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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Lingbao Gold Company Ltd.**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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  
ACQUISITION OF 100% EQUITY INTEREST  
IN CHIFENG JINCHAN MINING COMPANY LIMITED**

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context indicates otherwise:*

“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
“Beijing Endi”	北京恩地科技發展有限公司 (Beijing Endi Technology Development Company Limited), a registered mining right valuer which is independent of and not connected with the Company and the existing shareholders of Chifeng Jinchan
“Board”	the Board of Directors of the Company
“Chifeng Daxin”	赤峰大信會計師事務所有限責任公司 (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

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“Henan Xuanrui”	河南軒瑞產業股份有限公司 (Henan Xuanrui Assets Company Limited), a joint stock limited company established in the PRC and one of the Promoters
“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
“Latest Practicable Date”	16 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lingbao Guoshi Mining”	靈寶郭氏礦業有限責任公司 (Lingbao Guoshi Mining Limited Liability Company), a limited company established in the PRC and one of the Promoters
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
“Mining Right Valuation Report”	the Valuation Report in Relation to the Mining Right of Chifeng Jinchan Mining Company Limited dated 18 March 2007 issued by Beijing Endi
“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
“Promoters”	promoters of the Company, namely 靈寶市國有資產經營有限責任公司 (Lingbao State-owned Assets Operation Limited Liability Company), 三門峽金渠集團有限公司 (Sanmenxia Jinqu Group Company Limited), 靈寶市電業總公司 (Lingbao Electric Company), Henan Xuanrui, 靈寶市金象汽車零部件有限責任公司 (Lingbao Jinxiang Auto Parts Limited Liability Company) and Lingbao Guoshi Mining

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Shanghai Gold Exchange”	the Shanghai Gold Exchange of the PRC
“Shareholders”	the shareholders of the Company
“Shares”	shares of the Company, including both the domestic shares (i.e., the ordinary shares issued by the Company with a Renminbi denominated par value of RMB0.20 each, which are subscribed for and paid up in Renminbi) and the foreign shares (i.e., the ordinary shares issued by the Company, with a Renminbi denominated par value of RMB0.20 each, which are subscribed for and paid up in a currency other than Renminbi)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisors”	the supervisors of the Company
“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

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## LETTER FROM THE BOARD

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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 with limited liability)*

**(Stock Code: 3330)**

*Executive Directors:*

Mr. Xu Gaoming  
Mr. Wang Jianguo  
Mr. Lu Xiaozhao  
Mr. Jin Guangcai

*Registered office:*

Xin Village, Yinzhuang Town  
Daonan Industrial Area  
Lingbao Henan  
The PRC

*Non-executive Directors:*

Mr. Xu Wanmin  
Mr. Di Qinghua  
Mr. Qi Guozhong

*Principal place of*

*business in Hong Kong:*  
Room 1902, 19th Floor  
MassMutual Tower  
38 Gloucester Road  
Wanchai  
Hong Kong

*Independent Non-executive Directors:*

Mr. Ning Jincheng  
Mr. Wang Yanwu  
Mr. Niu Zhongjie  
Mr. Zheng Jinqiao

18 April 2007

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF 100% EQUITY INTEREST  
IN CHIFENG JINCHAN MINING COMPANY LIMITED**

#### **INTRODUCTION**

The Board of the Company announced on 28 March 2007 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.

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## LETTER FROM THE BOARD

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The Acquisition constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules, which is subject to notification and publication requirements. The purpose of this circular is to provide you with further information regarding the Acquisition.

### **EQUITY TRANSFER AGREEMENT**

#### **Date**

27 March 2007

#### **Parties**

Purchaser      the Company

Vendor          Mr. Zhao, on behalf of himself, Mr. Ren and Mr. Gao. Mr. Zhao, Mr. Ren and Mr. Gao hold a 51%, 29% and 20% equity interest in Chifeng Jinchan, respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor are Independent Third Parties.

#### **Asset to be acquired**

The entire equity interest in Chifeng Jinchan.

#### **Consideration and payment terms**

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

The consideration for the Acquisition 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.

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## LETTER FROM THE BOARD

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### Completion

Completion of the Equity Transfer Agreement will take place when the Company and the Vendor have completed formalities relating to the change of shareholders of Chifeng Jinchan with the relevant business registration authority, the administration for industry and commerce in Chifeng. Pursuant to the Equity Transfer Agreement, such formalities shall be completed within 30 working days from the date of the signing of the Equity Transfer Agreement.

The following table shows the shareholding in Chifeng Jinchan before and after completion of the Equity Transfer Agreement:

<b>Shareholder</b>	<b>Shareholding percentage in Chifeng Jinchan (before completion of the Equity Transfer Agreement)</b>	<b>Shareholding percentage in Chifeng Jinchan (after completion of the Equity Transfer Agreement)</b>
Mr. Zhao	51%	–
Mr. Ren	29%	–
Mr. Gao	20%	–
the Company	–	100%
Total:	<u>100%</u>	<u>100%</u>

### 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 be 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.



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## LETTER FROM THE BOARD

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The unaudited net profits before and after tax and extraordinary items of Chifeng Jinchan for the year ended 31 December 2005 and 31 December 2006 are as follow:

	<b>For the year ended 31 December 2005</b>	<b>For the year ended 31 December 2006</b>
<b>Unaudited net profits (before tax and extraordinary items)</b>	RMB851,947.87	RMB141,486.15
<b>Unaudited net profits (after tax and extraordinary items)</b>	RMB595,625.54	RMB94,795.72

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.

According to the Mining Right Valuation Report dated 18 March 2007 issued by Beijing Endi, as of 28 February 2007, the gold, silver and copper reserves of Chifeng Jinchan are approximately 5,068 kilograms, 5,998 kilograms and 1,891 kilograms, respectively.

### REASONS FOR THE ACQUISITION

The Group is principally engaged in 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 total gold reserves and resources of the Company as at 30 June 2006 was approximately 106 tonnes. For the six months ended 30 June 2006, approximately 4,766 kilograms (equivalent to approximately 153,230 ounces) of gold was produced with the profit attributable to equity shareholders amounting to approximately RMB134,132,000.

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 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.

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## LETTER FROM THE BOARD

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### **EFFECT OF THE ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY**

The total consideration for the Acquisition will be satisfied in cash from the Group's internal resources. After the completion of the Equity Transfer Agreement, the Company will become the sole shareholder of Chifeng Jinchan, and the results of Chifeng Jinchan will be consolidated in the accounts of the Company. Save as the above, the Acquisition does not have any immediate effect on the assets and liabilities of the Company. The Acquisition is not expected to have any significant impact on the earnings of the Company in short term, but is expected to improve the profitability of the Company in the long run.

### **GENERAL**

The Acquisition constitutes a discloseable transaction of the Company under Chapters 14 of the Listing Rules, which is subject to the notification and publication requirements.

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,  
By Order of the Board  
**Xu Gaoming**  
*Chairman*

## 1. Responsibility Statement

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this document misleading.

## 2. Disclosure of Interests

- (a) As at the Latest Practicable Date, the interests of the Directors, Supervisors or chief executive of the Company in the shares capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares or underlying Shares	Nature of interest	Percentage of shareholding
Mr. Meng Fanrui (孟凡瑞先生) ( <i>a Supervisor</i> )	18,000,000	Corporate ( <i>Note 1</i> )	2.34%
Mr. Guo Xuchang (郭續長先生) ( <i>a Supervisor</i> )	12,250,000	Corporate ( <i>Note 1</i> )	1.59% ( <i>Note 2</i> )

*Notes:*

- Henan Xuanrui owns approximately 2.34% interest in the Company. Mr. Meng Fanrui (孟凡瑞先生) owns approximately 61.6% interest in Henan Xuanrui and together with his wife Ms. Ma Xianting (馬仙婷小姐), hold approximately 96.1% of the shareholding in Henan Xuanrui. Under section 316 of the Securities and Futures Ordinance, Mr. Meng Fanrui (孟凡瑞先生) is deemed to be interested in the Shares held by Henan Xuanrui.
- Lingbao Guoshi Mining owns approximately 1.59% interest in the Company. Mr. Guo Xuchang (郭續長先生) owns approximately 78.8% interest in Lingbao Guoshi Mining and together with his wife Ms. Yang Yuqin (楊玉琴小姐), hold 100% of the shareholding in Lingbao Guoshi Mining. Under section 316 of the Securities and Futures Ordinance, Mr. Guo Xuchang (郭續長先生) is deemed to be interested in the Shares held by Lingbao Guoshi Mining.

Save as disclosed above, so far as the Company is aware, as at the Latest Practicable Date, none of the Directors or Supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) for which

(a) notification shall be given to the Company or the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors and chief executives are supposed or deemed to be holding or owning pursuant to the provisions of the SFO); or (b) registration shall be made in the register in accordance with Section 352 of the SFO; or (c) notification shall be made to the Company and the Stock Exchange pursuant to the Model Mode for Securities Transactions by Directors of Listed Companies of the Listing Rules.

- (b) As at the Latest Practicable Date, so far as are known to the Directors, interests or short positions held by any individual or company (other than a Director or a Supervisor or chief executive of the Company) for which disclosure shall be made to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or any beneficial interests representing 5% or more of the issued share capital of the Company directly or indirectly which were recorded in the register kept by the Company under section 336 of the SFO, were as follows:

Name	Number of Shares	Name of interest	Percentage of shareholding
Lingbao State-owned Assets			
Operation Limited Liability			
Company ( <i>Note 1</i> )	373,840,620	Beneficial	48.54%

*Note:*

- In addition to its direct interest in 373,840,620 Shares, Lingbao State-owned Assets Operation Limited Liability Company has an indirect interest in the Company through its equity interest of approximately 43.3% in 靈寶市黃金機械有限責任公司 (Lingbao Gold Machinery Limited Liability Company), which in turn holds approximately 21.1% equity interest in Lingbao Jinxiang Auto Parts Limited Liability Company, which is a Promoter and holds approximately 1.79% shareholding in the Company.

Save as disclosed above, as far as the Directors are aware, as at the Latest Practicable Date, there was no other person who had any interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 or 3 of Part XV of the SFO or who owns any beneficial interests representing 5% or more of any class of shares or warrants or attached with a right to vote at any of the shareholders' general meeting of the Company.

- (c) As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or a Supervisor or chief executive of the Company) were, directly or indirectly, interested in 10 per cent. or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company:

- 靈寶市紅土嶺金礦 was interested in 20.0 per cent. of the paid up capital of Lingbao Hongxin Mining Limited Liability Company;

- (ii) 周玉道 was interested in 12.0 per cent. of the paid up capital of Tongbai Xingyuan Mining Company Limited;
- (iii) 北京富盛達投資有限公司 was interested in 20.0 per cent. of the paid up capital of Xinjiang Baoxin Mining Co., Ltd.;
- (iv) 北京富盛達投資有限公司 was interested in 16.7 per cent. of the paid up capital of Habahe Huatai Gold Limited Liability Company;
- (v) 江西省地王礦業投資諮詢有限公司 was interested in 20.0 per cent. of the paid up capital of Jiangxi Mingxin Mining Company Limited; and
- (vi) As Xinjiang Baoxin Mining Co., Ltd. (Xinjiang) owns 100 per cent. of the shareholding of Akesu District Xindi Mining Company Limited, 北京富盛達投資有限公司 was indirectly interested in 20.0 per cent. of the paid up capital of Akesu District Xindi Mining Company Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as are known to the Directors, there was no other person who is directly or indirectly, interested in 10% or more of the equity interest carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Save as disclosed in this circular, none of the Directors is a director or employee of a company which has an interest in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. Service Contracts

As at the Latest Practicable Date, none of the Directors and Supervisors of the Company had entered or proposed to enter into any service contract with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

### 4. Litigation

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

## 5. Directors' Interests in Competing Business

As at the Latest Practical Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

## 6. General

- (a) The joint company secretary of the Company is Mr. Poon, Lawrence Chi Leung and Mr. Zhao Jugang. Mr. Poon, Lawrence Chi Leung is a Certified Practising Accountant of CPA Australia and an associate member of the Hong Kong Society of Accountants. Mr. Zhao Jugang is a non-practising lawyer admitted in the PRC and acts concurrently as the secretary to the Board.

The qualified accountant of the Company is Mr. Poon Chi Leung, Lawrence.

- (b) The registered office of the Company is situated at Xin Village, Yinzhuang Town, Daonan Industrial Area, Lingbao, Henan, the PRC and the Company's principal place of business in Hong Kong is situated at Room 1902, 19th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong. The address of the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited, is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.