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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)*

**(Stock code: 3330)**

**MAJOR TRANSACTION IN RELATION TO  
DISPOSAL OF 60% EQUITY INTEREST IN  
A WHOLLY-OWNED SUBSIDIARY**

**THE DISPOSAL**

On 7 July 2017, the Company and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to acquire 60% equity interest in Lingbao Wason at a Consideration of RMB637,240,463.33. Upon Completion, Lingbao Wason will cease to be a subsidiary of the Company.

**LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

**GENERAL**

An EGM will be convened and held for the Shareholders to, among other things, consider and, if thought fit, to approve the Disposal. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and is required to abstain from voting at the EGM.

A circular containing, among other things, further details of the Disposal, together with a notice convening the EGM will be despatched to the Shareholders on or before 28 July 2017.

## **INTRODUCTION**

On 7 July 2017, the Company and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to acquire 60% equity interest in Lingbao Wason at a Consideration of RMB637,240,463.33. Upon Completion, Lingbao Wason will cease to be a subsidiary of the Company.

The principal terms of the Equity Transfer Agreement are set out as follows.

## **EQUITY TRANSFER AGREEMENT**

### **Date**

7 July 2017

### **Parties**

Purchaser: Beijing Zhongxin Zehui Investment Company Limited# (北京中鑫澤匯投資有限公司). To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Vendor: The Company

### **Assets to be disposed of**

Lingbao Wason is a directly wholly-owned subsidiary of the Company, and 100% equity interest in Lingbao Wason has been pledged by the Company to The Export-Import Bank of China. The assets to be disposed of under the Equity Transfer Agreement is 60% equity interest in Lingbao Wason held by the Company.

### **Consideration**

Pursuant to the Equity Transfer Agreement, the Consideration for the Disposal of RMB637,240,463.33 was determined after arm's length negotiations between the Company and the Purchaser, which represented the higher of (i) the price earnings multiple of 9 times of the profit after tax extracted from the audited local statutory financial statements of Lingbao Wason of RMB118,007,493.21 for the financial year ended 31 December 2016; and (ii) the fair market value of Lingbao Wason Group as at 31 December 2016 according to the valuation results for the entire equity interest of Lingbao Wason appraised by the valuer recognized by the Company and the Purchaser. 60% of the profit after tax of Lingbao Wason for the year ended 31 December 2016 multiplied by the abovementioned price earnings multiple of 9 times is RMB637,240,463.33. The valuation results for the entire equity interest of Lingbao Wason appraised by Carea Assets Appraisal Co., Ltd. (the "Valuer") is RMB1,049,290,000 and the valuation results for 60% of the equity interest in Lingbao Wason is RMB629,574,000.

The Consideration is to be settled as follows:

- (i) On 9 May 2017, the Purchaser paid RMB20,000,000, being the initial deposit, to an escrow bank account jointly controlled by the Company and the Purchaser;
- (ii) RMB617,240,463.33, representing the remaining balance of the Consideration, shall be paid to the escrow bank account jointly controlled by the Company and the Purchaser within 5 business days from the date of the EGM which approved the resolution in relation to the Disposal;
- (iii) all the balance in the escrow bank account shall be released to the Company within 3 business days from the completion date of the industrial and commercial registration formalities for changes in relation to the Disposal.

As the Valuer has applied the income approach in preparing the valuation report for the equity interest of Lingbao Wason, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. For preparation of the valuation report, the following principal assumptions (including commercial assumptions) are adopted by the Valuer:

1. there will be no major changes in the existing laws and regulations or macroeconomics of the PRC, or political, economic and social environment in which Lingbao Wason Group carries on the business;
2. there will be no major changes in the current taxation law, relevant taxation basis or tax rates where Lingbao Wason Group operates and Lingbao Wason will continue to be classified as a high and new technology enterprise and subject to an income tax rate of 15%;
3. the credit policy and interest rates will remain stable for the forecast period;
4. Lingbao Wason will have sufficient sources of capital, and there will be no capital issue which may result in any difficulty in respect of its operational plans;
5. the valuation does not take into account the effects of inflation or deflation;
6. the historical financial data and future earnings forecast data provided by Lingbao Wason are true, accurate and complete; and
7. the existing management methods and management level, the scope of business of Lingbao Wason remain materially unchanged and Lingbao Wason will retain competent management and technical staff to support its ongoing operations.

Based on the information currently available, the Directors are of the view that the valuation report prepared by the Valuer has been made after due and careful enquiry. A report from the Company's auditor and a report from the Company's financial adviser with respect to the valuation report as required under Rule 14.62 of the Listing Rules are also included in this announcement as Appendix I and Appendix II, respectively.

## **Conditions Precedent**

Completion of the Disposal is conditional upon:

- (a) the passing of the necessary resolution(s) by the Shareholders at the EGM to approve the Equity Transfer Agreement by the Company and the transactions contemplated thereunder;
- (b) completion of the industrial and commercial registration of changes for the Disposal;
- (c) the pledge of 100% equity interest in Lingbao Wason made by the Company to The Export-Import Bank of China having been discharged;
- (d) the Company and the Purchaser confirming that the Disposal having been complied with the relevant laws, regulations and relevant requirements as set out in the articles of association of both the Company and the Purchaser upon signing the Equity Transfer Agreement; and
- (e) all necessary approvals required under the laws, rules and in relation to the Disposal having been obtained.

## **Completion**

The Completion shall take place within 3 business days after the industrial and commercial registration formalities for changes in relation to the Disposal has been completed (which in turn should take place within 25 business days from the date when the Disposal is approved by the Shareholders (unless otherwise agreed between the parties)).

Pursuant to the Equity Transfer Agreement, the Purchaser has undertaken to provide a loan with no less than RMB700,000,000 to Lingbao Wason after the Completion for replenishment of its working capital, and part of such fund will be used for the purpose of repayment of debts owed by Lingbao Wason.

As at the date of this announcement, Lingbao Wason has issued an undertaking letter to the Company that Lingbao Wason will settle all debts owed to the Company of RMB504,493,543.51 within one year.

## **Liability for breach of the Equity Transfer Agreement**

If after the Disposal has been approved by the Shareholders at the EGM, the Disposal fails to complete as caused by the Company, the Company shall be liable for breach of agreement and shall pay a default fine amounting to 20% of the total Consideration. If the Purchaser fails to pay the Consideration pursuant to the Equity Transfer Agreement, the Purchaser shall be liable for breach of the agreement and shall pay a default fine amounting to 20% of the total Consideration.

## INFORMATION ON LINGBAO WASON

Lingbao Wason is a company incorporated in the PRC with a registered capital of RMB180 million. Lingbao Wason Group is principally engaged in the production and sale of copper foil and flexible copper clad laminate.

The following is a summary of the consolidated financial information of Lingbao Wason Group for the two years ended 31 December 2015, 31 December 2016 and five months ended 31 May 2017:

	<b>As at 31 December 2015</b> (audited) <i>RMB'000</i>	<b>As at 31 December 2016</b> (audited) <i>RMB'000</i>	<b>As at 31 May 2017</b> (unaudited) <i>RMB'000</i>
Total Assets	1,604,521	1,791,968	1,754,125
Net Assets	340,445	449,789	250,818
	<b>For the year ended 31 December 2015</b> <i>RMB'000</i>	<b>For the year ended 31 December 2016</b> <i>RMB'000</i>	<b>For the period ended 31 May 2017</b> <i>RMB'000</i>
Profit before taxation	43,898	126,890	75,217
Profit after taxation	38,532	109,344	62,458

The consolidated financial information extracted from the audited local statutory financial statements of Lingbao Wason Group for the two years ended 31 December 2015 and 31 December 2016 are prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the “**PRC GAAP**”), whereas the consolidated financial information for the five months ended 31 May 2017 are based on the unaudited management accounts of Lingbao Wason Group.

## INFORMATION ON THE GROUP

The Group is an integrated gold mining enterprise in the PRC, and is mainly engaged in gold mining, smelting, refining and copper processing.

## INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability, and is mainly engaged in investment and investment management.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

Upon Completion, the Company will still have 40% equity interest in Lingbao Wason and Lingbao Wason Group will cease to be subsidiaries of the Group. The financial results of Lingbao Wason Group will cease to be consolidated into the consolidated financial statements of the Group after the Completion. Lingbao Wason will be an associate of the Company after the Disposal.

It is estimated that the Group will record a gain before tax on Disposal of approximately RMB806 million, as if the Disposal had taken place on 31 May 2017. Such gain is estimated based on the estimated fair value of Lingbao Wason Group of approximately RMB1,062 million less (i) the carrying value of the net asset of Lingbao Wason Group in the unaudited consolidated financial statements of the Group as at 31 May 2017 of approximately RMB253 million; and (ii) the estimated expenses directly related to the Disposal of approximately RMB3 million.

However, the net asset value of Lingbao Wason Group as at the date of Completion may be different from the net asset value as at 31 May 2017. Such difference may result from a number of factors including, but not limited to, Lingbao Wason Group's results of operation during the period from 31 May 2017 to the date of Completion. The actual accounting gain or loss will be calculated at the date of Completion by reference to the net asset value of Lingbao Wason Group at that time.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS**

As mentioned above, the Company is principally engaged in gold mining, smelting and refining. The Company acquired Lingbao Wason in 2008 and started the business of copper foil manufacturing. The Disposal is a step taken by the Company to realize part of its investment in Lingbao Wason and be more focus on the mining and smelting business which is the principal business of the Group, while giving the Group option for potential new investment opportunities that may arise focusing on the principal businesses. As mentioned above, the Purchaser has undertaken to provide a loan to Lingbao Wason to supplement working capital and repay the debts, which will further facilitate the business development of Lingbao Wason. In addition, the Company will still have 40% equity interest in Lingbao Wason after Completion, therefore the Company still can enjoy the benefit from the future development of Lingbao Wason Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board intends to apply the proceeds from the Disposal for replenishment of general working capital, adjustment of debt structure and further development of the Group.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## GENERAL

An EGM will be convened and held for the Shareholders to, among other things, consider and, if thought fit, to approve the Disposal. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and is required to abstain from voting at the EGM.

A circular containing, among other things, further details of the Disposal, together with a notice convening the EGM will be despatched to the Shareholders on or before 28 July 2017.

**Completion of Disposal is subject to a number of conditions precedent, which may or may not be fulfilled, therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

“Board”	the board of Directors;
“Company”	Lingbao Gold Group Company Ltd, a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange;
“Completion”	completion of the Disposal;
“Consideration”	a total consideration of RMB637,240,463.33 payable by the Purchaser to the Company in respect of the Disposal pursuant to the terms and conditions of the Equity Transfer Agreement;
“Director(s)”	directors of the Company;
“Disposal”	the disposal of 60% equity interest in Lingbao Wason by the Company to the Purchaser pursuant to the terms and conditions in the Equity Transfer Agreement;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder;
“Equity Transfer Agreement”	the equity transfer agreement dated 7 July 2017 entered into between the Company and the Purchaser in respect of the Disposal;
“Group”	the Company and its subsidiaries;
“H Shares”	the overseas listed foreign shares of nominal value of RMB1.00 each in the share capital of the Company;

“Hong Kong”	the Hong Kong Special Administration Region of the PRC;
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is(are) independent of the Company and its connected persons (within the meaning of the Listing Rules);
“Lingbao Wason”	靈寶華鑫銅箔有限責任公司 (Lingbao Wason Copper-Foil Co., Ltd.#), a company incorporated in the PRC with limited liability and is a wholly owned subsidiary of the Company;
“Lingbao Wason Group”	Lingbao Wason and its subsidiary;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	北京中鑫澤匯投資有限公司 (Beijing Zhongxin Zehui Investment Company Limited#), a company incorporated in the PRC with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the ordinary shares of nominal value of RMB1.00 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Henan, the PRC, 7 July 2017

*As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Chen Jianzheng, Mr. Wang Leo, Ms. Zhou Xing, Mr. Zhao Kun and Mr. Xing Jiangze; one non-executive Director, namely Mr. Shi Yuchen; and four independent non-executive Directors, namely Mr. Yang Dongsheng, Mr. Han Qinchun, Mr. Wang Jiheng and Mr. Wang Guanghua.*

# for identification purposes only

## Appendix I

*The following is the text of a report received from the Company's auditor, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.*



### **REPORT ON THE CALCULATION OF DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF LINGBAO WASON COPPER-FOIL COMPANY LIMITED**

#### **TO THE BOARD OF DIRECTORS OF LINGBAO GOLD GROUP COMPANY LTD.**

We refer to the discounted future cash flows on which the business valuation (“the Valuation”) dated 20 June 2017 prepared by Carea Assets Appraisal Co., Ltd. in respect of the appraisal of the fair value of the entire equity interest of Lingbao Wason Copper-Foil Company Limited (“the Target Company”) as at 31 December 2016 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### **Directors’ Responsibilities**

The directors of Lingbao Gold Group Company Ltd. (the “Directors”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Auditor's Responsibilities**

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

## **Basis of opinion**

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

## **Opinion**

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

## **Other matters**

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

## **KPMG**

*Certified Public Accountants*  
Hong Kong  
7 July 2017

## Appendix II

*The following is the text of a report received from the Company's financial adviser, REORIENT Financial Markets Limited, for inclusion in this announcement.*



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Suites 3201-3204  
One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

7 July 2017

### **The Board of Directors**

Lingbao Gold Group Company Ltd.

Dear Sirs,

We refer to the valuation (the “Valuation”) dated 20 June 2017 has been prepared by Carea Assets Appraisal Co., Ltd (the “Independent Valuer”) in respect of the appraisal of the market value of Lingbao Wason Copper-Foil Co., Ltd. (the “Target Company”) as at 31 December 2016 using income approach by discounting projected future free cash flows of the Target Company’s business. This letter is issued in compliance with the requirement under Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

We have reviewed the underlying forecasts (the “Forecasts”) of the Valuation, for which you as the directors of Lingbao Gold Group Company Ltd. (the “Company”) are solely responsible. We have confirmed and discussed with the management of the Company and the Independent Valuer in respect of the bases and assumptions upon which the Forecasts have been made.

We have also considered the letter addressed solely to and for the sole benefit of the directors of the Company from KPMG (the “Auditor”) dated 7 July 2017 regarding the calculations upon which the Forecasts have been made. We note that the Auditor has confirmed that it has performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted; and in its opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions.

We understand that the Forecasts have been made by the Company solely for the purpose of the Valuation. The Forecasts cover a long future period and are intrinsically not meant to be precise forecasts of future revenue, cost and profitability for any particular year/period during the forecast period but are meant to be read as a whole for valuation purposes only. The Forecasts have been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur and some of which are materially formulated based on management judgements and beliefs. The Forecasts may not be appropriate for purposes other than for deriving at the Valuation. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to differ from the Forecasts since such anticipated events frequently may or may not occur as expected and the variation may be material.

We have not independently verified the computations leading to the Independent Valuer's determination of the market value of the Target Company. We have had no role or involvement and have not provided and will not provide any assessment of the market value of the Target Company and, accordingly, we take no responsibility and express no views therefor.

We do not have the management and industry expertise in the Target Company's business. We have discussed with the Company and the Independent Valuer regarding their bases of and reasons for those material assumptions and are relying on the Company's representations and confirmations on the validity of such management judgements and plans, and thus the assumptions of the Forecasts. The assessment, review and discussions carried out by us as described in this letter are based on financial, economic, market and other conditions in effect, and the information presented, explained and made available to us by the Company and the Independent Valuer, as of the date of this letter and we have, in arriving at our views, relied on information and materials supplied to us by the Company, the Independent Valuer and the Auditor and opinions expressed by, and representations of, the employees and/or management of the Company, the Independent Valuer and the Auditor. We have assumed, without independent verification, that all information, materials and representations so supplied, including all information, materials and representations made and provided to us by the Company, its officers, employees and/or the Independent Valuer, for which you as directors of the Company are responsible, were true, accurate, complete and not misleading at the time they were supplied or made and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations made and provided to us by the Company, its officers, employees and/or the Independent Valuer, and we have not assumed any responsibility or liability therefor. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our assessment and review.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation method, bases and assumptions selected by the Independent Valuer, for which the Independent Valuer and the Company are responsible, we are satisfied that the Forecasts, for which you as the directors of the Company are solely responsible, have been made by you after due and careful enquiry.

The work undertaken by us in giving the above opinion has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,  
For and on behalf of  
**REORIENT Financial Markets Limited**  
**Allen Tze**  
*Managing Director*