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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  
POTENTIAL ACQUISITION OF 80% EQUITY INTERESTS  
AND 100% CREDITOR'S RIGHTS OF  
THE TARGET COMPANY**

**POTENTIAL ACQUISITION**

SDG Mining (Laizhou) intended to acquire 80% equity interests and 100% creditor's rights of the Target Company from Shandong Yiyang on SPREC by way of participation in a public tender process at a total consideration of not more than approximately RMB194.1 million.

As at the date of this announcement, no binding sale and purchase agreement has been entered into between SDG Mining (Laizhou) and Shandong Yiyang in relation to the Potential Acquisition. Upon successful bidding by SDG Mining (Laizhou) in the public tender process, SDG Mining (Laizhou) will enter into the Property Rights Transaction Contract with Shandong Yiyang within 3 working days.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Target Company is owned as to 80% by Shandong Yiyang, which is in turn indirectly owned as to approximately 36.4% by SDG Group Co.. Accordingly, the Target Company is an associate of SDG Group Co.. and a connected person of the Company. Therefore, the Potential Acquisition, if materialized, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios exceeds 0.1% but all are less than 5%, the Potential Acquisition is subject to the reporting and announcement requirements but is exempted from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors, Mr. Li Hang, Mr. Wang Lijun and Ms. Wang Xiaoling, also hold senior management positions in SDG Group Co., are deemed to have material interests in the connected transaction contemplated under the Potential Acquisition and had abstained from voting on the relevant resolution of the Board. Save for the Directors mentioned above, none of the other Directors had any material interests in the Potential Acquisition and was required to abstain from voting on the Board resolution approving the same.

## POTENTIAL ACQUISITION

SDG Mining (Laizhou) intended to acquire 80% equity interests and 100% creditor's rights of the Target Company from Shandong Yiyang on SPREC by way of participation in a public tender process at a total consideration of not more than approximately RMB194.1 million.

- Parties:
- (i) SDG Mining (Laizhou); and
  - (ii) Shandong Yiyang.
- Subject matters:
- (a) 80% equity interests of the Target Company held by Shandong Yiyang; and
  - (b) Creditor's rights of the Target Company in the amount of RMB195,111,000 held by Shandong Yiyang.

According to Shandong Yiyang, the equity interest of the Target Company 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.

- Consideration and its basis:
- The Target Company was evaluated by Shandong Zheng Yuan He Xin Asset Appraisal Co., Ltd.\* (山東正源和信資產評估有限公司), an asset appraisal agency qualified for securities and futures business, with 4 November 2021 as the base date. Among them, the appraised value of 80% equity interest of the Target Company is RMB9,248,900, and the appraised value of 100% creditor's rights of the Target Company held by Shandong Yiyang is RMB195.111 million. Shandong Yiyang adjusted the base price of the bidding by 5% downwards (i.e. the price of 80% equity interests of the Target Company is RMB8,786,400, and the price of 100% creditor's rights of the Target Company held by Shandong Yiyang is RMB185.3555 million) after failure of its first tender based on the above-mentioned appraised values taken as the basic price. SDG Mining (Laizhou) intends to acquire the above at a total base price of RMB194.1419 million through the successful bidding.

The final consideration will depend on negotiation with Shandong Yiyang regarding any potential adjustments to be made taking into account the changes in profit or loss and financial position of the Target Company between the valuation date and the completion date. The consideration of the Potential Acquisition is expected to be settled by the self-financed fund of SDG Mining (Laizhou).

Payment terms: The consideration shall be payable in full within 5 working days upon signing the Property Rights Transaction Contract (產權交易合同).

As at the date of this announcement, no binding sale and purchase agreement has been entered into between SDG Mining (Laizhou) and Shandong Yiyang in relation to the Potential Acquisition. Upon successful bidding by SDG Mining (Laizhou) in the public tender process, SDG Mining (Laizhou) will enter into the Property Rights Transaction Contract with Shandong Yiyang within three working days.

## **INFORMATION OF THE RELEVANT PARTIES**

### **SDG Mining (Laizhou)**

SDG Mining (Laizhou) is a subsidiary of the Company 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.

### **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.

## **Shandong Yiyang**

Shandong Yiyang a limited liability company established in the PRC on 12 July 1994 which is wholly owned by Shandong Yiyang Health Industry Development Group Co., Ltd. (山東頤養健康產業發展集團有限公司) (“**Yiyang Health Industry**”) as at the date of this announcement. It is principally engaged 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. Yiyang Health Industry is owned as to approximately 36.4% by SDG Group Co.. No other shareholders of Yiyang Health Industry own more than 30% of Yiyang Health Industry. Yiyang Health Industry is 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.

## **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 45.58% of the Company’s issued share capital.

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a limited liability company established in the PRC on 4 November 2021 with a registered capital of RMB10 million. It is principally engaged in the provision of ecological restoration and protection services, leisure and sightseeing activities, information consulting services (excluding permitted information consulting services), solid waste treatment and conference and exhibition services. As at the date of this announcement, the Target Company is owned as to 80% by Shandong Yiyang and 20% by Laizhou Gold Coast Business Co., Ltd.\* (萊州市金海岸商貿有限公司).

The Target Company recorded no revenue and net loss of approximately RMB1.4 million for the year ended 31 December 2021. The unaudited net asset value of the Target Company as at 31 October 2022 was approximately RMB7.2 million.

## **Valuation of the Target Company**

According to the valuation report, the asset-based approach was used in the valuation. As at 4 November 2021, the book value of total assets of the Target Company was RMB20,511,100, the book value of total liabilities of the Target Company was RMB19,511,100 and the net asset value of the Target Company was RMB10,000,000.

Upon adoption of the asset-based approach, the appraised value of total assets of the Target Company was RMB20,677,210, the appraised value of total liabilities of the Target Company was RMB19,511,100 and the appraised net asset value of the Target Company was RMB11,561,100, representing an increase of RMB1,561,100 in value as compared with the book value adjusted by valuation, with an appreciation rate of 15.6%. As a result, the appraised value of 80% equity interests and 100% creditor's rights in the Target Company was RMB9,248,900 and RMB19,511,100, respectively.

## **REASONS FOR AND BENEFITS OF THE POTENTIAL ACQUISITION**

The Target Company mainly includes an industrial land of the 8,000-ton concentrator in the Xinli mining area of Sanshandao Gold Mine, the Shandong Gold Natural Museum, the coastal ecological restoration project, and the tailings ecological management demonstration area: 1. The industrial land of the Xinli mining area of Sanshandao Gold Mine refers to the land currently leased by Sanshandao Gold Mine from the Target Company for the construction of the 8,000-ton concentrator in the Xinli mining area. 2. The Shandong Gold Natural Museum and coastal ecological restoration project are important components of Shandong Gold's building of a "world-class demonstration mine", focusing on displaying Shandong Gold's corporate culture, the image and achievements of its mines; Sanshandao Gold Mine laid several tailings and drainage pipelines in the area of coastal ecological restoration project. 3. Demonstration of tailings ecological management refers to the use of the No. 1 tailings pond of Sanshandao Gold Mine of Shandong Gold, to transform it into a demonstration benchmark for tailings ecological management through reshaping, soil covering, and greening, enabling it to become a demonstration unit of environmental education in the whole province.

In order to protect long-term land use rights of the concentrator in the Xinli mining area of Sanshandao Gold Mine, better maintain the tailings and drainage pipelines of Sanshandao Gold Mine in the area of coastal ecological restoration project, demonstrate the achievements of Shandong Gold's green mine construction, and further enhance the brand image of Shandong Gold, SDG Mining (Laizhou) decided to acquire 80% of the equity interests and 100% of the creditor's rights of the Target Company held by Shandong Yiyang. After the completion of this transaction, it will be beneficial for Sanshandao Gold Mine to obtain long-term and stable land use rights for the concentrator, better maintain the tailings and drainage pipelines of Sanshandao Gold Mine in the area of coastal ecological restoration project. At the same time, it will provide strong support for the Company's safety and environmental protection, image display, and resource acquisition, and improve the Company's industrial chain layout, which is in line with the Company's strategy and business development need. After the completion of this transaction, as no new connected transactions will be involved because the continued leasing by Sanshandao Gold Mine of the Target Company's land no longer constitutes a connected transaction, this transaction will help reduce the Company's connected transactions; after the completion of this transaction, there will also be no horizontal competition.

The Directors (including all the independent non-executive Directors) are of the view that the Potential Acquisition is on normal commercial terms or better and is 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, the Target Company is owned as to 80% by Shandong Yiyang, which is in turn indirectly owned as to approximately 36.4% by SDG Group Co.. Accordingly, the Target Company is an associate of SDG Group Co. and a connected person of the Company. Therefore, the Potential Acquisition, if materialized, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios exceeds 0.1% but all are less than 5%, the Potential Acquisition is subject to the reporting and announcement requirements but is exempted from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors, Mr. Li Hang, Mr. Wang Lijun and Ms. Wang Xiaoling, also hold senior management positions in SDG Group Co., are deemed to have material interests in the connected transaction contemplated under the Potential Acquisition and had abstained from voting on the relevant resolution of the Board. Save for the Directors mentioned above, none of the other Directors had any material interests in the Potential Acquisition and was required to abstain from voting on the Board resolution approving the same.

## **DEFINITIONS**

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

|                              |  |
|------------------------------|--|
| “A Share(s)”                 | the domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange;  |
| “Board”                      | the board of Directors;  |
| “Company” or “Shandong Gold” | 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, the H Shares and A shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock Code: 1787) and the Shanghai Stock Exchange (Stock Code: 600547), respectively; |
| “connected person(s)”        | has the meaning ascribed thereto under the Listing Rules;  |
| “controlling shareholder(s)” | has the meaning ascribed thereto under the Listing Rules;  |
| “Director(s)”                | the director(s) of the Company;  |



|                            |  |
|----------------------------|--|
| “Group”                    | the Company and its subsidiaries;  |
| “Hong Kong”                | the Hong Kong Special Administrative Region of the PRC;  |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited;   |
| “H Share(s)”               | the overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange;   |
| “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;   |
| “Potential Acquisition”    | the acquisition of 80% of equity interests and 100% of creditor’s rights of the Target Company by SDG Mining (Laizhou);  |
| “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;  |
| “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); |
| “SDG Mining (Laizhou)”     | Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司), a subsidiary of the Company established in the PRC on 27 May 2003;  |
| “Shandong Yiyang”          | Shandong Yiyang Health Group Real Estate (Group) Co., Ltd. (山東頤養健康集團置業(集團)有限公司), a limited liability company established in the PRC on 12 July 1994 which is wholly owned by Shandong Yiyang Health Industry Development Group Co., Ltd. (山東頤養健康產業發展集團有限公司) as at the date of this announcement;   |
| “Shanghai Stock Exchange”  | Shanghai Stock Exchange (上海證券交易所);   |
| “Shareholder(s)”           | shareholder(s) of the Company;   |

|                  |   |
|------------------|---|
| “SPREC”          | Shandong Property Rights Exchange Center (山東產權交易中心);  |
| “Target Company” | Laizhou Gold Coast Ecology Co., Ltd.* (萊州金岸生態有限公司), a limited liability company established in the PRC on 4 November 2021, which is owned as to 80% by Shandong Yiyang and 20% by Laizhou Gold Coast Business Co., Ltd. (萊州市金海岸商貿有限公司) as at the date of this announcement; and |
| “%”              | per cent.   |

By Order of the Board of  
**Shandong Gold Mining Co., Ltd.**  
**Li Hang**  
*Chairman*

Jinan, the PRC, 16 December 2022

*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 Hang, 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