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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)*

## **DISCLOSEABLE TRANSACTION**

On 27 March 2007, the Vendor and the Company entered into the Equity Transfer Agreement pursuant to which the Vendor agreed to sell, and the Company agreed to purchase, the entire equity interest in Chifeng Jinchan for an aggregate cash consideration of RMB146,000,000. The consideration will be satisfied in cash from the Group's internal resources. The consideration has been agreed by the parties after arm's length negotiation with reference to the Asset Valuation Report.

Chifeng Jinchan is principally engaged in gold mining, exploration, production, processing and sales of metal mineral resources.

The Acquisition constitutes a disclosable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules. A circular containing, among other things, details of the Equity Transfer Agreement will be dispatched to Shareholders as soon as practicable in accordance with the Listing Rules.

The board of directors (the "Board") of Lingbao Gold Company Ltd. (the "Company") is pleased to announce that on 27 March 2007, the Company entered into the Equity Transfer Agreement with the Vendor pursuant to which the Vendor agreed to sell, and the Company agreed to purchase, the entire equity interest in Chifeng Jinchan for an aggregate cash consideration of RMB146,000,000.

## **EQUITY TRANSFER AGREEMENT**

### **Date**

27 March 2007

### **Parties**

**Vendor:** Mr. Zhao, on behalf of himself, Mr. Ren and Mr. Gao, who to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, are Independent Third Parties. As at the date of the Equity Transfer Agreement, Mr. Zhao, Mr. Ren and Mr. Gao, together own 100% equity interest in Chifeng Jinchan

**Purchaser:** the Company

## **Assets to be acquired**

The entire equity interest in Chifeng Jinchan

## **Consideration**

The aggregate Consideration for the entire equity interest in Chifeng Jinchan is RMB146,000,000, which will be payable by the Company within two working days from the date of the signing of the Equity Transfer Agreement.

The Consideration has been agreed by the parties after arm's length negotiation with reference to the Asset Valuation Report. According to the Asset Valuation Report, as of 28 February 2007, the value of the total assets of Chifeng Jinchan was RMB148,493,396.30, the total liabilities of Chifeng Jinchan were RMB2,000,000.00, and the value of the net assets of Chifeng Jinchan was RMB146,493,396.30.

The Directors (including independent non-executive directors of the Company) consider that the Consideration payable for the Acquisition and the terms and conditions of the Equity Transfer Agreement are on normal commercial terms agreed after arm's length negotiation between the Company and the Vendor and are fair and reasonable and are in the interests of the Shareholders and the Company as a whole.

The Consideration will be satisfied in cash from the Group's internal resources.

## **Information on Chifeng Jinchan**

Chifeng Jinchan is a company incorporated in the PRC on 22 September 2004. It is principally engaged in gold mining, exploration, production, processing and sales of metal mineral resources. Chifeng Jinchan has no previous business relationship with the Company before the Acquisition. The registered capital of Chifeng Jinchan is RMB20,000,000 which has all been paid up. There is no requirement under the Equity Transfer Agreement that the Company should provide further investment to Chifeng Jinchan. As of the date of this announcement, the shareholders of Chifeng Jinchan are Mr. Zhao, Mr. Ren and Mr. Gao who hold a 51%, 29% and 20% equity interest in Chifeng Jinchan respectively.

The unaudited net profits before tax of Chifeng Jinchan for the year ended 31 December 2005 and 31 December 2006 were RMB851,947.87 and RMB141,486.15, respectively, and the net profits after tax of Chifeng Jinchan for the year ended 31 December 2005 and 31 December 2006 were RMB595,625.54 and RMB94,795.72, respectively. The reason for the difference in profit generated by Chifeng Jinchan in the two years ended 31 December 2005 and 31 December 2006 is due to increase in exploration expenses in the year ended 31 December 2006.

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

The Group is mainly engaged in gold mining, smelting and refining. The principal product of the Group is gold and the principal byproducts of the Group are silver, copper products and sulphuric acid. The Shanghai Gold Exchange certified the Company as a standard gold bullion production enterprise.

The Group is committed to become the leading integrated gold mining enterprise in the PRC and gradually to promote its brand in the international market. The Group has adopted a development strategy to focus on acquisition, consolidation, merger, exploration and expansion of production scale in order to increase the self-produced gold and gold reserves and resources.

The Directors are of the view that Chifeng Jinchan has good investment potentials given that it is located in an area of Inner Mongolia Autonomous Region which boasts rich gold resources and is close to the Group's existing exploration business in Inner Mongolia acquired in August 2006. Moreover, the entering into of the Equity Transfer Agreement is consistent with the Group's development strategy of extending its mining and exploration business to the Inner Mongolia Autonomous Region. The Directors (including independent non-executive directors of the Company) believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

## **General**

The Acquisition constitutes discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules.

A circular containing, among other things, details of the Acquisition will be dispatched to Shareholders as soon as practical in accordance with the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of 100% equity interest in Chifeng Jinchan by the Company from Mr. Zhao
“Asset Valuation Report”	the Asset Valuation Report in Relation to the Aggregate Assets of Chifeng Jinchan Mining Company Limited (Summary) dated 19 March 2007 issued by Chifeng Daxin
“Chifeng Daxin”	赤峰大信會計師事務所有限公司 (Chifeng Daxin Accounting Company Limited), a registered PRC asset valuer which is independent of and not connected with the Company and the existing shareholders of Chifeng Jinchan.
“Chifeng Jinchan”	赤峰金蟾礦業有限公司 (Chifeng Jinchan Mining Company Limited), a limited liability company incorporated in the PRC with a registered capital of RMB20,000,000 and which is beneficially owned as to 51% by Mr. Zhao, 29% by Mr. Ren and 20% by Mr. Gao
“Company”	Lingbao Gold Company Ltd. (靈寶黃金股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Consideration”	RMB146,000,000, being the consideration for the Acquisition pursuant to the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the Equity Transfer Agreement in Relation to Chifeng Jinchan Mining Company Limited dated 27 March 2007 entered into between the Company and the Vendor in relation to the Acquisition

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	persons who are independent of and not connected with the Company and the connected persons of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
“Mr. Gao”	Mr. Gao Bo, a shareholder of Chifeng Jinchan who holds a 29% equity interest in Chifeng Jinchan
“Mr. Ren”	Mr. Ren Yiguo, a shareholder of Chifeng Jinchan who holds a 20% equity interest in Chifeng Jinchan
“Mr. Zhao”	Mr. Zhao Meiguang, a shareholder of Chifeng Jinchan who holds a 51% equity interest in Chifeng Jinchan
“Shanghai Gold Exchange”	the Shanghai Gold Exchange of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mr. Zhao, a shareholder of Chifeng Jinchan who holds a 51% equity interest in Chifeng Jinchan, acting on behalf of himself and two other shareholders of Chifeng Jinchan, Mr. Ren and Mr. Gao

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

Henan, the PRC, 28 March 2007

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

*Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Times.*