertible Bond will provide an opportunity for the Company to enhance its working capital and financial position and support the business development of the Group. The Directors consider that the issue of the Convertible Bonds and the Bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

The gross proceeds from the issue of the H Share Convertible Bond will be HK\$76,000,000. The net proceeds from the issue of the H Share Convertible Bond, after the deduction of related expenses, are estimated to be approximately HK\$75,000,000, representing net issue price of approximately HK\$1.26 per Conversion Share. The net proceeds from the issue of the H Shares Convertible Bond will be used for general working capital of the Group and for future investment in the mining business in the PRC.

The Directors consider that the terms of the Subscription Agreement (including the Conditions) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and that the Subscription Agreement is entered into on normal commercial terms following arm's length negotiations between the Parties.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

There was no fund raising activities of the Company by way of issue of equity securities in the past 12 months.

As the Closing is subject to the satisfaction of a number of conditions precedent and the termination rights of the Parties, the subscription for the H Share Convertible Bond may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.

DEFINITIONS

For the purpose of this announcement, capitalized terms appearing herein shall unless the context otherwise requires, have the meaning set out below:

“Bondholder(s)”	the holder of the H Share Convertible Bond;
“Business Day”	a day (other than Saturday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general business;
“Certificate”	the certificate, substantially in the form set out in the Subscription Agreement, to be issued in respect of the H Share Convertible Bond, together with the Conditions;
“Closing”	closing of the subscription for the H Share Convertible Bond in accordance with the terms of the Subscription Agreement;
“Closing Date”	the date on which the Closing occurs, which shall be on the fifth Business Day (or such other day the Parties may agree before the Closing) after the Conditions Precedent are fulfilled or otherwise waived;
“Company”	Lingbao Gold Group Company Ltd, a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange;
“Company Warranties”	the warranties, representations and undertakings of the Company set out in the Subscription Agreement;
“Conditions”	the terms and conditions to the H Share Convertible Bond to be attached to the Certificate substantially in the form set out in the Subscription Agreement;
“Conditions Precedent”	the conditions precedent to the Closing as set out in the Subscription Agreement;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Conversion Date”	the date on which a conversion notice is served by the Bondholder;
“Conversion Period”	the period commencing from the issue date of the H Share Convertible Bond and ending upon the Maturity Date;

“Conversion Price”	the Initial Conversion Price (subject to adjustments as set out in Conditions);
“Conversion Rights”	the rights of the Bondholder to convert the whole or any part of outstanding principal amount of the H Share Convertible Bond held by it into H Shares;
“Conversion Shares”	H Shares allotted and issued upon an exercise of the Conversion Rights;
“Deed of Novation”	the deed in respect of the Novation in such form and substance as set out in the Subscription Agreement;
“Designated Party(ies)”	any fund(s) or company(ies) directly or indirectly controlled or managed by the Subscriber or its direct or indirect shareholder(s) through any arrangement;
“Directors”	directors of the Company;
“Event of Default”	the events of default of the H Share Convertible Bond as stipulated under the Conditions;
“General Mandate”	the general mandate granted to the Directors to allot and issue up to 20% of the aggregate nominal amount of H Shares in the issued share capital of the Company on 13 June 2017, by a resolution of the Shareholders passed at the annual general meeting of the Company held on 13 June 2017;
“Group”	the Company and its subsidiaries;
“H Shares”	the overseas listed foreign shares of nominal value of RMB0.2 each in the share capital of the Company;
“H Share Convertible Bond”	the H Share convertible bond in the principal amount of HK\$76,000,000 to be issued to the Subscriber on the Closing Date pursuant to the Subscription Agreement with the benefit of and subject to the Conditions;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, any third party(ies) that is (are) independent of the Company and its connected persons;
“Initial Conversion Price”	HK\$1.28 per Conversion Share;
“Last Trading Day”	7 November 2017, being the last trading day in the H Shares immediately before the publication of this announcement;

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange;
“Long Stop Date”	30 June 2018 (or such other date the Parties may agree in writing);
“major subsidiaries”	any subsidiaries of the Company falling within the meaning of major subsidiaries under Rule 13.25(2) of the Listing Rules;
“Maturity Date”	the date falling on the expiry of sixty (60) months commencing from the date of issue of the H Share Convertible Bond or if such date is not a Business Day, the Business Day immediately following such date;
“Novation”	has the meaning ascribed to it under the section headed “THE SUBSCRIPTION AGREEMENT” in this announcement;
“Party(ies)”	a party or parties to the Subscription Agreement;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the ordinary shares of nominal value of RMB0.2 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Everlasting Education Centre Pte. Ltd., a company incorporated in the Singapore with limited liability;
“Subscriber Warranties”	the warranties, representations and undertakings of the Subscriber set out in the Subscription Agreement;
“Subscription Agreement”	the subscription agreement entered into between the Company and the Subscriber on 7 November 2017 in relation to the issue of the H Share Convertible Bond, as varied, amended, modified, varied or supplemented in writing by the parties thereto from time to time;
“%”	per cent.

Unless otherwise specified in this announcement, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

By order of the Board
Lingbao Gold Group Company Ltd.
Chen Jianzheng
Chairman

Henan, the PRC, 8 November 2017

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Chen Jianzheng, Mr. Wang Leo, Ms. Zhou Xing, Mr. Zhao Kun and Mr. Xing Jiangze; one non-executive Director, namely Mr. Shi Yuchen; and four independent non-executive Directors, namely Mr. Yang Dongsheng, Mr. Han Qinchun, Mr. Wang Jiheng and Mr. Wang Guanghua.