



LINGJIN

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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)

(Stock Code : 3330)

ANNOUNCEMENT

ACQUISITION OF EQUITY INTEREST IN A PRC COMPANY

This announcement is made by the order of the Board pursuant to Rule 13.09 of the Listing Rules.

The Board announces that on 2 August 2006, the Company entered into the Agreement with Mr. Yu in connection with the Acquisition.

The Target Company has an exploration right in Kalaqin Banner (an administrative division of county level) of Inner Mongolia Autonomous Region of the PRC. As a result of the Acquisition, the Group's mining and exploration business will extend to the Inner Mongolia Autonomous Region. Given that the Acquisition is a new development in the Group's activity in term of its geographical coverage, the Directors are of the view that it is necessary to inform the public and the Shareholders of this development to enable them to appraise the position of the Group.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

1. INTRODUCTION

This announcement is made by the order of the Board pursuant to Rule 13.09 of the Listing Rules.

The Board announces that on 2 August 2006, the Company entered into the Agreement with Mr. Yu in connection with the Acquisition pursuant to the Agreement. As a result of the Acquisition, the Group's mining and exploration business will extend to the Inner Mongolia Autonomous Region. Given that the Acquisition is a new development in the Group's activity in term of its geographical coverage, the Directors are of the view that it is necessary to inform the public and the Shareholders of this development to enable them to appraise the position of the Group.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

2. THE AGREEMENT

A summary of the principal terms of the Agreement is as follows:

Date: 2 August 2006

Parties: (1) the Company; and
(2) Mr. Yu.

Acquisition: The Company shall acquire 80% equity interest in the Target Company from Mr. Yu at a consideration of RMB68,640,000 (equivalent to approximately HK\$66,842,000). Following the Acquisition, the Target Company will be beneficially owned as to approximately 80%, 18% and 2% by the Company, Mr. Yu and Mr. Wu respectively. The Target Company is expected to be classified as a subsidiary in the consolidated accounts of the Company.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, Mr. Yu and Mr. Wu are third parties independent of the Company and its connected persons and are not connected persons of the Company as defined in the Listing Rules.

The consideration of the Acquisition is determined as a result of arm's length negotiation between the Company and Mr. Yu and by reference to the value of the exploration right held by the Target Company.

The total consideration of the Acquisition shall be payable in cash within five days from the date of the Agreement.

3. SOURCE OF FUNDING

The Acquisition will be funded by the net proceeds to the Company from its initial public offering in January 2006. It is expected that there will be no material adverse impact on the cash flow and gearing ratio of the Company.

4. INFORMATION OF THE GROUP

The Group is principally engaged in the business of gold mining, smelting and refining.

5. INFORMATION OF THE TARGET COMPANY

As at the date of this announcement, the registered capital of the Target Company is RMB5,000,000 (equivalent to approximately HK\$4,869,000). The Target Company has an exploration right in Kalaqin Banner (an administrative division of county level) of Inner Mongolia Autonomous Region of the PRC. The exploration right has a duration which will expire on 28 April 2007. The exploration right was granted by the Department of Land and Resources of Inner Mongolia Autonomous Region of the PRC.

The Target Company was incorporated in PRC on 8 December 2004.

The audited net assets of the Target Company as at 30 June 2006 amounted to approximately RMB70,904,000 (equivalent to approximately HK\$69,046,000) based on the generally accepted accounting principles of the PRC.

6. DEFINITIONS

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

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| “Acquisition” | acquisition of 80% equity interest in the Target Company by the Company from Mr. Yu |
| “Agreement” | the agreement dated 2 August 2006 entered into between the Company and Mr. Yu in relation to the Acquisition |
| “Board” | the board of Directors |
| “Company” | Lingbao Gold Company Ltd. (靈寶黃金股份有限公司), a joint stock limited company incorporated in the PRC 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 |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) |
| “Mr. Wu” | 吳福興 (Wu Fu Xing), a PRC individual and beneficially owned approximately 2% in the Target Company as at the date of this announcement |
| “Mr. Yu” | 于克新 (Yu Ke Xin), a PRC individual and beneficially owned approximately 98% in the Target Company as at the date of this announcement |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | the shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

“Target Company”

赤峰市正基礦業有限公司 (Chi Feng City Zheng Ji Mining Limited Company), a limited company incorporated in PRC with a registered capital of RMB5,000,000 and is beneficially owned as to approximately 98% and 2% by Mr. Yu and Mr. Wu respectively prior to the Acquisition and will be beneficially owned as to approximately 80%, 18% and 2% by the Company, Mr. Yu and Mr. Wu respectively after the Acquisition.

For the purpose of this announcement,

- (1) the exchange rate of RMB1.0269=HK\$1 has been used;
- (2) certain English translations of Chinese names or words in this announcement are included for information purpose only, and should not be relied upon as the official translation of such Chinese names or words; and
- (3) in case of inconsistency, the English version of this announcement shall prevail.

The Directors jointly and severally accept responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, the opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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

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

Henan, the PRC, 2 August 2006