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LINGJIN

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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)

**(1) CONNECTED TRANSACTION — SUBSCRIPTION
AND ISSUANCE OF H SHARES UNDER SPECIFIC MANDATE
(2) APPLICATION FOR WHITEWASH WAIVER
(3) PROPOSED AMENDMENTS TO THE ARTICLES
AND
(4) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Financial Adviser to the Company



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



PROPOSED SUBSCRIPTION AND ISSUANCE OF H SHARES

The Board is pleased to announce that the Company and the Subscriber entered into the Subscription Agreement on 11 November 2021 (after trading hours), pursuant to which the Company has conditionally agreed to issue and allot, and the Subscriber has conditionally agreed to subscribe for, 319,772,164 H Shares, representing approximately 37.0% of the issued share capital of the Company as at the date of this announcement and approximately 27.0% of the enlarged share capital of the Company after completion of the Subscription, at the subscription price of HK\$0.85 per H Share.

It is expected that the gross proceeds from the Subscription will be approximately HK\$271.8 million and the net proceeds from the Subscription will be not less than approximately HK\$265.6 million (after deduction of expenses of the Subscription). The estimated net subscription price for each Subscription Share will be approximately HK\$0.83. The Company expects to apply the net proceeds from the Subscription for (i) the financing of the deep exploration of Henan Lingjin No. 1 Mine; (ii) the financing of the construction and setting up of cyanide-containing sewage desalination facilities; and (iii) general working capital of the Group.

SPECIFIC MANDATE

The 319,772,164 Subscription Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM, Domestic Shareholders Class Meeting and H Shareholders Class Meeting.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Subscriber holds 185,339,000 Domestic Shares, representing approximately 21.4% of the existing issued share capital of the Company. As the Subscriber is a substantial shareholder of the Company and therefore a connected person of the Company, the Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Subscriber and parties acting in concert with it and their respective associates and Shareholders who are involved in or interested in the Subscription (including the grant of the Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver and the Amendments to the Articles will be required to abstain from voting in respect of the resolution(s) to approve the Subscription (including the grant of the Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver and the Amendments to the Articles at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting.

The Subscriber is majority-owned as to approximately 52.26% by Beijing Jiesi Weiye Co., Ltd (北京傑思偉業控股有限公司), which in turn is majority-owned as to approximately 93.04% and 6.96% by Mr. Wang Guanran and two limited liability partnerships whose general partner is Mr. Wang Guanran, respectively (noting that the share transfer agreement has been entered into between Mr. Wang Weidong and Mr. Wang Guanran to transfer the 99% interests in each of the two limited liability partnerships from Mr. Wang Weidong to Mr. Wang Guanran and Mr. Wang Guanran has become the general partner of the two limited liability partnerships, where the registration with the local industry and commerce authority has yet been completed, but the share transfer agreement is legally binding and the consideration has been fully paid). The Subscriber is also directly owned as to approximately 5.79% by Mr. Wang Guanran. The Subscriber will therefore abstain from voting on the resolutions to be proposed at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting for approving the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver and the proposed Amendments to the Articles.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Subscriber holds in aggregate 185,339,000 Domestic Shares, representing approximately 21.4% of the total number of issued Shares.

Upon completion of the Subscription, the Subscriber and parties acting in concert with it will together be interested in a total of 185,339,000 Domestic Shares and 319,772,164 H Shares in the Company, which represent approximately 42.7% of the total issued share capital of the Company (as enlarged by the Subscription Shares and assuming there will be no other change in the issued share capital of the Company).

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares to the Subscriber will give rise to an obligation on the part of the Subscriber to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. The Subscriber will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares to the Subscriber pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver. The Subscription will not proceed if the Whitewash Waiver is not granted or approved. As at the date of this announcement, save for the Subscriber and parties acting in concert with it and their respective associates, no other Shareholder is involved in or interested in the Subscription (including the grant of the Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver or the Amendments to the Articles and will be required to abstain from voting in respect of the resolution(s) to approve the Subscription (including the grant of the Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver and the Amendments to the Articles at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEES AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Subscription.

Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC (comprising the non-executive Directors (excluding Mr. Wang Guanran) and independent non-executive Directors who have no direct or indirect interest in the Subscription and the Whitewash Waiver) has also been formed to advise the Independent Shareholders on the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement) and the Whitewash Waiver. Mr. Wang Guanran, a non-executive Director of the Company, is the chairman, legal representative and the ultimate controlling shareholder of the Subscriber and is therefore considered to be interested in the Subscription and/or the Whitewash Waiver. Therefore, he does not form part of the Whitewash Waiver IBC. Octal Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committees to advise such committee and the Independent Shareholders as to whether the Subscription and the Whitewash Waiver (as the case may be) are fair and reasonable and make recommendation as to voting.

THE INCREASE IN THE COMPANY'S REGISTERED SHARE CAPITAL AND THE PROPOSED AMENDMENTS TO THE ARTICLES

The Board proposed to make certain amendments to the Articles, to take effect subject to and upon completion of the Subscription, in order to reflect the latest registered capital to 1,184,021,255 Shares, comprising 566,975,091 Domestic Shares and 617,046,164 H Shares and shareholding structure of the Company as a result of the issuance of the new H Shares.

The proposed Amendments to the Articles are subject to approval by the Shareholders by way of special resolutions at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting, and the approval of and registration or filing with the relevant PRC government authorities.

Further information in respect of the proposed Amendments to the Articles will be set out in the Whitewash Circular.

EGM, DOMESTIC SHAREHOLDERS CLASS MEETING AND H SHAREHOLDERS CLASS MEETING

The EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting will be convened to consider and, if thought fit, approve (i) the Subscription and the entering into and performance of the obligations of the Company under the Subscription Agreement and the transactions contemplated thereunder; (ii) the grant of Specific Mandate for the allotment and issue of the Subscription Shares; (iii) the Whitewash Waiver; and (iv) the proposed Amendments to the Articles.

The Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement) and the proposed Amendments to the Articles will be proposed by way of special resolutions at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting to be approved by the Independent Shareholders. The Whitewash Waiver will be proposed by way of a resolution to be passed by at least 75%, and the Subscription (including the grant of the Specific Mandate and the approval of the Subscription Agreement) will be proposed by way of resolution(s) to be passed by more than two-third, in each case of the independent vote that are cast either in person or by proxy, respectively, at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting.

The voting at the EGM, Domestic Shareholders Class Meeting and the H Shareholders Class Meeting will be conducted by way of poll.

DESPATCH OF WHITEWASH CIRCULAR

The Whitewash Circular containing, among others, (i) details of the Subscription (including the grant of Specific Mandate and the approval of the Subscription Agreement), the Whitewash Waiver and the proposed Amendments to the Articles; (ii) a letter of advice from the Connected Transaction IBC on the Subscription (including the grant of Specific Mandate and the approval of the Subscription Agreement); (iii) a letter of advice from the Whitewash Waiver IBC on the Subscription and the Whitewash Waiver; and (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders on the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement) and the Whitewash Waiver, is expected to be despatched to Shareholders within 15 business days from the date of this announcement pursuant to Rule 14A.68 of the Listing Rules or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is the earlier.

The Company will seek the Executive's consent if it becomes clear that the Whitewash Circular may not be able to be issued within 21 days from the date of this announcement and will apply to the Executive for an extension for the despatch of the Whitewash Circular. Further announcement(s) will be made by the Company as and when appropriate.

Completion of the Subscription is subject to the fulfilment or waiver (as applicable) of the conditions precedent in accordance with the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, company manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

CONNECTED TRANSACTION — SUBSCRIPTION OF H SHARES BY THE SUBSCRIBER

The Board is pleased to announce that the Company and the Subscriber entered into the Subscription Agreement on 11 November 2021 (after trading hours), pursuant to which the Company has conditionally agreed to issue and allot, and the Subscriber has conditionally agreed to subscribe for, 319,772,164 H Shares, representing approximately 37.0% of the issued share capital of the Company as at the date of this announcement and approximately 27.0% of the enlarged share capital of the Company after completion of the Subscription, at the Subscription Price of HK\$0.85 per H Share. Set forth below are the principal terms of the Subscription Agreement.

(a) Principal terms of the Subscription Agreement

Parties D&R Asset Management Group Co. Ltd. (as subscriber);
and

The Company (as issuer).

D&R Asset Management Group Co. Ltd. may conduct the Subscription by itself and/or an entity wholly controlled and/or managed by it (regardless of whether the entity is a limited company, partnership, fund or other entity and where it is incorporated), which subscribes for the Subscription Shares by means of, including but not limited to, outbound direct investment (ODI), qualified domestic institutional investor (QDII) or any other means that comply with the laws and regulations in the relevant jurisdictions (“**Final Subscriber Entity**”)

Class and par value of Subscription Shares to be issued: H Shares with a par value of RMB0.20 each

Number of Subscription Shares to be issued: 319,772,164 H Shares will be issued at the Subscription Price of not less than HK\$0.85 per H Share under the Subscription, which represents (i) approximately 107.6% of the existing number of issued H Shares and approximately 37.0% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 51.8% of the enlarged number of issued H Shares and approximately 27.0% of the enlarged issued share capital of the Company immediately after completion of the Subscription.

The aggregate nominal value of the Subscription Shares to be issued, with a par value of RMB0.20 each, will be RMB63,954,432.8 (equivalent to approximately HK\$77,384,863.7).

Subject to the conditions precedent of the Subscription, the Subscription Shares will be issued and allotted to the Subscriber (or its designated person(s) as to facilitate settlement of the Subscription Shares) on the Completion Date.

Subscription Price: HK\$0.85 per H Share represents:

- (i) a discount of approximately 12.4% to the closing price of HK\$0.97 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 10.9% to the average closing price of approximately HK\$0.954 per H Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 11.0% to the average closing price of approximately HK\$0.955 per H Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 63.4% to the unaudited net asset value per Share of approximately HK\$2.32 per Share based on the unaudited net asset value of the Company of approximately RMB1,660.3 million (equivalent to approximately HK\$2,009.0 million) as at 30 June 2021.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber which has taken into account, among others, (i) the prevailing market price of the H Shares; (ii) the current market condition; (iii) the low trading volume of the H Shares; and (iv) the amount of funds the Company intends to raise under the Subscription for the purposes described in the section headed "Use of proceeds and reasons for and benefits of the Subscription".

Expected proceeds from the Subscription:

It is expected that the gross proceeds from the Subscription will be approximately HK\$271.8 million and the net proceeds from the Subscription will be not less than approximately HK\$265.6 million (after deduction of expenses of the Subscription). The estimated net subscription price for each Subscription Share will be approximately HK\$0.83.

Ranking of the Subscription Shares:	The Subscription Shares will rank <i>pari passu</i> in all respects with the then existing H Shares in issue, including the right to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the H Shares in their fully-paid form.
Application for the listing of the H Shares to be issued:	Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

(b) Conditions precedent of the Subscription

The Subscription shall take place at the Completion Date, subject to the following conditions precedent:

- (i) the passing of all relevant resolutions in respect of the Subscription by the Independent Shareholders at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting, including:
 - (a) subject to completion of the Subscription, the increase in the Company's registered share capital to 1,184,021,255 Shares, comprising 566,975,091 Domestic Shares and 617,046,164 H Shares and the proposed Amendment to the Articles;
 - (b) the grant of the Specific Mandate;
 - (c) the Subscription and the entering into and performance of the obligations of the Company under the Subscription Agreement; and
 - (d) the Whitewash Waiver;
- (ii) the Executive having granted, and not having withdrawn or revoked such grant, the Whitewash Waiver and the fulfilment of all conditions (if any) attached to the Whitewash Waiver;
- (iii) the Listing Committee of the Stock Exchange having granted the listing approval in relation to the listing of, and permission to deal in the Subscription Shares and such listing approval has not subsequently been withdrawn or revoked prior to the Completion Date;
- (iv) the Company having obtained necessary approvals from CSRC in relation to the transactions contemplated in the Subscription Agreement;

- (v) the Subscriber having obtained all necessary approvals from CSRC, State Administration of Foreign Exchange, local financial supervision and administration authority regulating qualified domestic institutional investor (QDII) or qualified domestic limited partnership (QDLP) or qualified domestic investment enterprise (QDIE), and/or the relevant authority regulating outbound direct investment (ODI) in the PRC (including without limitation the National Development and Reform Commission of the PRC, the Ministry of Commerce of the PRC and the State Foreign Exchange Administration of the PRC) (if applicable) in relation to the Subscription, and such approval not having been withdrawn or revoked;
- (vi) the Company having obtained any approval or consent from any third parties (other than the relevant governmental or regulatory authorities referred to in the immediately preceding conditions set out in paragraphs (iii) and (iv) above) which is necessary to be obtained for the execution and performance of the Subscription Agreement and any of the transactions contemplated therein;
- (vii) the Subscriber having obtained any approval or consent from any third parties (other than the relevant governmental or regulatory authorities referred to in the immediately preceding conditions set out in paragraphs (ii) and (v) above) which is necessary to be obtained for the execution and performance of the Subscription Agreement and any of the transactions contemplated therein;
- (viii) the absence of any valid order, declaration or injunction issued by jurisdictional court, regulatory authorities or governmental organisations to restrict or prohibit the transactions contemplated under the Subscription Agreement;
- (ix) the absence of any third party initiating or threatening to initiate legal proceedings in court or governmental organisations in order to restrict or prohibit or declare illegal the transactions contemplated under the Subscription Agreement;
- (x) the representation and warranties made by the Company under the Subscription Agreement shall be true, accurate and not misleading in all material aspects as at the Completion Date;
- (xi) the representation and warranties made by the Subscriber under the Subscription Agreement shall be true, accurate and not misleading in all material aspects as at the Completion Date;
- (xii) the Company having fulfilled all obligations and undertakings under the Subscription Agreement and any requirements as prescribed by the Subscription Agreement in all material respect; and

(xiii) the absence of any material adverse change in the Company from the date of the Subscription Agreement to the Completion Date, except for those as disclosed in public documents.

The Company may in its sole and absolute discretion waive in whole or in part the conditions set out in paragraphs (vii), (viii), (ix) and (xi) above, respectively. The Subscriber may in its sole and absolute discretion waive in whole or in part the conditions set out in paragraphs (vi), (viii), (ix), (x) and (xii) above, respectively. Save as aforementioned, none of the other conditions may be waived. The conditions set out in paragraphs (viii) and (ix) shall be treated as fulfilled for so long as, to the reasonable satisfaction of the Subscriber, no circumstances have arisen to trigger them. As at the date of this announcement, none of the above conditions to the Subscription has been or has been treated as fulfilled.

If any of the above conditions has not been fulfilled or waived by the parties to the Subscription Agreement by the Long Stop Date, the Subscription Agreement shall lapse immediately thereafter and be of no further effect and no party shall have any claim against or liability or obligation to any other party save in respect of claims arising out of any antecedent breach of the Subscription Agreement.

(c) Completion

The completion of the Subscription shall take place on such date as may be notified by the Company to the Subscriber within the validity period of the CSRC approval and upon fulfilment of the conditions precedent under the Subscription Agreement (or such other date as the Company and the Subscriber may agree in writing).

Implications under the Listing Rules

As at the date of this announcement, the Subscriber holds 185,339,000 Domestic Shares, representing approximately 21.4% of the existing issued share capital of the Company. As the Subscriber is a substantial shareholder of the Company and therefore a connected person of the Company, the Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Subscriber and parties acting in concert with it and their respective associates and Shareholders who are involved in or interested in the Subscription (including the grant of the Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver and the Amendments to the Articles will be required to abstain from voting in respect of the resolution(s) to approve the Subscription (including the grant of the Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver and the Amendments to the Articles at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting.

The Subscriber is majority-owned as to approximately 52.26% by Beijing Jiesi Weiye Co., Ltd (北京傑思偉業控股有限公司), which in turn is majority-owned as to approximately 93.04% and 6.96% by Mr. Wang Guanran and two limited liability partnerships whose general partner is Mr. Wang Guanran, respectively (noting that the share transfer agreement has been entered into between Mr. Wang Weidong and Mr. Wang Guanran to transfer the 99% interests in each of the two limited liability partnerships from Mr. Wang Weidong to Mr. Wang Guanran and Mr. Wang Guanran has become the general partner of the two limited liability partnerships, where the registration with the local industry and commerce authority has yet been completed, but the share transfer agreement is legally binding and the consideration has been fully paid). The Subscriber is also directly owned as to approximately 5.79% by Mr. Wang Guanran. The Subscriber will therefore abstain from voting on the resolutions to be proposed at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting for approving the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement) and the Whitewash Waiver and the proposed Amendments to the Articles.

Implications under the Takeovers Code and Application for Whitewash Waiver

As at the date of this announcement, the Subscriber holds in aggregate 185,339,000 Domestic Shares, representing approximately 21.4% of the total number of issued share capital of the Company.

Upon completion of the Subscription, the Subscriber and parties acting in concert will together be interested in a total of 185,339,000 Domestic Shares and 319,772,164 H Shares in the Company, which represent approximately 42.7% of the total issued share capital of the Company (as enlarged by the Subscription Shares and assuming there will be no other change in the issued share capital of the Company).

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Subscription Shares to the Subscriber will give rise to an obligation on the part of the Subscriber to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. The Subscriber will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares to the Subscriber pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% and more than 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll in respect of the Whitewash Waiver and the Subscription (including the grant of the Specific Mandate and the approval of the Subscription Agreement), respectively, at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting. The Subscription will not proceed if the

Whitewash Waiver is not granted or approved. The Company noted that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

The Subscriber and parties acting in concert with it will abstain from voting in respect of the resolution(s) to approve the Subscription and the Whitewash Waiver at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting (if applicable). As far as the Directors are aware, currently, save for the Subscriber, there are no other Shareholders who are interested or involved in the Subscription and/or the Whitewash Waiver.

As at the date of this announcement:

- (i) save as disclosed in the section headed “Effect on the Shareholding Structure of the Company” below in this announcement, the Subscriber and parties acting in concert with it do not hold, own, have control or direction over any other voting rights, rights over Shares, any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of the securities of the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (ii) save for the entering into of the Subscription Agreement, none of the Subscriber or any parties acting in concert with it had acquired or entered into any agreement or arrangement to acquire any voting rights in the Company or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in the six months prior to the date of the Subscription Agreement up to and including the date of this announcement;
- (iii) none of the Subscriber or parties acting in concert with it has received any irrevocable commitment to vote for or against the resolution(s) to be proposed at the EGM to approve the Subscription (including the grant of the Specific Mandate and the approval of Subscription Agreement) and/or the Whitewash Waiver and/or the Amendments to the Articles;
- (iv) there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) that had been entered into in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company between the Subscriber and/or parties acting in concert with it on the one hand and any person on the other hand and which might be material to the Subscription (including the grant of the Specific Mandate and the approval of the Subscription Agreement) and/or the Whitewash Waiver;

- (v) save for the Subscription Agreement, there is no agreement or arrangement to which the Subscriber or any parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription (including the grant of the Specific Mandate and the approval of Subscription Agreement) and/or the Whitewash Waiver;
- (vi) none of the Subscriber or parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (vii) apart from the consideration payable to the Company for the Subscription pursuant to the Subscription Agreement, there is no other consideration, compensation or benefit in whatever form that has been or will be paid by the Subscriber or parties acting in concert with it to the Company in connection with the Subscription (including the grant of the Specific Mandate and the approval of the Subscription Agreement) and/or the Whitewash Waiver;
- (viii) apart from the Subscription Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber or parties acting in concert with it on one hand, and the Company on the other hand; and
- (ix) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders; and (a) the Subscriber or parties acting in concert with it; or (b) the Company, its subsidiaries or associated companies.

The Company does not believe that the Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Whitewash Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription does not comply with other applicable rules and regulations.

Specific Mandate

The 319,772,164 Subscription Shares will be issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM and the Domestic Shareholders Class Meeting and H Shareholders Class Meeting.

Application for Listing of the Subscription Shares

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the number of issued Shares is 864,249,091 Shares, comprising 566,975,091 Domestic Shares and 297,274,000 H Shares. The Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares or any derivatives as at the date of this announcement.

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Subscription (assuming there is no change in the total issued share capital of the Company since the date of this announcement and up to completion of the Subscription save for the issue of the Subscription Shares):

Name of Shareholder	Class of Shares	As at the date of this announcement		Immediately after completion of the Subscription	
		Number of Shares	Approximate % of the total issued Shares	Number of Shares	Approximate % of the total issued Shares
<i>The Subscriber and parties acting in concert with it:</i>					
The Subscriber (Note 1)	Domestic	185,339,000	21.4%	185,339,000	15.7%
	H	—	—	319,772,164	27.0%
Parties acting in concert with the Subscriber		—	—	—	—
Subtotal for the Subscriber and parties acting in concert with it		185,339,000	21.4%	505,111,164	42.7%
Lingbao State-owned Assets Operation Company Limited (靈寶市國有資產經營有限責任公司)	Domestic	73,540,620	8.5%	73,540,620	6.2%
Shanghai Zhengxi Investment Management Partnership (Limited Partnership)	Domestic	57,000,000	6.6%	57,000,000	4.8%
Other Domestic Shareholders	Domestic	251,095,471	29.1%	251,095,471	21.2%
Public H Shareholders	H	297,274,000	34.4%	297,274,000	25.1%
Total		864,249,091	100.0%	1,184,021,255	100.0%

Notes:

- (1) The Subscriber is majority-owned as to approximately 52.26% by Beijing Jiesi Weiye Co., Ltd (北京傑思偉業控股有限公司), which in turn is majority-owned as to approximately 93.04% and 6.96% by Mr. Wang Guanran, a non-executive Director and two limited liability partnerships whose general partner is Mr. Wang Guanran, respectively (noting that the share transfer agreement has been entered into between Mr. Wang Weidong and Mr. Wang Guanran to transfer the 99% interests in each of the two limited liability partnerships from Mr. Wang Weidong to Mr. Wang Guanran and Mr. Wang Guanran has become the general partner of the two limited liability partnerships, where the registration with the local industry and commerce authority has yet been completed, but the share transfer agreement is legally binding and the consideration has been fully paid). The Subscriber is also directly owned as to approximately 5.79% by Mr. Wang Guanran.
- (2) Save for the interests held through the Subscriber by Mr. Wang Guanran, a non-executive Director, as disclosed in note (1) above, no other Directors have any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement.

FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The Company did not conduct any fund raising activity through the issue of equity securities in the 12 months immediately before the date of this announcement.

USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The net proceeds from the Subscription (after deducting all applicable costs and expenses, including the legal fees) are expected to be approximately HK\$265.6 million.

The Company intends to apply the net proceeds from the Subscription for as to:

- (i) approximately HK\$139.2 million for financing of the deep exploration of Henan Lingjin No. 1 Mine. The expected total exploration cost is approximately HK\$278.3 million, of which approximately HK\$47.2 million has been paid. The exploration cost is expected to be fully settled by end of 2023;
- (ii) approximately HK\$41.7 million for the financing of the construction and setting up of cyanide-containing sewage desalination facilities. The total investment cost of the project is approximately HK\$44.8 million, of which approximately HK\$3.1 million has been paid; and
- (iii) approximately HK\$84.7 million as general working capital of the Group, mainly for purchases of gold concentrates for production of gold bullion.

The Group is principally engaged in the businesses of mining, processing, smelting and sales of gold and other metallic products in the PRC.

As at 30 June 2021, the cash and cash equivalents balance of the Group was approximately RMB125.9 million. The Group had total borrowings of approximately RMB3,368.2 million with gearing ratio and current ratio of approximately 51.7% and

69.4% as at 30 June 2021. Furthermore, the Group was at a net current liabilities position of approximately RMB1,396.9 million as at 30 June 2021. All the loans of the Group shall be repayable within one year. As at 30 June 2021, the Group had unutilised bank facilities of approximately RMB1,603.0 million, of which approximately RMB474.0 million were directly related to bank loan facilities. In view of the aforesaid financial position of the Group, there is a need for the Group to strengthen its financial resources for satisfying its financial obligations and supporting its daily operation. In particular, it is noted that the current cash and cash equivalents balance of the Group is insufficient to finance the outstanding payments for the deep exploration of Henan Lingjin No. 1 Mine and the construction of cyanide-containing sewage desalination facilities. The net proceeds from the Subscription provide funding to settle such payment obligations.

Besides, the Directors consider that the current cash and cash equivalents of the Group should be reserved for the operating expenses of the Group which amounted to approximately RMB281.7 million for the year ended 31 December 2020. Notwithstanding that the Group had unutilised bank loan facilities of approximately RMB474.0 million as at 30 June 2021, in view of the current high gearing ratio and net current liabilities position of the Group, the Directors considers bank borrowings is not a preferred means of fundraising under the Group's current circumstances. The net proceeds from the Subscription, which will be utilised to supplement the general working capital, could alleviate the funding pressure of the Group and generally improve the financial position of the Group.

Based on the foregoing, the Directors (excluding the non-executive Directors and the independent non-executive Directors forming the Connected Transaction IBC and the Whitewash Waiver IBC whose view will be given in the letters of the Connected Transaction IBC and the Whitewash Waiver IBC, respectively, to be contained in the Whitewash Circular after considering the advice from the Independent Financial Adviser) are of the view that, despite the dilution effect brought by the Subscription to the minority Shareholders, the terms of the Subscription Agreement (including the Subscription Price) are fair, reasonable and in the interests of the Company and Shareholders as a whole.

GENERAL INFORMATION ON THE PARTIES TO THE SUBSCRIPTION AGREEMENT

(a) The Company

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the businesses of mining, processing, smelting and sales of gold and other metallic products in the PRC. The Group will continue to expand its mining operation as disclosed in its annual report for the year ended 31 December 2020.

(b) The Subscriber

The Subscriber is a joint stock company established under the laws of the PRC with limited liability on 12 March 2010. As at the date of this announcement, the Subscriber is a substantial shareholder of the Company that held 185,339,000 Domestic Shares representing approximately 21.4% of the total number of issued shares as at the date of this announcement. The Subscriber is an enterprise holding group focusing on industries investments.

The Subscriber is majority-owned as to approximately 52.26% by Beijing Jiesi Weiye Co., Ltd (北京傑思偉業控股有限公司), which in turn is majority-owned as to approximately 93.04% and 6.96% by Mr. Wang Guanran and two limited liability partnerships whose general partner is Mr. Wang Guanran, respectively (noting that the share transfer agreement has been entered into between Mr. Wang Weidong and Mr. Wang Guanran to transfer the 99% interests in each of the two limited liability partnerships from Mr. Wang Weidong to Mr. Wang Guanran and Mr. Wang Guanran has become the general partner of the two limited liability partnerships, where the registration with the local industry and commerce authority has yet been completed, but the share transfer agreement is legally binding and the consideration has been fully paid). The Subscriber is also directly owned as to approximately 5.79% by Mr. Wang Guanran.

THE INCREASE IN THE COMPANY'S REGISTERED SHARE CAPITAL AND THE PROPOSED AMENDMENTS TO THE ARTICLES

The Board proposed to make certain amendments to the Articles, to take effect subject to and upon completion of the Subscription, in order to reflect the latest registered share capital to 1,184,021,255 Shares, comprising 566,975,091 Domestic Shares and 617,046,164 H Shares and shareholding structure of the Company as a result of the issue of the new H Shares.

The proposed Amendments to the Articles are subject to approval by the Shareholders by way of special resolutions at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting, and the approval of and registration or filing with the relevant PRC government authorities.

Further information in respect of the proposed Amendments to the Articles will be set out in the Whitewash Circular.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEES AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Connected Transaction IBC (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Subscription (including the grant of Specific Mandate and the approval of the Subscription Agreement). Pursuant to Rule 2.8 of the Takeovers Code, the Whitewash Waiver IBC (comprising the non-executive Directors (excluding Mr. Wang Guanran) and independent non-executive Directors who have no direct or indirect interest in the Subscription and the Whitewash Waiver) has also been formed to advise the Independent Shareholders on the Subscription (including the grant of Specific Mandate and the approval of the Subscription Agreement) and the Whitewash Waiver. Mr. Wang Guanran, is the chairman, legal representative and the ultimate controlling shareholder of the Subscriber and is therefore considered to be interested in the Subscription and/or the Whitewash Waiver. Therefore, he does not form part of the Whitewash Waiver IBC. Octal Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committees to advise such committee and the Independent Shareholders as to whether the Subscription (including the grant of Specific Mandate and the approval of the Subscription Agreement) and the Whitewash Waiver (as the case may be) are fair and reasonable and make recommendation as to voting.

EGM, DOMESTIC SHAREHOLDERS CLASS MEETING AND H SHAREHOLDERS CLASS MEETING

The EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting will be convened to consider and, if thought fit, approve (i) the Subscription and the entering into and performance of the obligations of the Company under the Subscription Agreement; (ii) the grant of Specific Mandate for the allotment and issue of the Subscription Shares; (iii) the Whitewash Waiver; and (iv) the proposed Amendments to the Articles.

The voting at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting will be conducted by way of poll.

The Subscription (including the grant of Specific Mandate and the approval of the Subscription Agreement) and the proposed Amendments to the Articles will be proposed by way of special resolutions at the EGM, the Domestic Shareholders Class Meeting and

the H Shareholders Class Meeting to be approved by the Independent Shareholders. The Whitewash Waiver will be proposed by way of a resolution to be passed by at least 75%, and the Subscription (including the grant of the Specific Mandate and the approval of the Subscription Agreement) will be proposed by way of resolution(s) to be passed by more than two-third, in each case of the independent vote that are cast either in person or by proxy, respectively, at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting for approval by the Independent Shareholders.

The Subscriber and the parties acting in concert with it, who are Shareholders of the Company, holding 185,339,000 Domestic Shares representing approximately 21.4% of the total issued share capital of the Company as at the date of this announcement will abstain from voting on the resolutions to be proposed at the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting (if applicable) for approving the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver and the proposed Amendments to the Articles.

DESPATCH OF CIRCULAR

The Whitewash Circular containing, among others, (i) details of the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver and the proposed Amendments to the Articles; (ii) a letter of advice from the Connected Transaction IBC on the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement); (iii) a letter of advice from the Whitewash Waiver IBC on the Subscription and the Whitewash Waiver; and (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders on the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement) and the Whitewash Waiver, is required to be despatched to the Shareholders within 15 business days from the date of this announcement pursuant to Rule 14A.68 of the Listing Rules or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is earlier.

The Company will seek the Executive's consent if it becomes clear that the Whitewash Circular may not be able to be issued within 21 days from the date of this announcement and will apply to the Executive for an extension for the despatch of the Whitewash Circular. Further announcement(s) will be made by the Company as and when appropriate.

Completion of the Subscription is subject to the fulfilment or waiver (as applicable) of the conditions precedent in accordance with the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, company manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Amendments to the Articles”	the proposed amendments to the Articles to increase the registered share capital of the Company and reflect changes to the shareholding structure of the Company as a result of the issuance of the Subscription Shares
“Articles”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code or Chapter 14A of the Listing Rules (as the case may be)
“Board”	the board of Directors
“Business Day(s)”	a day on which banks in Hong Kong and the PRC are open for normal banking business throughout their normal business hours (except Saturdays, Sundays, public holidays or a day on which tropical cyclone warning signal number 8 or above, or a black rainstorm warning, is in force at any time between 9:00 a.m. and 4:00 p.m. in Hong Kong and the PRC)
“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
“Completion Date”	such date as may be notified by the Company to the Subscriber within the validity period of the CSRC approval and upon fulfilment of the conditions precedent under the Subscription Agreement (or such other date as the Company and the Subscriber may agree in writing)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Connected Transaction IBC”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wang Guanghua, Mr. Wang Jiheng, Mr. Xu Rong and Mr. Tan Chong Huat, established pursuant to the requirements of the Listing Rules to advise the Independent Shareholders on the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Domestic Shares”	the ordinary domestic share(s) of the Company with a nominal value of RMB0.20 each in the share capital of the Company
“Domestic Shareholder(s)”	holder(s) of the Domestic Share(s)
“Domestic Shareholders Class Meeting”	the class meeting of the Domestic Shareholders to be convened to consider, and if thought fit, to approve the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver and the Amendments to the Articles
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, to approve the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver and the Amendments to the Articles
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	the overseas listed foreign share(s) with a nominal value of RMB0.20 each in the share capital of the Company which are listed on the Stock Exchange and are traded in Hong Kong dollars
“H Shareholder(s)”	the holder(s) of H Shares

“H Shareholders Class Meeting”	the class meeting of the H Shareholders to be convened to consider, and if thought fit, to approve the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver and the Amendments to the Articles
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committees”	collectively, the Connected Transaction IBC and the Whitewash Waiver IBC
“Independent Financial Adviser” or “Octal Capital”	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), the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committees and the Independent Shareholders in relation to the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver, and to make recommendations on voting
“Independent Shareholders”	Shareholders other than (i) the Subscriber and parties acting concert with it; and (ii) all other Shareholders who are interested or involved in the Subscription (including the grant of Specific Mandate and approval of Subscription Agreement) and/or the Whitewash Waiver (if any)
“Last Trading Day”	10 November 2021, being the last trading day immediately prior to the date of the Subscription Agreement
“Long Stop Date”	31 December 2022 (or such other date as the Company and the Subscriber may agree)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“RMB”	Renminbi, the lawful currency of the PRC

“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	collectively, the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate proposed to be granted by the Independent Shareholders to the Directors at the EGM, Domestic Share Class Meeting and H Share Class Meeting to issue and allot the H Shares pursuant to the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	達仁投資管理集團股份有限公司 (D&R Asset Management Group Co. Ltd.*), a joint stock company incorporated in the PRC with limited liability, or such Final Subscriber Entity as defined in the section headed “Principal Terms of the Subscription Agreement” in this announcement or its designated person(s) or company so as to facilitate settlement of the Subscription Shares
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Share(s)”	319,772,164 new H Shares proposed to be subscribed pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement entered into between the Company and the Subscriber dated 11 November 2021 in relation to the Subscription
“Subscription Price”	not less than HK\$0.85 per Subscription Share
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Circular”	a circular containing, among others, details of the Subscription (including the grant of Specific Mandate and the approval of Subscription Agreement), the Whitewash Waiver, the letters of advice of the Independent Board Committees and the letter of advice from the Independent Financial Adviser

“Whitewash Waiver”	the waiver by the Executive under Note 1 to the Notes on Dispensation from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a general offer to the Shareholders for all issued shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber or any persons acting in concert with it as a result of the allotment and issue of the Subscription Shares to the Subscriber
“Whitewash Waiver IBC”	an independent committee of the Board, comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Subscription and the Whitewash Waiver, namely Mr. Zhang Feihu, Mr. Wang Guanghua, Mr. Wang Jiheng, Mr. Xu Rong and Mr. Tan Chong Huat, established pursuant to the requirements of the Takeovers Code to provide recommendations to the Independent Shareholders on the Subscription and the Whitewash Waiver
“%”	per cent

* For identification purpose only

By order of the Board
Lingbao Gold Group Company Ltd.
Zeng Xiangxin
Chairman

Lingbao City, Henan Province, the PRC
11 November 2021

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Zeng Xiangxin, 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.

The Directors jointly and severally accept full responsibility for accuracy of the information (other than those relating to the Subscriber and the parties acting in concert with it) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the directors of the Subscriber) 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 of directors of the Subscriber comprises Mr. Wang Guanran, Mr. Zeng Xiangxin, Mr. Zhou Guangling, Ms. Ma Jingsong, Mr. Wu Jun, Mr. Wu Liming and Ms. Wei Hong. The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information (other than those relating to the Group) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Directors) 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.

Unless otherwise specified in this announcement and for the purpose of illustration only, RMB has been translated to HK\$ at the rate of RMB1 = HK\$1.21. No representation has been made by the Company that any amount expressed in foreign currency in this announcement has been, could have been or could be converted at any rates at all.