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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 LUDI GOLD MINE**

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 Ludi Gold Mine at a consideration of RMB2,034,195,071.54. 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, 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 for 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 Ludi Gold Mine at a consideration of RMB2,034,195,071.54. 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 Ludi Gold Mine Agreement

Date

5 August 2021

Parties

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

Consideration

The consideration of RMB2,034,195,071.54 payable by the Purchaser under the Ludi Gold Mine Agreement in connection with Ludi Gold Mine was determined based on the appraised value of Ludi Gold Mine of RMB2,034,195,071.54 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 Ludi Gold Mine. The Group intends to pay the consideration by 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 Ludi Gold Mine 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 Ludi Gold Mine 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 Ludi Gold Mine from the date of Completion.

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

Conditions precedent

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

- (1) The board of directors and shareholders' meeting of SDG Mining (Laizhou) and the Board of the Company have approved the matters relating to the Ludi Gold Mine Agreement;
- (2) The Company has convened a general meeting in accordance with its articles of association and the applicable Hong Kong Listing Rules for the approval of the matters relating to the Ludi Gold Mine 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 authorisations in respect of the matters relating to the Ludi Gold Mine Agreement in accordance with the laws and regulations of its place of incorporation, articles of association of SDG Group Co. and Ludi Gold Mine.

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 or breaches its obligations under the Acquisition Agreement after the expiry of 15 days, SDG Mining (Laizhou) shall have the right to terminate the Acquisition Agreement with the overdue (defaulting) party and shall have the right, including but not limited to, to require the overdue (defaulting) party to pay liquidated damages and other obligations in accordance with 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 Ludi Gold Mine, and such facts or circumstances will materially and adversely affect the continued lawful and normal operation of Ludi Gold Mine after the Completion, SDG Mining (Laizhou) has the right to terminate this 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 Ludi Gold Mine is registered for industrial and commercial change), the net assets that increase due to operating profits and other reasons, or the net assets that decrease due to operating losses and other reasons, shall be enjoyed or incurred by SDG Mining (Laizhou).

Further undertaking by SDG Group Co.

According to the current policy, Ludi Gold Mine's "Exploration Right of the Gold Mine at Nanlv-Xinmu District in Laizhou City, Shangdong Province" is required to pay royalty fee when prospecting and re-mining in the future. SDG Group Co. undertakes that the royalty fee corresponding to the assumed resources of the exploration right of Nanlv-Xinmu as of the base date of the equity transfer according to the "Valuation Report on Exploration Right of the Gold Mine in Nanlv-Xinmu Area in Laizhou, Shangdong Province" (Headmen Ping Bao Zi [2021] No. 017 of Total No. 2666) shall be borne by SDG Group Co. after actual payment made by Ludi Gold Mine. SDG Group Co. shall reimburse within 30 working days. The reimbursement liability is limited to the consideration of the Acquisition.

Information on the Ludi Gold Mine

The equity interest of Ludi Gold Mine 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, and there is no other situation hindering the transfer of ownership. The mineral right acquired under the Acquisition is exploration right, which has not yet been transferred to mining or put into production, with the expected date of transfer from exploration right to mining right being July 2022.

Financial Position of Ludi Gold Mine

Ludi Gold Mine had no revenue and profit in 2019 and 2020. The original acquisition cost of Ludi Gold Mine is RMB599.95 million. The net asset value of Ludi Gold Mine as at 31 May 2021 were RMB27,958,200.

Valuation of Ludi Gold Mine

According to the valuation report, the asset-based approach was used in the valuation. Details are set out below:

Under the going concern assumption as at the Valuation Reference Date, the carrying amount of the total assets of Ludi Gold Mine was RMB242,130,200, the carrying amount of liabilities was RMB214,172,000, and the carrying amount of net assets (total shareholders' equity) was RMB27,958,200.

Upon valuation by adoption of the asset-based approach, the total assets of Ludi Gold Mine were RMB2,248,367,000, the liabilities were RMB214,171,900, and the net assets (total shareholders' equity) were RMB2,034,195,071.54, representing an increase of RMB2,006,236,900 in value after valuation, with an appreciation rate of 7,175.84%.

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	24,213.02	224,836.70	200,623.68	828.58%
Non-current assets	–	–	–	–
Of which:				
Long-term equity investment	–	–	–	–
Investment properties	–	–	–	–
Fixed assets	–	–	–	–
Construction in progress	–	–	–	–
Intangible assets	–	–	–	–
Land use rights	–	–	–	–
Others	–	–	–	–
Total assets	24,213.02	224,836.70	200,623.68	828.58%
Current liabilities	21,417.20	21,417.19	–0.01	–
Non-current liabilities	–	–	–	–
Total liabilities	21,417.20	21,417.19	–0.01	–
Net assets				
(total shareholders' equity)	2,795.82	203,419.51	200,623.69	7,175.84%

Valuation of Mineral Right

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 in Nanlv – Xinmu 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**”) (Headmen Ping Bao Zi [2021] No. 017 of Total No. 2666): the appraised value of the exploration right of the gold mine at Nanlv – Xinmu District in Laizhou City, Shandong Province included in this valuation was RMB2,248,217,000. 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 within its scope as of the Valuation Reference Date are as follows: 42,446,900 tons of gold ore, 133,135.00 kg of gold metal, with an average grade of 3.14 g/t; 8,284,800 tons of associated mineral silver (333) ore, 52,501 kg of silver metal, with an average grade of 6.34 g/t. The resource reserves used in the valuation are as follows: 35,163,400 tons of ore, 109,870.00 kg of gold metal, with an average grade of 3.12 g/t and a comprehensive recovery rate of 93.92%. On the Valuation Reference Date, the estimated recoverable reserves are 33,025,500 tons, ore depletion rate is 6.08%, and production scale is 1,980,000 tons per year. The mine service life is 18.43 years, and the estimated service life is 24.43 years (including 6 years of infrastructure construction period).

The product plan is finished gold; the comprehensive processing recovery rate is 94.00%; the gold return rate is 97.50%; the selling price of finished gold is RMB314.43/g; the investment in fixed assets is RMB1,104,604,000. The intangible assets – land cost is RMB644,000; the total unit cost is RMB445.13/ton and the unit operating cost is RMB408.36/ton; and the discount rate is 8.62%.

- (4) Valuation conclusion: After on-site investigation by the valuers and analysis of the local market, in accordance with the principles and procedures for the valuation of exploration rights and through appropriate valuation methods and parameters, the appraised value of “exploration right of the gold mine at Nanlv – Xinmu District in Laizhou City, Shandong Province” is determined to be RMB2,248,217,000 (i.e., RMB two billion two hundred and forty-eight million two hundred and seventeen thousand only) by estimation.

The procedures for appointing a valuer are in compliance with relevant requirements of laws and regulations. The appointed 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 relevant provisions of state-owned assets supervision, the above valuation report has legally fulfilled the filing procedures in respect of state-owned assets in accordance with the relevant laws and regulations.

INFORMATION ON THE MINERAL RIGHT

The subject assets of the Acquisition involve a total of one exploration right, namely the exploration right of the gold mine at Nanlv-Xinmu District in Laizhou City, Shandong Province, with the mineral right owner being Ludi Gold Mine.

Basic information on the exploration right

Exploration right owner:	Shandong Laizhou Ludi Gold Mine Co., Ltd. (山東萊州魯地金礦有限公司)
License no.:	T3700002008014010000606
Name of exploration project:	Exploration of the gold mine at Nanlv-Xinmu District, Laizhou City, Shandong Province
Geographic location:	Laizhou City, Shandong Province
Map No.:	J51E016001
Exploration area:	4.59 square kilometers
Validity period:	1 October 2020 to 30 September 2022
Issuing authority:	Department of Natural Resources of Shandong Province

The exploration right of gold mine area at Nanlv-Xinmu District, Laizhou City, Shandong Province, the owner of which is Ludi Gold Mine, has obtained a legal exploration right certificate. The exploration right owned by Ludi Gold Mine 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 scope of the exploration right of gold mine area at Nanlv-Xinmu District, Laizhou City, Shandong Province reserved 42,446,900 tons of gold ore, 133,135.00 kilograms of gold metal with an average grade of 3.14 g/t; 8,284,800 tons of associated mineral silver (333) ore, 52,501 kilograms of silver metal with an average grade of 6.34 g/t.

Valuation of Exploration Right

Pursuant to Rule 14A.68(7) of the Hong Kong Listing Rules, the discounted cash flow method adopted by the valuation contained in the valuation report issued by Headmen on Ludi Gold Mine in relation to the Exploration Right 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 policies for socio-economic environment and the applicable tax and tax rates in the future operation period which the evaluated object (i.e. the exploration right) is located;
3. The management of the evaluated object are diligent in the future operation period and continue to maintain the existing management mode to operate on an on-going concern basis as at the Valuation Reference Date;
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 enterprises 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 exploration 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 exploration right adopts the following assumptions:

1. It is possible to realize overall development of the above 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 gold mineral resources consolidation plan for Yantai City as set out in 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 Acquisitions include 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 Acquisitions 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 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 Acquisition 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 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 Acquisition 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 of Jiaojia Gold Mine (焦家金礦) interest from SDG Group Co. Reference is made to the announcement of the Company dated 5 August 2021, pursuant to which SDG Mining (Laizhou) entered into agreements to acquire 100% equity interest in Shandong Tiancheng Mining 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 involve 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 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 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 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.

DEFINITIONS

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

“Acquisition”	the acquisition of 100% equity interests in Ludi Gold Mine;
“Acquisition Agreement”	the Ludi Gold Mine 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;
“Ludi Gold Mine”	Shandong Laizhou Ludi Gold Mine Company Limited (山東萊州魯地金礦有限公司), a company incorporated in the PRC on 13 July 2005 and is a wholly owned subsidiary of SDG Group Co.;
“Ludi Gold Mine Agreement”	the acquisition agreement entered into between SDG Group Co. and SDG Mining (Laizhou) dated 5 August 2021 pursuant to which SDG Mining (Laizhou) agreed to purchase and SDG Group Co. agreed to sell the entire equity interests of Ludi Gold Mine held by it at the consideration of RMB2,034,195,071.54;
“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 SASAC, 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 that is 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”	Ludi Gold Mine;
“Valuation Reference Date”	being 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.