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**SD-GOLD**

**SHANDONG GOLD MINING CO., LTD.**

**山東黃金礦業股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1787)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE CASH ACQUISITION OF  
100% EQUITY INTEREST IN TIANCHENG MINING**

On 5 August 2021 (after trading hours), SDG Mining (Laizhou) and SDG Group Co. entered into the Acquisition Agreement on the acquisition of 100% equity interests in Tiancheng Mining at a consideration of RMB431,031,818.49. Upon Completion, the Target Company will be wholly-owned by SDG Mining (Laizhou) and the financial information of the Target Company will be consolidated into the financial statements of the Group.

**HONG KONG LISTING RULES IMPLICATION**

Upon aggregation, as one or more of the relevant applicable percentage ratios (as defined under the Hong Kong Listing Rules), are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and will be subject to reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

SDG Group Co. is the controlling Shareholder of the Company, directly and indirectly holding approximately 45.08% of the issued share capital of the Company. SDG Mining (Laizhou) is a subsidiary of the Company that is owned by it as to approximately 95.31%. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Directors, Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling, also hold senior management positions in SDG Group Co., are deemed to have material interests in the Acquisition and have abstained from voting on the resolutions in relation to the Acquisition Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Acquisition.

## **GENERAL**

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve among other things the Acquisition Agreement and the transactions contemplated thereunder. Pursuant to Rule 14A.36 of the Hong Kong Listing Rules, any Shareholder who has a material interest in the Acquisition Agreement shall abstain from voting to approve the Acquisition Agreement and the Acquisition at the EGM. As at the date of this announcement, SDG Group Co., being the controlling Shareholder, directly or indirectly holds approximately 45.08% of the issued share capital of the Company will be required to abstain from voting on the relevant resolutions at the EGM accordingly. Save for SDG Group Co. and its subsidiaries, including Shandong Gold Non-ferrous Metal Mine Group Co., Ltd., Shandong Gold Geological Mine Exploration Co., Ltd., Shandong Gold Group Qingdao Gold Co., Ltd., and SDG (Beijing) Industry Investment Co., Ltd., as at the date of this announcement, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting thereat as no other Shareholder has any interest in the Acquisition Agreement.

A circular containing, among other things, (i) information on the Acquisition; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition; (iii) the advice of the Independent Financial Adviser regarding the terms of the Acquisition; and (iv) other information as required under the Hong Kong Listing Rules, shall be despatched to the Shareholders on or before 17 September 2021, so as to allow sufficient time for the preparation of the aforesaid information for inclusion in the circular.

## **ACQUISITION OF THE TARGET COMPANY**

On 5 August 2021 (after trading hours), SDG Mining (Laizhou) and SDG Group Co. entered into the Acquisition Agreement on the acquisition of 100% equity interests in Tiancheng Mining at a consideration of RMB431,031,818.49. Upon Completion, the Target Company will be wholly-owned by SDG Mining (Laizhou) and the financial information of the Target Company will be consolidated into the financial statements of the Group.

### **The Tiancheng Mining Agreement**

#### ***Date***

5 August 2021

#### ***Parties***

1. SDG Group Co. (as Vendor)
2. SDG Mining (Laizhou) (as Purchaser)

### ***Consideration***

The consideration of RMB431,031,818.49 payable by the Purchaser under the Tiancheng Mining Agreement in connection with Tiancheng Mining was determined based on the appraised value of Tiancheng Mining of RMB431,031,818.49 as at the Valuation Reference Date in the valuation report issued by Beijing Pan-China.

### ***Payment method***

The Purchaser shall pay the consideration by cash in one lump sum within 30 days from the date of completion of the delivery of the equity of Tiancheng Mining. The Group intends to pay the consideration with the Group's internal financial resources, external credit facilities and available financing channels.

### ***Completion***

SDG Group Co. irrevocably agrees to proceed with the completion of the delivery of the equity interest in Tiancheng Mining within 7 working days after all the conditions for the effectiveness of the Acquisition Agreement have been satisfied. SDG Group Co. shall complete the registration of the transfer of the equity interest in Tiancheng Mining on the date of Completion, and SDG Mining (Laizhou) shall legally enjoy and assume all rights and obligations of the shareholders of the equity interest in Tiancheng Mining from the date of Completion onward.

SDG Mining (Laizhou) shall provide the necessary assistance to ensure the smooth completion of the delivery of the equity interest in Tiancheng Mining.

### ***Conditions precedent***

Completion is subject to, inter alia, the following conditions precedent being satisfied:

- (1) The board of directors and the shareholders' meeting of SDG Mining (Laizhou) and the Board of the Company have approved the matters relating to the Tiancheng Mining Agreement;
- (2) The Company has convened a general meeting in accordance with its Articles of Association and the applicable listing rules for the approval of the matters relating to the Tiancheng Mining Agreement by Independent Shareholders;
- (3) SDG Mining (Laizhou) and the Company have obtained all approvals (if any) required by applicable laws and regulations;
- (4) SDG Group Co. has completed all procedures and obtained all necessary resolutions and authorizations in respect of the matters relating to the Tiancheng Mining Agreement in accordance with the laws and regulations of its place of incorporation, articles of association of SDG Group Co. and Tiancheng Mining.

### ***Default and compensation***

Any breach, non-performance or incomplete performance by either party of any of its obligations, representations, warranties and undertakings under the Acquisition Agreement after the signing thereof shall constitute a default. The defaulting party shall fully and adequately indemnify the other party against any reasonable claims, losses, costs or other liabilities incurred by the other party as a result of such default, including but not limited to costs of litigation against the defaulting party (including but not limited to professional advisers' fees) and litigation with and compensation to third parties (including but not limited to professional advisers' fees) as a result of such default.

If SDG Group Co. fails to perform its obligations under the Acquisition Agreement within 15 days after the expiry thereof or breaches its obligations under the Acquisition Agreement, SDG Mining (Laizhou) shall have the right to terminate the Acquisition Agreement with the overdue (defaulting) party and to require the overdue (defaulting) party to pay liquidated damages and other obligations in accordance with, including but not limited to, the relevant provisions of the Acquisition Agreement.

If SDG Group Co. fails to disclose or does not truthfully disclose any facts or circumstances that existed prior to the date of delivery of the equity interest of Tiancheng Mining, and such facts or circumstances would materially and adversely affect the ongoing lawful and normal operation of Tiancheng Mining after the Completion, SDG Mining (Laizhou) has the right to terminate the Acquisition Agreement and to require SDG Group Co. to jointly and severally assume responsibility for the payment of liquidated damages and other obligations.

### ***Profit or loss for the transitional period***

During the period from the Valuation Reference Date to the date of Completion (the date when the equity of Tiancheng Mining is registered for industrial and commercial change), the increase in net assets due to operating profits and other reasons, or the decrease in net assets due to operating losses and other reasons, shall be enjoyed or incurred by SDG Mining (Laizhou).

### ***Further Undertaking by SDG Group Co.***

1. According to the current policy, Tiancheng Mining's "Deep and Peripheral Gold Mine Exploration Right of Matang II Mine Area, Laizhou City, Shandong Province" ("**Matang II Prospecting Right**") is required to pay royalty fee when prospecting and re-mining in the future. SDG Group Co. undertakes that as of the base date of this equity transfer, the Matang II Prospecting Right shall be based on the evaluation report of the mineral rights in the "Evaluation Report on the Exploration and Prospecting Rights of the Deep and Peripheral Gold Mines in the Matang II Mine Area, Laizhou City, Shandong Province" (Headmen Ping Bao Zi (2021) No. 016 Total No. 2665). The royalty fee corresponding to the assessed resource amount shall be borne by SDG Group Co. After Tiancheng Mining made payment, SDG Group Co. shall within 30 working days reimburse. The supplementary responsibility undertaken by SDG Group Co. is limited to the evaluation value of this "Evaluation Report on the Deep and Peripheral Gold Mine Exploration and Prospecting Rights in Matang II Mine Area, Laizhou City, Shandong Province".
2. According to the current policy, the "Shandong Tiancheng Mining Co., Ltd. Hongbu Mining Rights" ("**Hongbu Mining Rights**") to which Tiancheng Mining belongs to Peripheral gold prospecting rights" ("**Hongbu Prospecting Rights**") will need to pay royalty fee when prospecting and transferring in the future. SDG Group Co. promises According to this mineral rights evaluation report "Shandong Tiancheng Mining Co., Ltd. Hongbu Mining Area Mining Rights Evaluation Report" (Headmen Ping Bao Zi [2021] No. 015 Total No. 2664) and "Hongbu Mining Area, Laizhou City, Shandong Province" The Evaluation Report on Exploration and Prospecting Rights for Deep and Peripheral Gold Mines (Headmen Ping Bao Zi [2021] No. 023 Total No. 2672). The royalty fee corresponding to the assessed resources shall be borne by SDG Group Co. After the actual payment by the mining industry, SDG Group Co. will make up the payment within 30 working days. The supplementary responsibility undertaken by SDG Group Co. is limited to the evaluation value of the Hongbu Mining Rights and Hongbu Prospecting Rights based on this "Shandong Tiancheng Mining Co., Ltd. Hongbu Mining Area Mining Rights Evaluation Report" and "Shandong Tiancheng Mining Co., Ltd. Hongbu Mining Area Mining Rights Evaluation Report".

### ***Information on the Tiancheng Mining***

The equity interest of Tiancheng Mining is clear, and there is no mortgage, pledge or any other restrictions on the transfer thereof. There is no litigation, arbitration or judicial measures such as sealing up and freezing, nor other situation hindering the transfer of ownership. Tiancheng Mining currently has four mining licenses and supporting assets related to production and operation, namely mining right of Shandong Tiancheng Mining Co., Ltd. Dongji mine area with a production scale of 45,000 tons/year, mining right of Shandong Tiancheng Mining Co., Ltd. Matang mine area with a production scale of 40,000 tons/year, mining right of Shandong Tiancheng Mining Co., Ltd. Matang II mine area with a production scale of 40,000 tons/year and mining right of Shandong Tiancheng Mining Co., Ltd. Hongbu mine area with a production scale of 60,000 tons/year. Among them, the mining right of Dongji mine area has been suspended pending the completion of procedures for the change of production scale due to capacity expansion, and the safety production license has not been obtained for the time being. Tiancheng Mining is actively handling the procedures for the change of production scale and the renewal of the safety production license, and currently has obtained the “Reply Slip of Receipt” issued by the Department of Emergency Management of Shandong Province. Each of the other three mine areas has obtained the Safety Production License issued by the Department of Emergency Management of Shandong Province, and belongs to the mine in production. The safety production license for Matang mine area is valid from 6 September 2020 to 5 September 2023; and the safety production license for Matang II mine area is valid from 2 July 2018 to 1 July 2021. At present, Tiancheng Mining is actively promoting the renewal procedures of the safety production license for Matang II mine area. The safety production license for Hongbu mine area is valid from 30 September 2018 to 29 September 2021. The production requirements relevant to mining in the above three mine areas are in place.

### ***Financial position of Tiancheng Mining***

The main financial indicators of Tiancheng Mining are as follows:

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2020</b>
	<b>audited</b>	<b>audited</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	230,221	<b>378,827</b>
Net profit/(loss) before tax	(3,546)	<b>97,301</b>
Net profit/(loss) after tax	(3,875)	<b>96,032</b>

Tiancheng Mining's profit in 2020 increased significantly compared with last year, mainly due to the significant increase in domestic gold price in 2020 as a result of the rising international gold price. The original acquisition cost of Tiancheng Mining is RMB736 million. The net asset value of Tiancheng Mining as at 31 May 2021 were RMB100,630,000.

## Valuation of Tiancheng Mining

According to the valuation report, the asset-based approach was used in the valuation. The valuation conclusion is set out below:

Under the going concern assumption as at the Valuation Reference Date, the carrying amount of the total assets of Tiancheng Mining was RMB629,784,500, the appraised value was RMB950,161,800, representing an increase of RMB320,377,300 and an appreciation rate of 50.87%; the carrying amount of liabilities was RMB529,154,600, the assessed value was RMB519,130,000, representing a decrease of RMB10,024,500 and an impairment rate of 1.89%; the carrying amount of net assets was RMB100,629,900, the appraised value was RMB431,031,818.49, representing an increase of RMB330,401,800 and an appreciation rate of 328.33%.

The specific valuation results are summarized in the following table:

*Unit: RMB'0000*

Item name	Carrying amount	Appraised value	Increase/Decrease in value	Appreciation rate
Current assets	3,056.26	3,055.76	-0.50	-0.02%
Non-current assets	59,922.19	91,960.42	32,038.23	53.47%
Of which:				
Long-term equity investment	-	-	-	-
Investment properties	93.29	4,176.27	4,082.98	4,376.65%
Fixed assets	51,002.69	63,608.30	12,605.61	24.72%
Construction in progress	1,672.15	1,212.01	-460.14	-27.52%
Intangible assets	6,681.09	22,351.81	15,670.72	234.55%
Land use rights	1,692.16	17,183.13	15,490.97	915.46%
Others	472.97	612.02	139.05	29.40%
<b>Total assets</b>	<b>62,978.45</b>	<b>95,016.18</b>	<b>32,037.73</b>	<b>50.87%</b>
Current liabilities	50,409.57	49,407.12	-1,002.45	-1.99%
Non-current liabilities	2,505.88	2,505.88	-	-
<b>Total liabilities</b>	<b>52,915.46</b>	<b>51,913.00</b>	<b>-1,002.45</b>	<b>-1.89%</b>
<b>Net assets (total shareholders' equity)</b>	<b>10,062.99</b>	<b>43,103.18</b>	<b>33,040.18</b>	<b>328.33%</b>

## *Valuation of mineral rights*

### *(1) Mining right of Shandong Tiancheng Mining Co., Ltd. Matang mine area (山東天承礦業有限公司馬塘礦區)*

The appraised value of mineral right in the valuation report issued by Beijing Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司) adopted the conclusion in the Valuation Report on Mining Right of Shandong Tiancheng Mining Co., Ltd. Matang Mine Area issued by Headmen Mining Right Appraisal Firm (General Partnership) (北京海地人礦業權評估事務所(普通合夥)) (Headmen Ping Bao Zi [2021] No. 013 of Total No. 2662): the appraised value of the mining right of Shandong Tiancheng Mining Co., Ltd. Matang mine area included in this valuation was RMB9,750,000. Details are as follows:

- 1) Valuation Reference Date: 31 May 2021
- 2) Valuation method: Income equity method
- 3) Main parameters used in the valuation: retained resource reserves within the valuation scope as of the Valuation Reference Date, 407,800 tons of gold ore, 879 kg of gold metal, with an average grade of 2.16 g/t; 407,800 tons of associated silver ore, 2,928 kg of silver metal, with an average grade of 7.18 g/t; 407,800 tons of associated sulfur ore, 9,013 tons of pure sulfur, with an average grade of 2.21%. The resource reserves used in the valuation are as follows: 397,300 tons of ore, 859.60 kg of gold metal, 2,852.47 kg of silver metal, 8,780 tons of pure sulfur, with an average grade of 2.16 g/t for gold, 7.18 g/t for silver and 2.21% for sulfur. The product plan is alloyed gold and alloyed silver, and the selling price is RMB307.74/g for alloyed gold and RMB3,764.06/kg for alloyed silver. The mining recovery rate is 94.15%, the ore depletion rate is 6.90%, the processing recovery rate is 94.73% for gold and 87.10% for silver, the gold return rate is 97.70% and the silver return rate is 55%. The recoverable reserves used in the valuation are 374,100 tons. The production scale is 40,000 tons/year and the mine service life is 10.05 years. The discount rate is 8.07% and the mining right interest factor is 6.2%.
- 4) Valuation conclusion: Based on the investigation, understanding and analysis of the actual situation of the target of valuation, in accordance with the principles and procedures for the valuation of mining rights and through reasonable valuation methods and parameters, the appraised value of “mining right of Shandong Tiancheng Mining Co., Ltd. Matang mine area” is determined to be RMB9,750,000 (i.e., RMB nine million seven hundred and fifty thousand only) by estimation.

(2) *Mining right of Shandong Tiancheng Mining Co., Ltd. Matang II mine area (山東天承礦業有限公司馬塘二礦區)*

The appraised value of mineral right in the valuation report issued by Beijing Pan-China adopted the conclusion in the Valuation Report on Mining Right of Shandong Tiancheng Mining Co., Ltd. Matang II Mine Area issued by Headmen Mining Right Appraisal Firm (General Partnership) (北京海地人礦業權評估事務所(普通合夥)) (Headmen Ping Bao Zi [2021] No. 012 of Total No. 2661): the appraised value of the mining right of Shandong Tiancheng Mining Co., Ltd. Matang II mine area included in this valuation was RMB8,879,100. Details are as follows:

- 1) Valuation Reference Date: 31 May 2021
- 2) Valuation method: Income equity method
- 3) Main parameters used in the valuation: retained resource reserves within the valuation scope as of the Valuation Reference Date, 313,600 tons of gold ore, 795 kg of gold metal, with an average grade of 2.53 g/t; 313,600 tons of associated silver ore, 3,384 kg of silver metal, with an average grade of 10.79 g/t; 313,600 tons of associated sulfur ore, 6,900 tons of pure sulfur, with an average grade of 2.20%. The ore reserves used in the valuation are as follows: 282,700 tons of ore, 708.60 kg of gold metal, 3,050.56 kg of silver metal, 6,219 tons of pure sulfur, with an average grade of 2.51 g/t for gold, 10.79 g/t for silver and 2.20% for sulfur. The product plan is alloyed gold and alloyed silver, and the selling price is RMB307.74/g for alloyed gold and RMB3,764.06/kg for alloyed silver. The mining recovery rate is 92.90%, the ore depletion rate is 7%, the processing recovery rate is 94.73% for gold and 87.10% for silver, the gold return rate is 97.70% and the silver return rate is 55%. The recoverable reserves used in the valuation are 262,600 tons. The production scale is 40,000 tons/year and the mine service life is 7.06 years. The discount rate is 8.07% and the mining right interest factor is 6.2%.
- 4) Valuation conclusion: Based on the investigation, understanding and analysis of the actual situation of the target of valuation, in accordance with the principles and procedures for the valuation of mining rights and through reasonable valuation methods and parameters, the appraised value of “mining right of Shandong Tiancheng Mining Co., Ltd. Matang II mine area” is determined to be RMB8,879,100 (i.e., RMB eight million eight hundred and seventy-nine thousand one hundred only) by estimation.

(3) *Mining right of Shandong Tiancheng Mining Co., Ltd. Dongji mine area (山東天承礦業有限公司東季礦區)*

The appraised value of mineral right in the valuation report issued by Beijing Pan-China adopted the conclusion in the Valuation Report on Mining Right of Shandong Tiancheng Mining Co., Ltd. Dongji Mine Area issued by Headmen Mining Right Appraisal Firm (General Partnership) (北京海地人礦業權評估事務所(普通合夥)) (Headmen Ping Bao Zi [2021] No. 014 of Total No. 2663): the appraised value of the mining right of Shandong Tiancheng Mining Co., Ltd. Dongji mine area included in this valuation was RMB13,689,700. Details are as follows:

- 1) Valuation Reference Date: 31 May 2021
- 2) Valuation method: Income equity method
- 3) Main parameters used in the valuation: retained resource reserves within the valuation scope as of the Valuation Reference Date, 634,200 tons of gold ore, 1,647 kg of gold metal, with an average grade of 2.60 g/t. The resource reserves used in the valuation are as follows: 526,500 tons of ore, 1,346.40 kg of gold metal, with an average grade of 2.56 g/t. The product plan is alloyed gold, and the selling price is RMB307.74/g. The mining recovery rate is 90%, the ore depletion rate is 10%, the processing recovery rate is 94.58%, and the gold return rate is 97.50%. The recoverable reserves used in the valuation are 473,900 tons. The production scale is 45,000 tons/year and the mine service life is 11.70 years. The discount rate is 8.12% and the mining right interest factor is 6.3%.
- 4) Valuation conclusion: Based on the investigation, understanding and analysis of the actual situation of the target of valuation, in accordance with the principles and procedures for the valuation of mining rights and through reasonable valuation methods and parameters, the appraised value of “mining right of Shandong Tiancheng Mining Co., Ltd. Dongji mine area” is determined to be RMB13,689,700 (i.e., RMB thirteen million six hundred and eighty-nine thousand seven hundred only) by estimation.

(4) *Mining right of Shandong Tiancheng Mining Co., Ltd. Hongbu mine area (山東天承礦業有限公司紅布礦區)*

The appraised value of mineral right in the valuation report issued by Beijing Pan-China adopted the conclusion in the Valuation Report on Mining right of Shandong Tiancheng Mining Co., Ltd. Hongbu Mine Area issued by Headmen Mining Right Appraisal Firm (General Partnership) (北京海地人礦業權評估事務所(普通合夥))(Headmen Ping Bao Zi [2021] No. 015 of Total No. 2664): the appraised value of the mining right of Shandong Tiancheng Mining Co., Ltd. Hongbu mine area included in this valuation was RMB14,273,800. Details are as follows:

- 1) Valuation Reference Date: 31 May 2021
- 2) Valuation method: Income equity method
- 3) Main parameters used in the valuation: retained resource reserves within the valuation scope as of the Valuation Reference Date, 443,800 tons of gold ore, 1,254 kg of gold metal, with an average grade of 2.83 g/t; 443,800 tons of associated silver ore, 1,508 kg of silver metal, with an average grade of 3.40 g/t. The ore reserves used in the valuation are as follows: 408,400 tons of ore, 1,153.20 kg of gold metal, 1,388.42 kg of silver metal, with an average grade of 2.82 g/t for gold and 3.40 g/t for silver. The product plan is alloyed gold and alloyed silver, and the selling price is RMB307.74/g for alloyed gold and RMB3,764.06/kg for alloyed silver. The mining recovery rate is 93.10%, the ore depletion rate is 7.3%, the processing recovery rate is 94.73% for gold and 87.10% for silver, the gold return rate is 97.70% and the silver return rate is 55%. The recoverable reserves used in the valuation are 380,200 tons. The production scale is 60,000 tons/year and the mine service life is 6.84 years. The discount rate is 8.07% and the mining right interest factor is 6.2%.
- 4) Valuation conclusion: Based on the investigation, understanding and analysis of the actual situation of the target of valuation, in accordance with the principles and procedures for the valuation of mining rights and through reasonable valuation methods and parameters, the appraised value of “mining right of Shandong Tiancheng Mining Co., Ltd. Hongbu mine area” is determined to be RMB14,273,800 (i.e., RMB fourteen million two hundred and seventy-three thousand eight hundred only) by estimation.

(5) *Exploration right of the gold mine at the deep level and outer rim of the Matang II mine area in Laizhou, Shandong Province (山東省萊州市馬塘二礦區深部及外圍金礦)*

The appraised value of mineral right in the valuation report issued by Beijing Pan-China adopted the conclusion in the Valuation Report on Exploration Right of the Gold Mine at the Deep Level and Outer Rim of the Matang II Mine Area in Laizhou, Shandong Province issued by Headmen Mining Right Appraisal Firm (General Partnership) (北京海地人礦業權評估事務所(普通合夥))(Headmen Ping Bao Zi [2021] No. 016 of Total No. 2665): the appraised value of the exploration right of the gold mine at the deep level and outer rim of the Matang II mine area in Laizhou, Shandong Province included in this valuation was RMB561,700. Details are as follows:

- 1) Valuation Reference Date: 31 May 2021
- 2) Valuation method: Exploration cost effectiveness method
- 3) Main parameters used in the valuation: effective physical workload within the valuation scope as of the Valuation Reference Date, 1/2,000 geological survey of 0.97km<sup>2</sup> and drilling of 374.26m. The direct replacement cost is RMB432,100, the overhead expenses is RMB129,600, the replacement cost is RMB561,700, and the effectiveness factor is 1.00.
- 4) Valuation conclusion: Based on the investigation, understanding and analysis of the actual situation of the target of valuation, in accordance with the principles and procedures for the valuation of exploration rights and through reasonable valuation methods and parameters, the appraised value of “exploration right of the gold mine at the deep level and outer rim of the Matang II mine area in Laizhou, Shandong Province” is determined to be RMB561,700 (i.e., RMB five hundred and sixty-one thousand seven hundred only) by estimation.

(6) *Exploration right of the gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province (山東省萊州市紅布礦區深部及外圍金礦)*

The appraised value of mineral right in the valuation report issued by Beijing Pan-China adopted the conclusion in the Valuation Report on Exploration Right of the Gold Mine at the Deep Level and Outer Rim of Hongbu Mine Area in Laizhou, Shandong Province issued by Headmen Mining Right Appraisal Firm (General Partnership) (北京海地人礦業權評估事務所(普通合夥))(Headmen Ping Bao Zi [2021] No. 023 of Total No. 2672): The appraised value of the exploration right of the gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province included in this valuation was RMB0. Details are as follows:

- 1) Valuation Reference Date: 31 May 2021
- 2) Valuation method: Discounted cash flow method

3) Main parameters used in the valuation:

Item name		Unit	Exploration right of the gold mine at the deep level and outer rim of Hongbu mine area	
			Wang'ershan belt	Jiaojia belt
Resource reserves as of the Valuation Reference Date	Ore	10,000 tons	270.91	400.33
	Gold metal	kg	8,715.00	10,651.00
	Silver metal	kg	9,940.00	14,370.00
	Average grade of gold	g/t	3.22	2.66
	Average grade of silver	g/t	3.67	3.59
Resource reserves used in the valuation	Ore	10,000 tons	191.19	294.07
	Gold metal	kg	6,245.70	7,765.90
	Silver metal	kg	7,016.50	10,557.20
	Average grade of gold	g/t	3.27	2.64
	Average grade of silver	g/t	3.67	3.59
Recoverable reserves in the valuation	Ore	10,000 tons	176.50	271.49
Production scale		10,000 tons/ year	24.00	24.00
Mining loss rate		%	7.68	7.68
Ore depletion rate		%	7.63	7.63
Appraised service life		Year	7.96	12.25
Processing recovery rate	Gold	%	95.57	94.80
	Silver	%	87.55	85.09
Gold return rate		%	97.70	97.70
Silver return rate		%	35.00	40.00
Net investment in fixed assets		RMB0'000	52,760.46	7,422.24
Total cost		RMB/ton	628.93	669.35
Operating cost		RMB/ton	482.34	496.73
Discount rate		%		8.62

- 4) Based on the investigation, understanding and analysis of the actual situation of the target of valuation, in accordance with the principles and procedures for the valuation of exploration rights and through reasonable valuation methods and parameters, the present value of net cash flow of “exploration right of the gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province” is determined to be –RMB233,015,700 by estimation. The appraised value of “exploration right of the gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province” is RMB0 (i.e., RMB Nil).

### ***Information on the mineral rights involved in the subject transaction***

The subject assets of the Acquisition involved a total of 6 mineral rights, including 4 mining rights and 2 exploration rights. The details are shown in the following table:

<b>No.</b>	<b>Name of mineral right</b>	<b>Type of mineral right</b>	<b>Holder of mineral right</b>
1	Mining right of Shandong Tiancheng Mining Co., Ltd. Matang mine area	Mining right	Tiancheng Mining
2	Mining right of Shandong Tiancheng Mining Co., Ltd. Matang II mine area	Mining right	Tiancheng Mining
3	Mining right of Shandong Tiancheng Mining Co., Ltd. Dongji mine area	Mining right	Tiancheng Mining
4	Mining right of Shandong Tiancheng Mining Co., Ltd. Hongbu mine area	Mining right	Tiancheng Mining
5	Exploration right of the gold mine at the deep level and outer rim of the Matang II mine area in Laizhou, Shandong Province	Exploration right	Tiancheng Mining
6	Exploration right of the gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province	Exploration right	Tiancheng Mining

The procedures for appointing a valuer are in compliance with relevant requirements of laws and regulations. The valuer has assets appraisal qualifications for the securities business, is competent in providing valuation services and satisfies the independence requirements. The valuation assumptions and valuation conclusion set forth in the valuation report are reasonable. According to the provisions of state-owned assets supervision, the above asset valuation report has legally fulfilled the filing procedures in respect of state-owned assets.

#### ***(I) Mining right of Shandong Tiancheng Mining Co., Ltd. Matang mine area***

##### Basic information on the mining right

Mining right owner:	Shandong Tiancheng Mining Co., Ltd.
Mining license No.:	C3700002020094120150751
Name of mine:	Shandong Tiancheng Mining Co., Ltd. Matang mine area
Mining type:	Gold ore
Production scale:	40,000 tons/year
Mining area:	0.211 square kilometer
Validity period:	5 years from 30 September 2020 to 30 September 2025
Issuing authority:	Department of Natural Resources of Shandong Province

The owner of the mining right of Shandong Tiancheng Mining Co., Ltd. Matang mine area is Tiancheng Mining. The mining right owned by it is clear, has obtained legal mining license, is free from mortgage, pledge and any other restrictions on transfer, and it is not involved in any litigation, arbitration matters or judicial measures such as seizure and freezing and other circumstances that prevent the transfer of ownership of such mining right.

As of the Valuation Reference Date, the valuation scope of the mining right of Shandong Tiancheng Mining Co., Ltd. Matang mine area reserved 407,800 tons of gold ore, 879 kilograms of gold metal with an average grade of 2.16 g/t; 407,800 tons of associated silver ore, 2,928 kilograms of silver metal with an average grade of 7.18 g/t; 407,800 tons of associated sulfur ore, 9,013 tons of pure sulfur with an average grade of 2.21%.

*(II) Mining right of Shandong Tiancheng Mining Co., Ltd. Matang II mine area*

Basic information on the mining right

Mining right owner:	Shandong Tiancheng Mining Co., Ltd.
Mining licence No.:	C3700002020094120150750
Name of mine:	Shandong Tiancheng Mining Co., Ltd. Matang II mine area
Mining type:	Gold ore
Production scale:	40,000 tons/year
Mining area:	0.477 square kilometer
Validity period:	5 years from 30 September 2020 to 30 September 2025
Issuing authority:	Department of Natural Resources of Shandong Province

The owner of the mining right of Shandong Tiancheng Mining Co., Ltd. Matang II mine area is Tiancheng Mining. The mining right owned by it is clear, has obtained legal mining license, is free from mortgage, pledge and any other restrictions on transfer, and it is not involved in any litigation, arbitration matters or judicial measures such as seizure and freezing and other circumstances that prevent the transfer of ownership of such mining right.

As of the Valuation Reference Date, the valuation scope of the mining right of Shandong Tiancheng Mining Co., Ltd. Matang II mine area reserved 313,600 tons of gold ore, 795 kilograms of gold metal with an average grade of 2.53 g/t; 313,600 tons of associated silver ore, 3,384 kilograms of silver metal with an average grade of 10.79 g/t; 313,600 tons of associated sulfur ore, 6,900 tons of pure sulfur with an average grade of 2.20%.

*(III) Mining right of Shandong Tiancheng Mining Co., Ltd. Dongji mine area*

Basic information on the mining right

Mining right owner:	Shandong Tiancheng Mining Co., Ltd.
Mining licence No.:	C3700002011034120108645
Name of mine:	Shandong Tiancheng Mining Co., Ltd. Dongji mine area
Mining type:	Gold ore
Production scale:	45,000 tons/year
Mining area:	0.1892 square kilometer
Validity period:	five years from 30 June 2017 to 30 June 2022
Issuing authority:	Department of Land and Resources of Shandong Province

The owner of the mining right of Shandong Tiancheng Mining Co., Ltd. Dongji mine area is Tiancheng Mining. The mining right owned by it is clear, has obtained legal mining license, is free from mortgage, pledge and any other restrictions on transfer, and it is not involved in any litigation, arbitration matters or judicial measures such as seizure and freezing and other circumstances that prevent the transfer of ownership of such mining right.

As of the Valuation Reference Date, the valuation scope of the mining right of Shandong Tiancheng Mining Co., Ltd. Dongji mine area reserved 634,200 tons of gold ore, 1,647 kilograms of gold metal with an average grade of 2.60 g/t.

*(IV) Mining right of Shandong Tiancheng Mining Co., Ltd. Hongbu mine area*

Basic information on the mining right

Mining right owner:	Shandong Tiancheng Mining Co., Ltd.
Mining licence No.:	C3700002011034120108648
Name of mine:	Shandong Tiancheng Mining Co., Ltd. Hongbu mine area
Mining type:	Gold ore
Production scale:	60,000 tons/year
Mining area:	0.6598 square kilometer
Validity period:	five years from 28 June 2017 to 28 June 2022
Issuing authority:	Department of Land and Resources of Shandong Province

The owner of the mining right of Shandong Tiancheng Mining Co., Ltd. Hongbu mine area is Tiancheng Mining. The mining right owned by it is clear, has obtained legal mining license, is free from mortgage, pledge and any other restrictions on transfer, and it is not involved in any litigation, arbitration matters or judicial measures such as seizure and freezing and other circumstances that prevent the transfer of ownership of such mining right.

As of the Valuation Reference Date, the valuation scope of the mining right of Shandong Tiancheng Mining Co., Ltd. Hongbu mine area reserved 443,800 tons of gold ore, 1,254 kilograms of gold metal with an average grade of 2.83 g/t; 443,800 tons of associated silver ore, 1,508 kilograms of silver metal with an average grade of 3.40 g/t.

(V) *Exploration right of the gold mine at the deep level and outer rim of the Matang II mine area in Laizhou, Shandong Province*

Basic information on the exploration right

Exploration right owner:	Shandong Tiancheng Mining Co., Ltd.
License No.:	T3700002008024010001973
Name of exploration project:	Exploration of the gold mine at the deep level and outer rim of the Matang II mine area in Laizhou, Shandong Province
Geographic location:	Laizhou City, Shandong Province
Map No.:	J51E016001
Exploration area:	0.97 square kilometer
Validity period:	1 July 2019 to 30 June 2024
Issuing authority:	Department of Natural Resources of Shandong Province

The owner of the exploration right of the gold mine at the deep level and outer rim of the Matang II mine area in Laizhou, Shandong Province is Tiancheng Mining, and has obtained a legal exploration right certificate. The exploration right owned by Tiancheng Mining is clear, free from mortgage, pledge and any other restrictions on transfer, and it is not involved in any litigation, arbitration matters or judicial measures such as seizure and freezing and other circumstances that prevent the transfer of ownership of such exploration right.

As of the Valuation Reference Date, the effective physical workload of the exploration right of the gold mine at the deep level and outer rim of the Matang II mine area in Laizhou, Shandong Province within the the valuation scope was 1/2,000 geological survey of 0.97km<sup>2</sup> and drilling of 374.26m. The direct replacement cost was RMB432,100, the overhead expenses was RMB129,600, the replacement cost was RMB561,700, and the effectiveness factor was 1.00.

(VI) *Exploration right of the gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province*

Basic information on the exploration right

Exploration right owner:	Shandong Tiancheng Mining Co., Ltd.
License No.:	T3700002008044010006520
Name of exploration project:	Exploration of the gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province
Geographic location:	Laizhou City, Shandong Province
Map No.:	J51E016001
Exploration area:	1.53 square kilometers
Validity period:	1 October 2019 to 30 September 2021
Issuing authority:	Department of Natural Resources of Shandong Province

The owner of the exploration right of the gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province is Tiancheng Mining, and has obtained a legal exploration right certificate. The exploration right owned by Tiancheng Mining is clear, free from mortgage, pledge and any other restrictions on transfer, and it is not involved in any litigation, arbitration matters or judicial measures such as seizure and freezing and other circumstances that prevent the transfer of ownership of such exploration right.

As of the Valuation Reference Date, the valuation of the exploration right of the gold mine at the deep level and outer rim of Hongbu mine area in Laizhou, Shandong Province is set out as follows:

		Exploration right of the gold mine at the deep level and outer rim of Hongbu mine area		
Item name		Unit	Phase II Wang'ershan belt	Phase III Jiaojia belt
Resource reserves as of the Valuation Reference Date	Ore	10,000 tons	270.91	400.33
	Gold metal	kg	8,715.00	10,651.00
	Silver metal	kg	9,940.00	14,370.00
	Average grade of gold	g/t	3.22	2.66
	Average grade of silver	g/t	3.67	3.59

## Valuation of Mining and Exploration Rights

Pursuant to Rule 14A.68(7) of the Hong Kong Listing Rules, the discounted cash flow method and income equity method adopted by the valuation contained in the valuation report issued by Headmen Mining Right Appraisal Firm (General Partnership)\* (北京海地人礦業權評估事務所(普通合夥)) (“Headmen”) on Tiancheng Mining in relation to the mining and exploration rights has been prepared on the following principal basis and assumptions, including commercial assumptions:

### General Assumptions

1. Transaction assumption: Transaction assumption presumes that all assets to be evaluated have been under the process of transaction. The valuer evaluates the assets based on the transaction conditions of the assets to be evaluated compared with the market. Transaction assumption is a basic pre-assumption to conduct the assets evaluation;
2. Open market assumption: Open market assumption presumes that as to the assets being or to be traded in the market, the parties to the asset transaction are equal and both have opportunity and time to acquire sufficient market information to make reasonable judgment on the function, use and transaction price of the assets. Open market assumption is based on fact that assets can be traded publicly in the market;
3. Asset continuity assumption: Asset continuity assumption means that the assets being evaluated will continue to be used according to the current usage, method, scale, frequency, environment and other conditions. Otherwise, if the assets are used in a different manner, the method, parameter and basis of the evaluation would be changed accordingly.

### Specific Assumptions

1. There is no material change in existing macroeconomic and industrial policies in the PRC;
2. There is no material change in the socio-economic environment and the policies for the applicable tax and tax rates in the future operation period of the evaluated object (i.e. the mining and exploration rights);
3. The management of the evaluated object is diligent in the future operation period and continues to maintain the existing management mode as at the Valuation Reference Date to operate on an on-going concern basis;
4. It is assumed that the production scale, investment construction plan, development and utilization mode adopted in the report are in line with the reality in the future, which would not change during the service life of the mine. The changes in business structure and other conditions due to possible changes in management, business strategy and business environment in the future are not considered. Also, future additional investment that leads to the expansion of production and operation capacity is not considered;

5. It is assumed that mining enterprise will continue to operate legally on the basis of the planned development schedule, production mode, production scale, product structure, development technology level and market supply and demand level;
6. It is assumed that the subsequent royalties of the mining right have been fully paid in 2020 as required by the government;
7. Relevant mineral rights have obtained licenses in accordance with the law within the stipulated validity period;
8. The valuation does not take into consideration of the inflation.

The valuation report on the mining and exploration rights adopts the following assumptions:

1. It is possible to realize overall development of the above mining and/or exploration right in the future; the mining right owner can normally apply for and obtain a mining license in accordance with relevant regulations; the production scale stated in the mining license is consistent with that designed in the feasibility study report;
2. The production mode, product structure, technical and economic indicators of the mining enterprise set by the target of valuation will remain unchanged and the enterprise will operate on an on-going basis;
3. The price of mineral products and relevant national economic policies will not change significantly in the short term;
4. The level of market supply and demand will basically remain unchanged;
5. It will not take into account the impact on its appraised value of other rights such as mortgages and guarantees that may be assumed in the future, or any other restrictions on the property rights, and any additional price that may be paid by a special counterparty;
6. There is no other significant impact caused by force majeure and unpredictable factors.

### **Valuation method**

Based on the purpose of the valuation and the specific characteristics and information of the mining right/exploration right, the mining right/exploration right entrusted to be appraised are of a certain scale, have independent profitability and can be measured, and their future revenue and risks borne can be measured in monetary terms, thereby possessing the technical and economic parameters required by the income approach, an income-based appraisal method. Accordingly, Headmen is of the opinion that the mining right/exploration right generally meet the requirements of the income approach. As the mines have been generally explored and estimated resource reserves have been assessed by and filed with the competent authorities, the cost-based appraisal method is not applicable. The current mineral right market is not a relatively developed, normal, active market, similar recent transactions are not yet available as a reference and information including comparable quantitative indicators, technical and economic parameters is not available, which make it impossible to adopt market-based appraisal method. As a result, it was determined that the income approach was adopted for the valuation.

## **INFORMATION ON THE PARTIES**

### **The Company and SDG Mining (Laizhou)**

The Company was established by its promoters with approval from the Shandong Province Economic System Reform Commission (山東省經濟體制改革委員會) and the People's Government of Shandong Province (山東省人民政府) in January 2000. The Company is an integrated gold company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange since 2003 and 2018, respectively and engaged in gold exploration, mining, processing, smelting and sales. It is one of the largest gold producers listed domestically and/or in Hong Kong that operates in the PRC, controlling and operating more than 10 gold mines with operation primarily located in Shandong Province. The Company has gradually expanded its business into the Inner Mongolia Autonomous Region, Gansu Province, Xinjiang Uyghur Autonomous Region and Fujian Province and Argentina, South America and Ghana, Africa.

SDG Mining (Laizhou) is a subsidiary of the Company that is owned by it as to approximately 95.31%. It was established in the PRC on 27 May 2003. It is principally engaged in the sales of gold, mineral products (except coal), mining equipment and materials. Its subsidiary is principally engaged in gold mining and smelting; acquisition, processing, sales: gold products, silver products, gold concentrate, silver concentrate, copper concentrate, lead concentrate, zinc concentrate, sulfur concentrate and iron ore concentrate; wholesale and retail, production and sales of jewelry, metal jewelry and handicrafts; production and sales: construction materials and underground filling materials (for items subject to approval according to laws, operation activities may not be commenced until the approval has been obtained from the relevant authorities).

### **SDG Group Co.**

As the Company's controlling Shareholder, SDG Group Co. was established in the PRC in July 1996. SDG Group engages in gold mining related operations, including geological exploration and mining of gold, gold processing, gold smelting and technical services, and production and sales of specialized equipment and supplies and construction materials for gold mines. The gold resources of SDG Group are mainly located in the PRC. As of the date of this announcement, SDG Group Co. directly and indirectly holds approximately 45.08% of the Company's issued share capital.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

### **(I) Implementing the overall approval requirements of the People’s Government of Shandong Province on the consolidation of gold mineral resources and expeditiously taking forward the consolidation of mineral rights**

On 26 July 2021, the People’s Government of Shandong Province issued the Approval of the People’s Government of Shandong Province on the Gold Mineral Resources Consolidation Plan for the Eight Districts (Cities) of Yantai City (《山東省人民政府關於煙臺市8個區(市)金礦礦產資源整合方案的批覆》) (Lu Zheng Zi [2021] No. 133) (the “**Approval**”), agreeing to the Request for Approval of the Gold Mineral Resources Consolidation Plan for the Eight Districts (Cities) of Yantai City (《關於呈批煙臺市8個區(市)金礦礦產資源整合方案的請示》) (Yan Zheng Cheng [2021] No. 7) submitted by the People’s Government of Yantai City. At the same time, it clearly stated: “Adhering to the principle of ‘one entity’, promoting the retention of one mining right holder within a consolidation area, and one production and operation entity within a mining right. The government will resolutely put an end to physical and false consolidation, protect the legitimate rights and interests of all parties and maintain social stability.”

In order to implement the above-mentioned opinions of various levels of governments in Shandong Province regarding the gold mineral resources consolidation plan and to ensure that the consolidation of mineral rights is completed within the time limit, the Company is obliged to unify the holders of relevant mineral rights of the Company and the metallogenic belt of Jiaojia and Xincheng under SDG Group Co. in accordance with the existing policies. Therefore, after becoming aware of the Approval, SDG Group Co. has expedited standardisation and rectification of the assets involved to ensure that the equity assets under the proposed Acquisition have met the requirements for inclusion in the listed company, and injected them into the Company as soon as possible to commence the consolidation of mineral rights.

### **(II) Increasing resources reserve, expanding production scale and leveraging synergies to enhance the Company’s asset scale and profitability**

Gold resource reserves determine the future development potential and room of a gold enterprise. The subject assets under the Acquisition include several mines resources with large gold resource reserves. The implementation of the Acquisition by the Company will be conducive to further increasing the Company’s gold resource reserves, expanding the Company’s production scale and enhancing its economy of scale, and thus enhancing the core competitiveness of the Company.

At the same time, major mineral rights assets of the subject assets under the Acquisition are located in the metallogenic belt of Jiaojia and Xincheng in Laizhou District, Shandong Province, which are geographically close and adjacent to the existing mineral rights of the Company. That can achieve geographical concentration, with feasibility of mineral rights consolidation. The future completion of consolidation will give full play to the overall synergistic effect of resource development and utilization, realize intensive mining and utilize existing beneficiation capacity to reduce mining costs and improve the profitability of the Company.

**(III) Reducing horizontal competition and connected transaction and realizing the overall listing of high-quality gold resources within SDG Group Co.**

Pursuant to the undertaking given by SDG Group Co. to resolve horizontal competition upon the previous issue of shares to purchase assets and relevant fund raising as well as connected transactions of the Company (the “**Major Asset Reorganization**”): “Upon completion of the Major Asset Reorganization, all business assets owned by SDG Group Co. and its controlled subsidiaries in the PRC territory that meet the requirements for injection into the Company and which are identical or similar to the Company’s principal business will be injected into the Company”, SDG Group Co. has been carrying out various sorting, standardization and rectification in respect of the relevant principal gold business assets to be injected into the Company.

The implementation of the Acquisitions will inject major gold assets, such as existing mines and gold mineral rights that meet the listing requirements under SDG Group Co. and its controlling companies, into the Company. This will not only help realise the overall listing of high-quality gold resources within SDG Group Co., but also reduce horizontal competition and connected transaction between SDG Group Co. and the Company, thereby further implementing regulatory requirements for the listed company.

**(IV) With adequate liquidity and availability of financing channels, the liquidity of the Company will not be affected**

At present, the Company has an adequate reserve of self-owned liquidity, as well as sufficient external credit facilities and available financing channels. There is no obstacle to the source of funds for payment of the consideration for the Acquisitions and the liquidity for the Company’s normal production and operation in the future will not be adversely affected.

**OPINION FROM THE BOARD**

The Directors (excluding the independent non-executive Directors, being members of the Independent Board Committee, who will express their views after taking into consideration the advice of the Independent Financial Adviser) are of the view that the terms of the Acquisition Agreement are fair and reasonable, the transactions contemplated under the Acquisition Agreement are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The Directors, Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling, also hold senior management positions in SDG Group Co., are deemed to have material interests in the Acquisition and have abstained from voting on the resolutions in relation to the Acquisition Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Acquisition.

## **HONG KONG LISTING RULES IMPLICATION**

Reference is made to the announcement of the Company dated 25 June 2021, pursuant to which SDG Mining (Laizhou) entered into an agreement to acquire the mining right, exploration right and related land assets interest of Jiaojia Gold Mine (焦家金礦) from SDG Group Co. Reference is made to the announcements of the Company dated 5 August 2021, pursuant to which SDG Mining (Laizhou) entered into agreements to acquire 100% equity interest in Shandong Gold Laizhou Ludi Gold Mine Co., Ltd., 100% equity interest in Shandong Dikuang Laijin Holdings Co., Ltd. and 45% equity interest in Laizhou Hongsheng Mining Investment Co., Ltd. from SDG Group Co. Pursuant to Rules 14.22 and 14.23 and 14A.81 and 14A.82 of the Hong Kong Listing Rules, since the above-mentioned Acquisition are entered with SDG Group Co. and involves the acquisition of mining right and/or exploration right assets, the transactions under the Acquisition shall be aggregated as if they were one transaction for the purpose of Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

Upon aggregation of the said acquisitions, as one or more of the relevant applicable percentage ratios (as defined under the Hong Kong Listing Rules), are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

SDG Group Co. is the controlling Shareholder of the Company, directly and indirectly holding approximately 45.08% of the issued share capital of the Company. SDG Mining (Laizhou) is a subsidiary of the Company that is owned by it as to approximately 95.31%. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng, has been established to consider the terms of the Acquisition Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Acquisition Agreement. The Independent Board Committee will form its view in respect of the terms of the Acquisition after obtaining and considering the advice from the Independent Financial Adviser.

## **GENERAL**

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve among other things the Acquisition Agreement and the transactions contemplated thereunder. Pursuant to Rule 14A.36 of the Hong Kong Listing Rules, any Shareholder who has a material interest in the Acquisition Agreement shall abstain from voting to approve the Acquisition Agreement and the Acquisition at the EGM. As at the date of this announcement,

SDG Group Co., being the controlling Shareholder, directly or indirectly holding approximately 45.08% of the issued share capital of the Company, will be required to abstain from voting on the relevant resolutions at the EGM accordingly. Save for SDG Group Co. and its subsidiaries, including Shandong Gold Non-ferrous Metal Mine Group Co., Ltd., Shandong Gold Geological Mine Exploration Co., Ltd., Shandong Gold Group Qingdao Gold Co., Ltd., and SDG (Beijing) Industry Investment Co., Ltd., as at the date of this announcement, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting thereat as no other Shareholder has any interest in the Acquisition Agreement.

A circular containing, among other things, (i) information on the Acquisition; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition; (iii) the advice of the Independent Financial Adviser regarding the terms of the Acquisition; and (iv) other information as required under the Hong Kong Listing Rules, shall be despatched to the Shareholders on or before 17 September 2021, so as to allow sufficient time for the preparation of the aforesaid information for inclusion in the circular.

## DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“Acquisition”	the acquisition of 100% equity interests in Tiancheng Mining;
“Acquisition Agreement”	the Tiancheng Mining Agreement;
“Articles of Association”	the articles of association of the Company;
“A Shares”	the domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange;
“Beijing Pan-China”	Beijing Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司), an independent valuer with assets appraisal qualifications for the securities business;
“Board”	the board of Directors;
“Company”	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated in the PRC under the laws of the People’s Republic of China with limited liability on 31 January 2000;
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement;
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules;

“connected transaction”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“H Shares”	the overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
“Independent Board Committee”	an independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	Dongxing Securities (Hong Kong) Company Limited, a licensed corporation under the SFO licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed for the purposes of advising the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders who are independent of and have no interest in the transactions contemplated under the Acquisition Agreement;
“PRC” or “China”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;

“SDG Group Co.”	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a limited liability company incorporated in the PRC on 16 July 1996, the controlling Shareholder, and was held as to approximately 70% by Shandong Provincial State-owned Assets Supervision and Administration Commission, as to approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and as to approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會);
“SDG Mining (Laizhou)” or “Purchaser”	Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司), a subsidiary of the Company incorporated in the PRC on 27 May 2003;
“Share(s)”	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares;
“Shareholders”	holder(s) of our Share(s);
“Target Company”	Tiancheng Mining;
“Tiancheng Mining”	Shandong Tiancheng Mining Co., Ltd. (山東天承礦業有限公司), a company incorporated in the PRC on 10 August 1989, a wholly owned subsidiary of SDG Group Co.;
“Tiancheng Mining Agreement”	the acquisition agreement dated 5 August 2021 entered into between SDG Group Co. and SDG Mining (Laizhou), pursuant to which SDG Mining (Laizhou) agreed to purchase and SDG Group Co. agreed to sell the entire equity interests of Tiancheng Mining held by it at the consideration of RMB431,031,818.49;
“Valuation Reference Date”	31 May 2021; and
“%”	percent.

By order of the Board  
**Shandong Gold Mining Co., Ltd.**  
**Li Guohong**  
*Chairman*

Jinan, the PRC  
5 August 2021

*As at the date of this announcement, the executive Directors of the Company are Mr. Liu Qin, Mr. Wang Shuhai and Mr. Tang Qi; the non-executive Directors of the Company are Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling; and the independent non-executive Directors of the Company are Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng.*