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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)**

**CONNECTED TRANSACTION  
DISPOSAL OF ASSET**

**SALE AND PURCHASE AGREEMENT**

The Board is pleased to announce that on 22 December 2021 (after trading hours), the Company (as the vendor) entered into the SPA with Guoxin Yiyang Investment (as the purchaser), pursuant to which the Company agreed to sell and Guoxin Yiyang Investment agreed to purchase the asset located at the No. 3 Building, Shuntai Square, No. 2000 Shunhua Road, High-tech Zone, Jinan City, the PRC at a total consideration of approximately RMB414.6 million.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Guoxin Yiyang Investment is indirectly owned as to approximately 37.07% by SDG Group Co.. Accordingly, Guoxin Yiyang Investment is a connected person of the Company and the transaction contemplated under the SPA constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the SPA exceed 0.1% but are less than 5%, the transaction contemplated under the SPA is subject to the reporting and announcement requirements but is exempted from the circular and independent Shareholders' approval requirements under the Listing Rules.

The SPA has been approved by the Board. None of the Directors has material interest in the SPA and the transaction contemplated thereunder, therefore no Director abstained from voting in respect of the Board resolutions approving the aforesaid.

## **SALE AND PURCHASE AGREEMENT**

The Board is pleased to announce that on 22 December 2021 (after trading hours), the Company (as the vendor), entered into the SPA with Guoxin Yiyang Investment (as the purchaser), pursuant to which the Company agreed to sell, and Guoxin Yiyang Investment agreed to purchase the Asset at a total consideration of approximately RMB414.6 million.

The principal terms of the SPA are set out below:

### **Date**

22 December 2021

### **Parties**

- (i) the Company; and
- (ii) Guoxin Yiyang Investment.

### **The Asset to be disposed of**

The Asset is located at the entire No. 3 Building, Shuntai Square, No. 2000 Shunhua Road, High-tech Zone, Jinan City, the PRC, which comprises of 19 storeys: 17 above ground storeys with a gross floor area of 33,060.70 square meters, first floor underground with a gross floor area of 2,806.17 square meters and second floor underground for 163 car parking spaces. The Asset has total gross land use area of approximately 8,260 square meters. The Asset was previously used as the registered office of the Company. As at the date of this announcement, the Asset is free from encumbrances.

### **Consideration and its basis**

The consideration of the Asset is approximately RMB414.6 million. The Company and Guoxin Yiyang Investment agreed to bear their respective taxes incurred in the transactions contemplated under the SPA according to the applicable laws and regulations.

The consideration was determined by arm's length negotiations between the Company and Guoxin Yiyang Investment with reference to the valuation of the Asset of approximately RMB414.6 million as at 28 February 2021 conducted by an independent property valuer and with reference to factors such as the location, use and area of the Asset and the selling prices of comparable properties in the vicinity of the Asset.

### **Payment arrangement**

The Company and Guoxin Yiyang Investment shall enter into series of standard transaction documents as required by SPREC and other regulations after entering into the SPA. The consideration shall be paid by Guoxin Yiyang Investment in cash in the following manner:

- (a) approximately RMB207.3 million, representing 50% of the consideration, shall be paid within five (5) working days from the date of the SPA; and

- (b) approximately RMB207.3 million, representing 50% of the consideration, shall be paid within one year from the date of the SPA. Guoxin Yiyang Investment has provided guarantees that it shall pay the remaining 50% of the consideration and the interests thereon during the deferred payment period, namely one year from the date of the SPA, with the interest rate of 3.85% per annum.

## **Completion**

Within five (5) working days after obtaining the transaction certificate from the SPREC, the Company shall hand over the list of relevant documents to Guoxin Yiyang Investment for verification and acceptance. Completion shall take place after the handover and the control of the Asset shall be transferred to Guoxin Yiyang Investment.

The Company shall cooperate with Guoxin Yiyang Investment to register the change of title of the Asset at the real estate registration department within five (5) working days after obtaining the transaction certificate from the SPREC.

## **FINANCIAL EFFECTS OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS**

The net book value of the Asset as at 28 February 2021 amounted to approximately RMB161.3 million. Based on the consideration of the Asset of RMB414.6 million, the Group is expected to record a gain before income tax on the Disposal of approximately RMB253.3 million. The proceeds of approximately RMB414.6 million are intended to be used to supplement the Company's working capital.

The exact amount of the gain on the Disposal will be recorded in the consolidated financial statements of the Group for the year 2021. It will be calculated based on the net book value of the Asset as at the date of the completion of the Disposal, net of any incidental expenses, and therefore may differ from the estimated amount of the gain set out above.

## **INFORMATION OF THE RELEVANT PARTIES**

### **The Company**

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 Group Co.**

As the 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 at the date of this announcement, SDG Group Co. directly and indirectly holds approximately 45.25% of the Company's issued share capital.

## **Guoxin Yiyang Investment**

Guoxin Yiyang Investment is a limited liability company established in the PRC which principally engages in (i) general items such as investment activities with self-owned fund, nursing services by institutions (excluding medical services), elderly care services and healthcare services (non-medical); and (ii) licensed items such as medical services, various engineering construction activities, accommodation services, catering services and real estate development and operation.

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

The Directors undertake strategic reviews of the Company's assets from time to time. The Disposal through public listing by the Company will further optimize the allocation of the Company's resources, ensure the preservation and appreciation of state-owned assets and promote the sustainable development of the Company, thereby maximizing returns to the Shareholders. Taking into account that the Asset has been idle since the Company moved out in March 2021, the Directors believe that it is a good opportunity for the Company to dispose of the Asset at a reasonable price and the proceeds from the Disposal will enable the Company to supplement its working capital.

The Directors (including all the independent non-executive Directors) are of the view that the terms of the SPA, which have been agreed after arm's length negotiations, are on normal commercial terms or better and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Guoxin Yiyang Investment is indirectly owned as to approximately 37.07% by SDG Group Co.. Accordingly, Guoxin Yiyang Investment is a connected person of the Company and the transaction contemplated under the SPA constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the SPA exceed 0.1% but are less than 5%, the transaction contemplated under the SPA is subject to the reporting and announcement requirements but is exempted from the circular and independent Shareholders' approval requirements under the Listing Rules.

The SPA has been approved by the Board. None of the Directors has material interest in the SPA and the transaction contemplated thereunder, therefore no Director abstained from voting in respect of the Board resolutions approving the aforesaid.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Asset”	the asset to be disposed of under the SPA, comprising one building with 19 storeys, located at the entire No. 3 Building, Shuntai Square, No. 2000 Shunhua Road, High-tech Zone, Jinan City, the PRC;
“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 established under the laws of the PRC with limited liability on 31 January 2000;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“connected transaction”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Asset in accordance with the terms and conditions of the SPA;
“Guoxin Yiyang Investment”	Shandong Guoxin Yiyang Group Investment and Development Limited* (山東國欣頤養集團投資發展有限公司), a limited liability company established in the PRC which is owned as to approximately 37.07% by SDG Group Co. as at the date of this announcement;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;

“SPA”	the sale and purchase agreement entered into on 22 December 2021 between the Company and Guoxin Yiyang Investment, pursuant to which the Company agreed to sell, and Guoxin Yiyang Investment agreed to purchase the Asset at a consideration of approximately RMB414.6 million;
“SDG Group Co.”	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a limited liability company established in the PRC on 16 July 1996, and is 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);
“Shareholder(s)”	shareholder(s) of the Company;
“SPREC”	Shandong Property Rights Exchange Center (山東產權交易中心); and
“%”	per cent.

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

Jinan, the PRC  
22 December 2021

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

\* *for identification only*