

**LINGBAO GOLD COMPANY LTD:
ALL IS NOT GOLD THAT GLITTERS**

There are at least 2, cast-iron guarantees in respect of the Lingbao Gold Company Ltd (): Its actions will always be predicated by the requirements of the Government of the People's Republic of China (PRC); and, there will never be any successful legal redress unless the Plaintiff of any and all legal Proceedings is a member in good standing of the National People's Congress (NPC).

Lingbao Gold went public on the Main Board of The Stock Exchange of Hongkong Ltd on December 30, 2005, when it made a Global Offering of 258.50 million, 0.20-renminbi Shares at an Offer Price of between \$HK2.55 per Share and \$HK3.33 per Share.

The Global Offering was broken down as follows:

Public Offer Shares	25,852,000 Shares
International Placing Shares	232,648,000 Shares

The Company, however, did not receive all of the proceeds from the International Placing tranche since the controlling Shareholders of the Company, namely, Lingbao State-owned Assets Operation Limited Liability Company (), Sanmenxia Jinqu Group Company Ltd () and Lingbao Electric Company (), determined to unload a total of 23,500,000 Shares of their respective shareholdings at the time of the Initial Public Offering (IPO).

The Selling Shareholders are all PRC-Government entities.

Lingbao Gold is, as the name implies, a gold miner, operating in the PRC, proper, as opposed to the Hongkong Special Administrative Region (HKSAR) of the PRC.

It went public on the Main Board of The Stock Exchange of Hongkong Ltd, obtaining Stock Code Number 3330, in order to collect between \$HK544 million and \$HK721 million, that amount of money to be used for the following purposes:

1. About \$HK373 million to be used for more gold-mining exploration;
2. About \$HK85 million to be used to acquire additional mines and mining rights;
3. About \$HK50 million to be used for the expansion of smelting operations; and,
4. About \$HK36 million to be tipped into the General Working Capital Account.

The above wish list was based on an Offer Price of \$HK2.55 per Share, but, in the event that the Offer Price went as high as \$HK3.33 per Share – as it did, in fact – then, the additional funds, amounting to about \$HK155 million, would be divided in like manner as the above-mentioned breakdown of the uses of the Net Proceeds, to wit: 68 percent; 16 percent; 9 percent; and, 7 percent, respectively.

As at October 31, 2005, Lingbao Gold had outstanding bank borrowings of about 402.15 million renminbi (about \$HK386.68 million), with 292.15 million renminbi (about \$HK280.91 million), being repayable within one year, and 110 million renminbi (about \$HK105.77 million), being repayable after one year, but

not longer than 2 years.

After the IPO, Lingbao State-owned Assets Operation Limited Liability will retain control over the Company by virtue of its shareholding, amounting to 51.28 percent of the Issued and Fully Paid-Up Share Capital.

Other PRC, State-Owned entities will continue to control about 7.56 percent of the Issued and Fully Paid-Up Share Capital, while some of the senior officials of the Company will have a few percent of the Issued Share Capital: Jam for the boys.

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