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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)

**(I) PARTIALLY-EXEMPT CONTINUING
CONNECTED TRANSACTIONS; AND
(II) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Financial Adviser



**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



(I) PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Property Lease Framework Agreement

On 14 December 2023 (after trading hours), the Company and D&R Asset Management entered into the Property Lease Framework Agreement in relation to, among others, the leasing of certain properties by the Group to the D&R Asset Management Group from time to time for a period commencing from 1 January 2024 and ending on 31 December 2026.

(II) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Shiye Comprehensive Products Framework Agreement

On 14 December 2023 (after trading hours), the Company and Jiesi Shiye entered into the Shiye Comprehensive Products Framework Agreement in relation to (i) the purchase of gold concentrates and compound gold by the Group from the Jiesi Shiye Group; and (ii) the supply of copper and silver by the Group to the Jiesi Shiye Group from time to time for a period commencing from the effective date of the Shiye Comprehensive Products Framework Agreement and ending on 31 December 2026.

(2) Weiye Comprehensive Products Framework Agreement

On 14 December 2023 (after trading hours), the Company and Jiesi Weiye entered into the Weiye Comprehensive Products Framework Agreement in relation to (i) the purchase of gold concentrates and compound gold by the Group from the Jiesi Weiye Group; and (ii) the supply of copper and silver by the Group to the Jiesi Weiye Group from time to time for a period commencing from the effective date of the Weiye Comprehensive Products Framework Agreement and ending on 31 December 2026.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) D&R Asset Management is the controlling Shareholder of the Company by virtue of its holding of approximately 42.7% of the issued share capital of the Company and is ultimately controlled by Mr. Wang Guanran, a non-executive Director; and (ii) Jiesi Shiye and Jiesi Weiye are indirectly owned as to 100% and approximately 65.68% by Mr. Wang Guanran, respectively. Therefore, D&R Asset Management, Jiesi Shiye and Jiesi Weiye are the associates of Mr. Wang Guanran and thus are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Property Lease Framework Agreement, the Shiye Comprehensive Products Framework Agreement and the Weiye Comprehensive Products Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(1) Property Lease Framework Agreement

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Property Lease Annual Caps on an aggregated basis exceeds 0.1% but all of them are less than 5% and the annual consideration is more than HK\$3,000,000, the Property Lease Transactions are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) Shiye Comprehensive Products Framework Agreement

As all the applicable percentage ratios (as defined under the Listing Rules) in respect of the Shiye Annual Caps on an aggregated basis exceed 5% and the annual consideration is more than HK\$10,000,000, the Shiye Mutual Supply Transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(3) Weiye Comprehensive Products Framework Agreement

As all the applicable percentage ratios (as defined under the Listing Rules) in respect of the Weiye Annual Caps on an aggregated basis exceed 5% and the annual consideration is more than HK\$10,000,000, the Weiye Mutual Supply Transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Mr. Wu Liming, an executive Director, and Mr. Wang Guanran, a non-executive Director, have material interest in the Framework Agreements and the transactions contemplated thereunder by virtue of their interests and/or directorship in D&R Asset Management, Jiesi Shiye and Jiesi Weiye, they have abstained from voting on the relevant Board resolutions approving the Framework Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has any material interest in the Framework Agreements and accordingly none of them was required to abstain from voting on the relevant Board resolutions.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders as to (i) whether the terms of the Shiye Comprehensive Products Framework Agreement and Weiye Comprehensive Products Framework Agreement (including the Shiye Annual Caps and the Weiye Annual Caps) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

GENERAL INFORMATION

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Shiye Comprehensive Products Framework Agreement, the Weiye Comprehensive Products Framework Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Non-exempt Continuing Connected Transactions; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 17 January 2024 (which is more than 15 business days after the publication of this announcement) after taking into account the time required for preparing and finalising the aforesaid information to be included in the circular.

(I) PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Property Lease Framework Agreement

On 14 December 2023 (after trading hours), the Company and D&R Asset Management entered into the Property Lease Framework Agreement in relation to, among others, the leasing of certain properties by the Group to the D&R Asset Management Group from time to time for a period commencing from 1 January 2024 and ending on 31 December 2026.

The principal terms of the Property Lease Framework Agreement are set out as follows:

Date

14 December 2023

Parties

- (1) the Company (for itself and on behalf of its subsidiaries); and
- (2) D&R Asset Management (for itself and on behalf of its subsidiaries, but excluding the members of the Group)

Subject matter

Pursuant to the Property Lease Framework Agreement, among others, the Group (as lessor) shall lease to the D&R Asset Management Group (as lessee) (i) a portion of Property I (comprising a gross floor area of not more than 100 sq.m.); and (ii) the whole of Property II together with the office equipment and system therein (collectively, the “**Property Lease Transactions**”).

The Company and D&R Asset Management may enter into separate lease agreements to set out specific terms and conditions in relation to the leasing of properties in accordance with the terms and conditions of the Property Lease Framework Agreement.

Term

The term of the Property Lease Framework Agreement shall commence from 1 January 2024 and end on 31 December 2026.

Subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations, the term of the Property Lease Framework Agreement can be renewed and extended for a successive period of three years upon its expiry by mutual consent of the parties thereto.

Information on Property I and Property II

Property I is an office unit located at Room 2904, 29/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong with a total gross floor area of approximately 204 sq.m. Property I is leased by the Group from an Independent Third Party pursuant to a lease agreement entered into between the Group and such Independent Third Party (the “**Head Lease Agreement of Property I**”). According to the Head Lease Agreement of Property I, the monthly rent and monthly management fee for Property I are HK\$299,835 and HK\$30,205.6, respectively, during its lease term which will expire on 30 November 2024.

Property II is an office unit located at 7/F, Tower 1, One Shenzhen Bay, No. 3088 Zhongxin Road, Nanshan District, Shenzhen, the PRC (深圳市南山區中心路3088號深圳灣1號T1座7樓) with a total gross floor area of approximately 792.24 sq.m. Property II is owned by the Group.

Rents

For the leased portion of Property I: 50% of the monthly rent under the Head Lease Agreement of Property I, payable monthly in advance.

For the whole of Property II: RMB221,527.2 per month, payable monthly in advance.

Other fees

The D&R Asset Management Group shall be responsible for (i) 50% of the monthly management fee under the Head Lease Agreement of Property I; and (ii) 50% of the government rates actually incurred on Property I.

The D&R Asset Management Group shall pay RMB9,840.19 per month for the use of the office equipment and system in Property II.

Pricing policy

The monthly rents are determined after arm's length negotiations between the parties with reference to the prevailing market conditions and the rental level of similar properties in the vicinity of Property I and Property II respectively.

Other ancillary fees are charged based on the prevailing rates charged by the relevant government agencies or independent vendors.

Historical transaction amounts

The historical transaction amounts with respect to the Property Lease Transactions for the two years ended 31 December 2021 and 2022 and the eleven months ended 30 November 2023 are set out as follows:

	For the year ended 31 December 2021 <i>(approximately)</i>	For the year ended 31 December 2022 <i>(approximately)</i>	For the eleven months ended 30 November 2023 <i>(approximately)</i>
Amounts received by the Group in relation to the leased portion of Property I	HK\$173,000	HK\$2,068,000	HK\$1,909,000
Amounts received by the Group in relation to Property II	RMB1,491,000	RMB2,777,000	RMB2,545,000

Proposed annual caps and basis of determination

The proposed annual caps for the Property Lease Transactions for the three years ending 31 December 2026 (i.e. the Property Lease Annual Caps) are set out as follows:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Amounts receivable by the Group in relation to the leased portion of Property I	HK\$2,500,000	HK\$2,500,000	HK\$2,500,000
Amounts receivable by the Group in relation to Property II	RMB2,800,000	RMB2,800,000	RMB2,800,000

The Property Lease Annual Caps are determined after arm's length negotiations between the parties with reference to the following factors:

- (i) the monthly rents, management fee and other ancillary fees as agreed under the Property Lease Framework Agreement;
- (ii) the prevailing government rates and management fee for Property I;
- (iii) the terms of existing property lease agreements; and
- (iv) historical transaction amounts received by the Group with respect to the Property Lease Transactions.

Reasons for and benefits of entering into the Property Lease Framework Agreement

Historically, the Group has been leasing a portion of Property I and the whole of Property II to the D&R Asset Management Group with a view to better utilise the two properties. The Group benefits from the Property Lease Transactions by earning rental income which are determined at prevailing market rates.

Moreover, it is believed that the entering into of the Property Lease Framework Agreement can create synergy between the Group and the D&R Asset Management Group and facilitate collaborations between the two groups after D&R Asset Management acquired the controlling stake in the Company in August 2023.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Property Lease Framework Agreement (including the Property Lease Annual Caps) are on normal commercial terms and fair and reasonable; and (ii) although the Property Lease Transactions are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole.

(II) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Shiye Comprehensive Products Framework Agreement

On 14 December 2023 (after trading hours), the Company and Jiesi Shiye entered into the Shiye Comprehensive Products Framework Agreement in relation to (i) the purchase of gold concentrates and compound gold by the Group from the Jiesi Shiye Group; and (ii) the supply of copper and silver by the Group to the Jiesi Shiye Group from time to time for a period commencing from the effective date of the Shiye Comprehensive Products Framework Agreement and ending on 31 December 2026.

The principal terms of the Shiye Comprehensive Products Framework Agreement are set out as follows:

Date

14 December 2023

Parties

- (1) the Company (for itself and on behalf of its subsidiaries); and
- (2) Jiesi Shiye (for itself and on behalf of its subsidiaries)

Subject matter

Pursuant to the Shiye Comprehensive Products Framework Agreement, (i) the Jiesi Shiye Group (as supplier) shall supply gold concentrates and compound gold to the Group (as purchaser); and (ii) the Group (as supplier) shall supply copper and silver to the Jiesi Shiye Group (as purchaser) (collectively, the “**Shiye Mutual Supply Transactions**”).

The Company and Jiesi Shiye may enter into separate agreements or place purchase orders to set out specific terms and conditions (e.g. price, quantity, date of delivery and payment terms) in relation to the supply of products in accordance with the terms and conditions of the Shiye Comprehensive Products Framework Agreement.

Term

The Shiye Comprehensive Products Framework Agreement shall become effective upon obtaining Independent Shareholders' approval at the EGM and end on 31 December 2026.

Subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations, the term of the Shiye Comprehensive Products Framework Agreement can be renewed and extended for a successive period of three years upon its expiry by mutual consent of the parties thereto.

Pricing policy

As a general principle, the price of products under the Shiye Comprehensive Products Framework Agreement will be negotiated on an arm's length basis with reference to the prevailing market price and determined in the ordinary course of business on normal commercial terms which are no less favourable to the Company than those offered to, or quoted by, Independent Third Parties.

The specific pricing methodologies for various products are set out as follows:

Gold concentrates

The price of gold concentrates shall be determined according to the pricing methodology as follows:

- (a) the settlement amount of gold concentrates is calculated based on the spot price as quoted on the Shanghai Gold Exchange (上海黄金交易所) on the delivery date multiplied by the quantity and the corresponding recovery rate and further deducting relevant processing fees and other fees (if any); and
- (b) alternatively, the supplier may choose to fix the price of gold concentrates within 30 days after the delivery date based on the spot price as quoted on the Shanghai Gold Exchange during such period. A price fixing agreement shall be entered into on the delivery date. If the supplier does not fix the price within the prescribed period, settlement price will be fixed, and settlement will be made, on the last trading day of the price fixing period.

Compound gold

The price of compound gold shall be determined according to the pricing methodology as follows:

- (a) the estimated settlement amount of compound gold is calculated for the purpose of making upfront payment based on the spot price of “Au(T + D)” as quoted on the Shanghai Gold Exchange on the delivery date, on-site gross weight and approximate fineness estimated by the Group. If the Shanghai Gold Exchange is closed on the delivery date, the estimated settlement amount will be calculated based on the closing price of “Au(T + D)” on the previous trading day; and
- (b) the supplier may choose to fix the price of compound gold within three trading days (including the delivery date) after the delivery date based on the spot price of “Au(T + D)” as quoted on the Shanghai Gold Exchange during such period. If the supplier does not fix the price within the prescribed period, the purchaser shall settle according to the average price of “Au(T + D)” as quoted on the Shanghai Gold Exchange on the first trading day immediately after the price fixing period.

Copper

The settlement amount of copper is calculated based on the average price of copper as quoted on the website of Shanghai Metals Market (上海有色網) on the delivery date multiplied by the quantity and the corresponding recovery rate and further deducting relevant processing fees and other fees (if any).

Silver

The settlement amount of silver is calculated based on the spot price of silver as quoted on the Shanghai Huatong Silver Exchange (上海華通鉑銀交易市場) on the delivery date multiplied by the quantity and the corresponding recovery rate and further deducting relevant processing fees and other fees (if any).

Other major terms

Pursuant to the Shiye Comprehensive Products Framework Agreement, entering into the Shiye Comprehensive Products Framework Agreement does not preclude the parties from selecting counterparties and conducting transactions with them independently.

Historical transaction amounts

There is no historical transaction amount with respect to the Shiye Mutual Supply Transactions prior to the entering into of the Shiye Comprehensive Products Framework Agreement.

Proposed annual caps and basis of determination

The proposed annual caps for the Shiye Mutual Supply Transactions for the three years ending 31 December 2026 (i.e. the Shiye Annual Caps) are set out as follows:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Purchase of gold concentrates and compound gold by the Group from the Jiesi Shiye Group	RMB500,000,000	RMB1,000,000,000	RMB1,000,000,000
Supply of copper and silver by the Group to the Jiesi Shiye Group	RMB50,000,000	RMB100,000,000	RMB100,000,000

The Shiye Annual Caps are determined after arm's length negotiations between the parties:

In respect of purchase of gold concentrates and compound gold, the proposed annuals caps are determined with reference to the following factors:

- (a) the estimated demand and purchase volume of gold concentrates and compound gold from the Jiesi Shiye Group for each of the three years ending 31 December 2026;
- (b) the recent average market price of gold concentrates and compound gold sourced from independent third-party suppliers of the Group; and
- (c) the expected increase in production utilisation of the Group for gold concentrates and compound gold.

In respect of supply of copper and silver, the proposed annuals caps are determined with reference to the following factors:

- (a) the estimated sales volume of copper and silver to the Jiesi Shiye Group for each of the three years ending 31 December 2026 with reference to the expected production volume of the Group;

- (b) the recent average unit sales price of the Group of copper and silver; and
- (c) the production capacity of the Group for copper and silver.

(2) Weiye Comprehensive Products Framework Agreement

On 14 December 2023 (after trading hours), the Company and Jiesi Weiye entered into the Weiye Comprehensive Products Framework Agreement in relation to (i) the purchase of gold concentrates and compound gold by the Group from the Jiesi Weiye Group; and (ii) the supply of copper and silver by the Group to the Jiesi Weiye Group from time to time for a period commencing from the effective date of the Weiye Comprehensive Products Framework Agreement and ending on 31 December 2026.

The principal terms of the Weiye Comprehensive Products Framework Agreement are set out as follows:

Date

14 December 2023

Parties

- (1) the Company (for itself and on behalf of its subsidiaries); and
- (2) Jiesi Weiye (for itself and on behalf of its subsidiaries, but excluding the members of the Group)

Subject matter

Pursuant to the Weiye Comprehensive Products Framework Agreement, (i) the Jiesi Weiye Group (as supplier) shall supply gold concentrates and compound gold to the Group (as purchaser); and (ii) the Group (as supplier) shall supply copper and silver to the Jiesi Weiye Group (as purchaser) (collectively, the “**Weiye Mutual Supply Transactions**”).

The Company and Jiesi Weiye may enter into separate agreements or place purchase orders to set out specific terms and conditions (e.g. price, quantity, date of delivery and payment terms) in relation to the supply of products in accordance with the terms and conditions of the Weiye Comprehensive Products Framework Agreement.

Term

The Weiye Comprehensive Products Framework Agreement shall become effective upon obtaining Independent Shareholders’ approval at the EGM and end on 31 December 2026.

Subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations, the term of the Weiye Comprehensive Products Framework Agreement can be renewed and extended for a successive period of three years upon its expiry by mutual consent of the parties thereto.

Pricing policy

As a general principle, the price of products under the Weiye Comprehensive Products Framework Agreement will be negotiated on an arm's length basis with reference to the prevailing market price and determined in the ordinary course of business on normal commercial terms which are no less favourable to the Company than those offered to, or quoted by, Independent Third Parties.

The specific pricing methodologies for various products are set out as follows:

Gold concentrates

The price of gold concentrates shall be determined according to the pricing methodology as follows:

- (a) the settlement amount of gold concentrates is calculated based on the spot price as quoted on the Shanghai Gold Exchange (上海黄金交易所) on the delivery date multiplied by the quantity and the corresponding recovery rate and further deducting relevant processing fees and other fees (if any); and
- (b) alternatively, the supplier may choose to fix the price of gold concentrates within 30 days after the delivery date based on the spot price as quoted on the Shanghai Gold Exchange during such period. A price fixing agreement shall be entered into on the delivery date. If the supplier does not fix the price within the prescribed period, settlement price will be fixed, and settlement will be made, on the last trading day of the price fixing period.

Compound gold

The price of compound gold shall be determined according to the pricing methodology as follows:

- (a) the estimated settlement amount of compound gold is calculated for the purpose of making upfront payment based on the spot price of "Au(T + D)" as quoted on the Shanghai Gold Exchange on the delivery date, on-site gross weight and approximate fineness estimated by the Group. If the Shanghai Gold Exchange is closed on the delivery date, the estimated settlement amount will be calculated based on the closing price of "Au(T + D)" on the previous trading day; and

- (b) the supplier may choose to fix the price of compound gold within three trading days (including the delivery date) after the delivery date based on the spot price of “Au(T+D)” as quoted on the Shanghai Gold Exchange during such period. If the supplier does not fix the price within the prescribed period, the purchaser shall settle according to the average price of “Au(T+D)” as quoted on the Shanghai Gold Exchange on the first trading day immediately after the price fixing period.

Copper

The settlement amount of copper is calculated based on the average price of copper as quoted on the website of Shanghai Metals Market (上海有色網) on the delivery date multiplied by the quantity and the corresponding recovery rate and further deducting relevant processing fees and other fees (if any).

Silver

The settlement amount of silver is calculated based on the spot price of silver as quoted on the Shanghai Huatong Silver Exchange (上海華通鎊銀交易市場) on the delivery date multiplied by the quantity and the corresponding recovery rate and further deducting relevant processing fees and other fees (if any).

Other major terms

Pursuant to the Weiye Comprehensive Products Framework Agreement, entering into the Weiye Comprehensive Products Framework Agreement does not preclude the parties from selecting counterparties and conducting transactions with them independently.

Historical transaction amounts

There is no historical transaction amount with respect to the Weiye Mutual Supply Transactions prior to the entering into of the Weiye Comprehensive Products Framework Agreement.

Proposed annual caps and basis of determination

The proposed annual caps for the Weiye Mutual Supply Transactions for the three years ending 31 December 2026 (i.e. the Weiye Annual Caps) are set out as follows:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Purchase of gold concentrates and compound gold by the Group from the Jiesi Weiye Group	RMB500,000,000	RMB1,000,000,000	RMB1,000,000,000
Supply of copper and silver by the Group to the Jiesi Weiye Group	RMB50,000,000	RMB100,000,000	RMB100,000,000

The Weiye Annual Caps are determined after arm's length negotiations between the parties:

In respect of purchase of gold concentrates and compound gold, the proposed annuals caps are determined with reference to the following factors:

- the estimated demand and purchase volume of gold concentrates and compound gold from the Jiesi Weiye Group for each of the three years ending 31 December 2026;
- the recent average market price of gold concentrates and compound gold sourced from independent third-party suppliers of the Group; and
- the expected increase in production utilisation of the Group for gold concentrates and compound gold.

In respect of supply of copper and silver, the proposed annuals caps are determined with reference to the following factors:

- the estimated sales volume of copper and silver to the Jiesi Weiye Group for each of the three years ending 31 December 2026 with reference to the expected production volume of the Group;
- the recent average unit sales price of the Group of copper and silver; and
- the production capacity of the Group for copper and silver.

Reasons for and benefits of entering into the Shiye Comprehensive Products Framework Agreement and the Weiye Comprehensive Products Framework Agreement

The Group is principally engaged in the businesses of mining, processing, smelting and sales of gold and other metallic products in the PRC. Historically, the Group has long been selling copper and silver (which are the by-products of gold production) to independent third parties. The Directors are of the view that the entering into of the Shiye Comprehensive Products Framework Agreement and the Weiye Comprehensive Products Framework Agreement for the sale of copper and silver by the Group to the Jiesi Shiye Group and the Jiesi Weiye Group, respectively will be contributive to the Group's business performance as a source of stable income.

With the increasingly intense market competition for high-quality raw materials for processing and smelting of gold (i.e. gold concentrates and compound gold) and the production capacity of the gold mines of the Group, the Group has been experiencing greater pressure in procuring sufficient supply of raw materials to meet the increasing demand from its customers. As such, it is the strategic plan of the Group to diversify its procurement channels for raw materials to better cope with the challenges in the industry.

Both Jiesi Shiye and Jiesi Weiye are under the control of Mr. Wang Guanran. The management team of the Jiesi Shiye Group and the Jiesi Weiye Group has substantial industry experience in the commodities sourcing business. The Jiesi Shiye Group and the Jiesi Weiye Group have multiple PRC and overseas offices, such as Hong Kong and Singapore and diversified procurement channels of gold raw materials. Moreover, the Jiesi Shiye Group and the Jiesi Weiye Group have teams of experienced and professional talents who are specialised in the gold smelting business and procurement business in the PRC and overseas countries. The Group is expected to benefit from the expertise of the management team of the Jiesi Shiye Group and the Jiesi Weiye Group to obtain better transaction terms and quality of gold concentrates and compound gold, thereby reducing the risk exposure of the Company and maximising the interests of the Company.

In respect of the entering into of the Shiye Comprehensive Products Framework Agreement and the Weiye Comprehensive Products Framework Agreement, the Directors are of the view that the procurement of gold concentrates and compound gold from the Jiesi Shiye Group and the Jiesi Weiye Group can (i) leverage on the professional expertise and industry experience of the Jiesi Shiye Group and the Jiesi Weiye Group in the provision of raw materials for the gold smelting business; and (ii) secure a source of quality gold raw materials for the Group to capture the increasing demand from its customers.

In light of the above, the Directors (excluding the independent non-executive Directors who will provide their views after considering the opinion of the Independent Financial Adviser) are of the view that (i) the terms of each of the Shiye Comprehensive Products Framework Agreement and the Weiye Comprehensive Products Framework Agreement (including the Shiye Annual Caps and Weiye Annual Caps) are on normal commercial terms and fair and reasonable; and (ii) the Shiye Mutual Supply Transactions and the Weiye Mutual Supply Transactions are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

In order to ensure that the Shiye Mutual Supply Transactions and Weiye Mutual Supply Transactions will be conducted on normal commercial terms and in accordance with the respective framework agreement, the Company has adopted the following internal control measures:

- (i) the procurement department of the Company is responsible for maintaining a list of suppliers of gold concentrates and compound gold and gathering information from time to time regarding the market prices and other transaction terms offered by the independent third-party suppliers through various channels, including but not limited to, independent industry websites with public market data and discussions with third-party industry players;
- (ii) the procurement department of the Company is also responsible for screening the quality of gold concentrates and compound gold from time to time and review the Group's list of suppliers and source from alternative suppliers depending on the quality of products offered, the suppliers' availability and the terms and conditions of such order(s) in order to ensure the Group's product quality;
- (iii) the sale department of the Company is responsible for timely monitoring the market prices and the transaction terms from recent sale records to ensure that the terms offered by the Group to the Jiesi Shiye Group and the Jiesi Weiye Group are no more favorable than the terms available to Independent Third Parties;
- (iv) the finance department of the Company regularly monitors the actual amounts for each type of the continuing connected transactions incurred on a monthly basis to ensure the respective annual caps are not exceeded and report to the Directors and management of the Group;
- (v) the internal audit department and compliance affairs department of the Company are responsible to monitor the continuing connected transactions on a monthly basis to ensure (i) the Company and the connected parties have fulfilled the terms of the agreements in relation to such continuing connected transactions during the relevant month; and (ii) the actual transaction amounts incurred and estimated to be incurred

between the Company and the connected parties are within the respective annual caps approved by the Shareholders and report to the Directors and management of the Group;

- (vi) the Board conducts regular review on the execution of the continuing connected transactions, and reviews the financial statements of the Group which include the disclosure of the continuing connected transactions on a semi-annual basis. The review mainly includes a review on whether the Company and the connected parties have fulfilled the terms of the agreements in relation to continuing connected transactions, and whether the actual transaction amounts between the Company and the connected persons are within the respective annual caps approved by the Shareholders;
- (vii) the independent non-executive Directors will review and confirm that the pricing and terms of the transactions contemplated under the connected transactions agreements are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole, on terms no less favourable to the Group than prices and terms offered by the Group to independent third parties on an annual basis;
- (viii) the auditors of the Company will review the pricing and terms of the transactions contemplated under the connected transaction agreements and the respective annual caps of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis; and
- (ix) the audit committee of the Company conducts review of the annual financial statements and annual report which include the disclosure of the implementation of the continuing connected transactions, including whether the terms of the continuing connected transactions are fair and reasonable and whether the transaction amounts are within the relevant annual cap.

INFORMATION ON THE PARTIES

The Company

The Company is a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3330). The Group is principally engaged in the businesses of mining, processing, smelting and sales of gold and other metallic products in the PRC.

D&R Asset Management

D&R Asset Management is a joint stock company incorporated in the PRC with limited liability on 12 March 2010. As at the date of this announcement, D&R Asset Management is the controlling Shareholder of the Company directly holding 185,339,000 Domestic Shares and indirectly holding 319,772,164 H Shares, representing an aggregate of approximately 42.7% of the issued share capital of the Company as at the date of this announcement. D&R Asset Management is an enterprise holding group focusing on industries investments.

As at the date of this announcement, D&R Asset Management is owned as to (i) approximately 56.28% by Jiesi Weiye; (ii) approximately 5.79% by Mr. Wang Guanran; and (iii) approximately 37.93% by a group of minority shareholders, none of whom individually owns more than 10% equity interest in D&R Asset Management.

Jiesi Shiye

Jiesi Shiye is a joint stock company incorporated in the PRC with limited liability in 2023. As at the date of this announcement, Jiesi Shiye is indirectly wholly-owned by Mr. Wang Guanran. Jiesi Shiye is principally engaged in resource recycling technology, energy storage technology services, energy recovery system research and development, battery spare parts sales, battery manufacturing and sales, photovoltaic equipment and component sales, electrical equipment repair and sales, information consulting services, network and information security software development, sales and manufacturing of intelligent instruments and meters, sales and manufacturing of electrical accessories, sales of high-performance nonferrous metals and alloy materials, sales and manufacturing of nonferrous metal alloys, sales of metal ores, smelting of commonly used nonferrous metals, sales and manufacturing of metal chains and other metal products, and smelting of precious metals, sales of gold and silver products, supply chain management services, corporate headquarters management, corporate management consulting, domestic trade agency, socioeconomic consulting services, import and export of goods, production of electromagnetic spare parts, import and export of gold and its products, import and export of silver, metal scrap and chip processing etc.

Jiesi Weiye

Jiesi Weiye is a joint stock company incorporated in the PRC with limited liability in 2015. As at the date of this announcement, Jiesi Weiye is owned as to (i) approximately 65.68% by Mr. Wang Guanran; (ii) approximately 4.91% by two limited liability partnerships whose general partner is Mr. Wang Guanran, respectively; and (iii) approximately 29.41% by a group of minority shareholders, none of whom individually owns more than 10% equity interest in Jiesi Weiye. Jiesi Weiye is principally engaged in investment activities and the provision of advisory services in relation to corporate management and information technology; sales of gold and silver products; and import and export of gold and silver products.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) D&R Asset Management is the controlling shareholder of the Company by virtue of its holding of approximately 42.7% of the issued share capital of the Company and is ultimately controlled by Mr. Wang Guanran, a non-executive Director; and (ii) Jiesi Shiye and Jiesi Weiye are indirectly owned as to 100% and approximately 65.68% by Mr. Wang Guanran, respectively. Therefore, D&R Asset Management, Jiesi Shiye and Jiesi Weiye are the associates of Mr. Wang Guanran and thus are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Property Lease Framework Agreement, the Shiye Comprehensive Products Framework Agreement and the Weiye Comprehensive Products Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(1) Property Lease Framework Agreement

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Property Lease Annual Caps on an aggregated basis exceeds 0.1% but all of them are less than 5% and the annual consideration is more than HK\$3,000,000, the Property Lease Transactions are subject to the reporting, annual review and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) Shiye Comprehensive Products Framework Agreement

As all the applicable percentage ratios (as defined under the Listing Rules) in respect of the Shiye Annual Caps on an aggregated basis exceed 5% and the annual consideration is more than HK\$10,000,000, the Shiye Mutual Supply Transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(3) Weiye Comprehensive Products Framework Agreement

As all the applicable percentage ratios (as defined under the Listing Rules) in respect of the Weiye Annual Caps on an aggregated basis exceed 5% and the annual consideration is more than HK\$10,000,000, the Weiye Mutual Supply Transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Mr. Wu Liming, an executive Director, and Mr. Wang Guanran, a non-executive Director, have material interest in the Framework Agreements and the transactions contemplated thereunder by virtue of their interests and/or directorship in D&R Asset Management, Jiesi Shiye and Jiesi Weiye, they have abstained from voting on the relevant Board resolutions approving the Framework Agreements and the transactions

contemplated thereunder. Save as disclosed above, none of the other Directors has any material interest in the Framework Agreements and accordingly none of them was required to abstain from voting on the relevant Board resolutions.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders as to (i) whether the terms of the Shiye Comprehensive Products Framework Agreement and the Weiye Comprehensive Products Framework Agreement (including the Shiye Annual Caps and the Weiye Annual Caps) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

GENERAL INFORMATION

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Shiye Comprehensive Products Framework Agreement, the Weiye Comprehensive Products Framework Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information on the Non-exempt Continuing Connected Transactions; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions; (iv) a notice of the EGM; and (v) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 17 January 2024 (which is more than 15 business days after the publication of this announcement) after taking into account the time required for preparing and finalising the aforesaid information to be included in the circular.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed thereto under the Chapter 14A of the Listing Rules
“Board”	the board of Directors

“Company”	靈寶黃金集團股份有限公司 (Lingbao Gold Group Company Ltd.*), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Stock Exchange with stock code 3330
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“D&R Asset Management”	D&R Asset Management Group Co., Ltd. (達仁投資管理集團股份有限公司), the controlling Shareholder of the Company directly holding 185,339,000 Domestic Shares and indirectly holding 319,772,164 H Shares, representing an aggregate of approximately 42.7% of the issued share capital of the Company as at the date of this announcement
“D&R Asset Management Group”	D&R Asset Management and its subsidiaries (other than the Group)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic share(s) with nominal value of RMB0.20 each in the ordinary share capital of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Shiye Comprehensive Products Framework Agreement, the Weiye Comprehensive Products Framework Agreement and the transactions contemplated thereunder
“Framework Agreements”	collectively, the Property Lease Framework Agreement, the Shiye Comprehensive Products Framework Agreement and the Weiye Comprehensive Products Framework Agreements
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Share(s)”	the overseas listed foreign share(s) with nominal value of RMB0.20 each in the ordinary share capital of the Company, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong in HK\$ (stock code: 3330)

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company (comprising all the independent non-executive Directors) established to advise the Independent Shareholders in respect of the Shiye Comprehensive Products Framework Agreement and the Weiye Comprehensive Products Framework Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Shiye Comprehensive Products Framework Agreement and the Weiye Comprehensive Products Framework Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required by the Listing Rules to abstain from voting at the EGM to approve the Shiye Comprehensive Products Framework Agreement, the Weiye Comprehensive Products Framework Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) of the Company
“Jiesi Shiye”	Shenzhen Jiesi Shiye Technology Co., Ltd. (深圳傑思實業科技股份有限公司), a joint stock company incorporated in the PRC with limited liability which is indirectly wholly-owned by Mr. Wang Guanran
“Jiesi Shiye Group”	Jiesi Shiye and its subsidiaries from time to time
“Jiesi Weiye”	Shenzhen Jiesi Weiye Holding Co., Ltd. (深圳傑思偉業控股股份有限公司), a joint stock company incorporated in the PRC with limited liability which is owned as to approximately 65.68% and 4.91% by Mr. Wang Guanran and two limited liability partnerships whose general partner is Mr. Wang Guanran, respectively

“Jiesi Weiye Group”	Jiesi Weiye and its subsidiaries (other than the Group) from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Continuing Connected Transactions”	collectively, the Shiye Mutual Supply Transactions and Weiye Mutual Supply Transactions
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Property I”	an office unit located at Room 2904, 29/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong with a total gross floor area of approximately 204 sq.m., which is leased by the Group
“Property II”	an office unit located at 7/F, Tower 1, One Shenzhen Bay, No. 3088 Zhongxin Road, Nanshan District, Shenzhen, the PRC (深圳市南山區中心路3088號深圳灣1號T1座7樓) with a total gross floor area of approximately 792.24 sq.m., which is owned by the Group
“Property Lease Annual Caps”	the proposed annual caps for the Property Lease Transactions for the three years ending 31 December 2026
“Property Lease Framework Agreement”	the framework agreement dated 14 December 2023 entered into between the Company and D&R Asset Management in relation to, among others, the Property Lease Transactions
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	collectively, the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shiye Annual Caps”	the proposed annual caps for the Shiye Mutual Supply Transactions for the three years ending 31 December 2026

“Shiye Comprehensive Products Framework Agreement”	the framework agreement dated 14 December 2023 entered into between the Company and Jiesi Shiye in relation to the Shiye Mutual Supply Transactions
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Weiye Annual Caps”	the proposed annual caps for the Weiye Mutual Supply Transactions for the three years ending 31 December 2026
“Weiye Comprehensive Products Framework Agreement”	the framework agreement dated 14 December 2023 entered into between the Company and Jiesi Weiye in relation to the Weiye Mutual Supply Transactions
“%”	per cent

* *For identification purpose only*

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

Lingbao City, Henan Province, the PRC
14 December 2023

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Chen Jianzheng, Mr. Xing Jiangze, Mr. He Chengqun, Mr. Dai Weitao and Mr. Wu Liming; two non-executive Directors, namely Mr. Zhang Feihu and Mr. Wang Guanran; and four independent non-executive Directors, namely Mr. Wang Guanghua, Mr. Wang Jiheng, Mr. Xu Rong and Mr. Tan Chong Huat.