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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)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcements of Lingbao Gold Group Company Ltd. (the “**Company**”) dated 12 August 2018 and 2 January 2019 (the “**Announcements**”) and the circular of the Company dated 30 August 2018, in relation to, among others, the guarantees provided by the Company to Lingbao Wason’s bank loans. Unless the context otherwise indicated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements and the Circular.

THE GUARANTEE ARRANGEMENT

As disclosed in the Announcement, as at 31 December 2018, Lingbao Wason had bank financings in the sum of RMB980 million (the “**Loans**”). Lingbao Wason had paid security deposits of RMB430 million in total to the banks to guarantee its own repayment obligations under the Loans at the relevant times of obtaining the Loans, and the Company had provided guarantees for the performance of Lingbao Wason’s obligation to the banks to repay the remaining RMB550 million and the interest payable thereon and default interest accrued thereupon (if any), which is approximately RMB553.1 million in total (the “**Guaranteed Principal and Interest**”).

The Company would like to update the Shareholders that as at the date of this announcement, Lingbao Wason has repaid a total sum of approximately RMB125.2 million (including interests) so that the outstanding Guaranteed Principal and Interest of the Company has reduced to approximately RMB427.8 million.

ACTIONS TAKEN TO MITIGATE THE COMPANY'S RISKS IN CONNECTION WITH THE GUARANTEE ARRANGEMENTS

The Board has taken the following measures to mitigate the Company's risks in connection with the Guarantee Arrangements.

(i) Negotiation with banks for early termination of the relevant guarantees and early repayment of the Loans

The Company had been liaising with the relevant banks for early termination of the relevant guarantees and to arrange for early repayment of the Loans. However, due to commercial reasons of the relevant banks independent of the Company, the Company was unable to settle the guarantees between itself and Lingbao Wason and had to continue with the provision of the Guarantee Arrangements despite the Company's willingness and ability to do so.

(ii) Counter Guarantee

To protect the Company from the contingent liabilities arising from the Guarantee Arrangements, the Company has obtained a counter-guarantee from D&R (the "**Counter Guarantee**"), which controls, through Shenzhen Londian, Lingbao Wason.

Pursuant to the Counter Guarantee, D&R has agreed to:

- (a) provide counter guarantee to the Company in respect of the Company's obligations under the Guarantee Arrangements after the Share Transfer Completion;
- (b) proactively arrange for Lingbao Wason to, as soon as practicable, early repay the Loans or otherwise deal with them in an appropriate manner such that the Company could be relieved of its obligations under the Guarantee Arrangements; and
- (c) if the Company suffers any loss as a result of the Guarantee Arrangements, D&R will be jointly liable and shall indemnify the Company for such loss.

The Company considers that the provision of the Counter Guarantee by D&R is able to effectively cover the Company's exposure under the Guarantee Arrangements.

(iii) Pledge Agreement and registration of the Pledged Assets thereunder

In addition to the Counter Guarantee, the Company entered into a pledge agreement with Lingbao Wason pursuant to which Lingbao Wason has agreed to pledge its assets which includes properties, land use rights and equipment to the Company in the book value of approximately RMB702.8 million (the “**Pledged Assets**”). According to the independent valuation report issued by Henan Tianyuan Asset Valuation Company Limited* (河南天元資產評估事務所有限公司), as at 31 December 2018, the market value of the Pledged Assets is approximately RMB704.1 million, which exceeds the book value of the Pledged Assets and the Guaranteed Principal and Interest, being approximately RMB553.1 million, by approximately RMB151 million.

Pursuant to the Pledge Agreement, in the event that the Company is liable for the Guaranteed Principal and Interest, the Company may dispose of the Pledged Assets and use the net proceeds of sale to settle the outstanding Guaranteed Principal and Interest. In addition, Lingbao Wason is prohibited from pledging the Pledged Assets to another party, hence if Lingbao Wason does so, such action would constitute a breach of the Pledge Agreement (irrespective of whether or not the Pledged Assets have been registered).

In order to protect the priority of the Company in relation to the Pledged Assets, the Company has registered part of the Pledged Assets in the total amount of approximately RMB607.6 million (the “**Registration of the Pledged Assets**”), which far exceeds the current outstanding Guaranteed Principal and Interest by approximately RMB179.7 million.

Although there is an inherent and inevitable risk for assets (other than cash or cash equivalent) to be sold below their book value, there is in fact no form of pledge or security can ever provide the same level of comfort as if the Guarantee Arrangements had been settled. However, taking into account the factual circumstances, the Company has used its best endeavours and taken all possible measures to mitigate the Company’s risks in connection with the Guarantee as set out above. Therefore, the Directors consider that the Company’s contingent liabilities under the Guarantee Arrangements are sufficiently and effectively covered by the Counter Guarantee and the Pledge Agreement and therefore can safeguard the interest of the Company for providing guarantees to Lingbao Wason for the following reasons:

- (a) as at the date of this announcement, the market value of the Pledged Assets exceeds the outstanding Guaranteed Principal and Interest by approximately RMB276.3 million and is approximately 164.6% of the outstanding Guaranteed Principal and Interest; and

- (b) given the bank loans will fall due at different times up to 16 August 2019, the difference between the book value or market value of the Pledged Assets and the Guaranteed Principal and Interest is expected to enlarge over time, and the likelihood that the Company is unable to recover the Guaranteed Principal and Interest from the net proceeds of the sale of the Pledged Assets will decrease accordingly.

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

Henan, the PRC, 29 April 2019

** for identification purposes only*

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

Note: Certain figures above have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.