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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)

**MAJOR TRANSACTION
ACQUISITION OF SHARES IN THE TARGET COMPANY**

THE ACQUISITION

Reference is made to the announcement of the Company dated 11 December 2022 in relation to the entering into the Share Transfer Agreement by the Company for the proposed acquisition of approximately 20.93% of the issued shares in the Target Company.

On 19 January 2023 (after trading hours), the Company entered into the Supplemental Agreement with the Vendors, pursuant to which the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell the Sale Shares, representing approximately 20.93% of the issued shares in the Target Company at the Consideration of RMB12,760,000,000.

HONG KONG LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Acquisition is higher than 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Acquisition, other information as required to be disclosed under the Hong Kong Listing Rules; and (ii) the notice convening the EGM, will be despatched to the Shareholders on or before 28 March 2023 as additional time is required to prepare the relevant information to be included in the circular.

As the Acquisition is subject to the fulfillment of the conditions precedent, the Acquisition may or may not proceed. Shareholders and any potential investors are advised to take caution in dealing in the securities of the Company.

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THE SUPPLEMENTAL AGREEMENT

The principal terms of the Supplemental Agreement are summarised as follows:

- Date: 19 January 2023
- Parties: (1) The Company;
- (2) China Yintai; and
- (3) Mr. Shen

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, each of China Yintai and Mr. Shen is an Independent Third Party.

Asset to be acquired

401,060,950 shares and 180,120,118 shares of the Target Company are held by China Yintai and Mr. Shen, respectively, totalling 581,181,068 shares and representing approximately 20.93% of the issued shares of the Target Company.

As of the date of this announcement, the details of shares in the Target Company held by China Yintai and Mr. Shen and the pledge thereover are as follows:

Transferor	Account opening business hall	Number of shares (share)	The nature of shares	Number of shares pledged	Pledgee	Guarantee amount (RMB)	Term of pledge
China Yintai	GF Securities Beijing Fuchengmen South Street Sales Department	102,831,395	Tradable shares	22,624,000	GF Securities	96,390,000.00	22 July 2022 – 23 May 2023
China Yintai	Zhongtai Securities Jinan Erhuan East Road Sales Department	84,000,000	Tradable shares	44,230,000	Zhongtai Securities	190,000,000.00	29 September 2022 – 29 September 2023
China Yintai	Huatai Securities Beijing Branch Business Department	77,189,888	Tradable shares	52,800,000	Huatai Tou Rong Lian Xiang No. 1 Single Asset Management Plan (華泰投融聯享1號單一資產管理計劃)	218,500,000.00	21 April 2022 – 21 April 2023
China Yintai	CSC Beijing North 4th Ring Road East Securities Sales Department	22,450,000	Tradable shares	17,000,000	CSC Financial	70,000,000.00	27 July 2022 – 27 July 2023
China Yintai	CITIC Securities Beijing Hujialou Securities Sales Department	76,500,000	Tradable shares	53,390,000	CITIC Securities	209,000,000.00	17 January 2022 – 17 January 2023 19 January 2022 – 19 January 2023
China Yintai	Shenwan Hongyuan Securities Shenyang Ningshan Middle Road Sales Department	38,089,667	Tradable shares	–			
Shen Guojun	GF Securities Beijing Lugu Road Sales Department	20,120,118	Tradable shares	–			

Transferor	Account opening business hall	Number of shares (share)	The nature of shares	Number of shares pledged	Pledgee	Guarantee amount (RMB)	Term of pledge
Shen Guojun	Zhongtai Securities Jinan Huizhan West Road Securities Sales Department	86,000,000	Tradable shares	44,400,000	Zhongtai Securities	190,000,000.00	1 December 2022 – 1 December 2023
Shen Guojun	CITIC Securities Beijing East 3rd Ring Road Sales Department	20,000,000	Tradable shares	10,239,900	CITIC Securities	40,640,000.00	17 January 2022 –17 January 2023
Shen Guojun	Guotai Junan Securities Shenzhen Huarong Building Securities Sales Department	54,000,000	Tradable shares	19,300,000	Guotai Junan Securities	100,000,000.00	1 December 2022 – 1 December 2023

Consideration

Transfer price

The Company, China Yintai and Mr. Shen have, after further negotiations, agreed that the transfer price of the Sale Shares is approximately RMB21.96 per share.

The total Consideration payable by the Company is RMB12,760,000,000, of which the share transfer price payable to China Yintai is RMB8,805,410,230 and the share transfer price payable to Mr. Shen is RMB3,954,589,770.

Payment

The Consideration of RMB12,760,000,000 shall be payable in cash by the Company in five instalments to the Vendors in the following manners:

- (i) RMB3,828,000,000, including earnest money^{Note}, shall be deposited by the Company into the Escrow Account of both parties, and the payment shall be specially used for the purpose of the settlement of creditors' rights secured by the share pledge of the Target Company and the settlement of the financing debts of China Yintai to GF Securities arising from its margin financing and securities lending with GF Securities, and out of which 20% of the Consideration shall be used as deposit, within five (5) working days after the approval by the competent state-owned assets supervision and administration authorities relevant to the Company and the signing of the Supplemental Agreement. If there is still any remaining amount in the Escrow Account after the completion of the release of pledge registration with China Securities Depository and Clearing Corporation Limited, the Company agreed to cooperate with the arrangement of transfer of the remaining amount in the Escrow Account to the bank account(s) designated by the Vendors within the next one (1) working day after receiving written notice from the Vendors;
- (ii) RMB2,552,000,000 shall be paid by the Company directly to the bank account(s) designated by the Vendors within five (5) working days after all provisions contained in the Share Transfer Agreement and the Supplemental Agreement having become effective, the Vendors having completed the pledge over all the Sale Shares to the Company, and the completion of procedures for registration with China Securities Depository and Clearing Corporation Limited of the pledge;
- (iii) RMB5,104,000,000 shall be paid by the Company to the bank account(s) designated by the Vendors within five (5) working days after the completion of registration of the transfer of Sale Shares;
- (iv) RMB1,076,000,000 shall be paid by the Company to the bank account(s) designated by the Vendors within five (5) working days after the completion of change in board and supervisory committee composition of the Target Company pursuant to the Share Transfer Agreement, and the transfer of materials such as important licenses of the Target Company to the Company pursuant to the Supplemental Agreement; and
- (v) RMB200,000,000 shall be paid by the Company to the bank account(s) designated by the Vendors within five (5) working days after six months after the completion of change in board and supervisory committee composition of the Target Company pursuant to the Share Transfer Agreement or announcement of the 2023 interim report of the Target Company, whichever is earlier.

The Consideration will be funded by the self-raised funds and internal funds of the Company.

Note: As of the signing date of the Supplemental Agreement, the Company has paid the earnest money of RMB1 billion to the Escrow Account. The earnest money will be converted into a part of the consideration for the first instalment after the approval by the competent state-owned assets supervision and administration authorities relevant to the Company.

Evaluation and pricing of the transaction

(I) Pricing and Basis thereof

The Consideration is based on the share trading price of Yintai Gold, and based on the Company's due diligence on Yintai Gold, after having fully considered Yintai Gold's resource reserves, production and operation conditions, prospecting prospects, and transaction of control rights and other factors. After full negotiation between both parties to the transaction, the final pricing is RMB12,760,000,000.

(II) Reasonability Analysis on Pricing

The Transaction does not involve connected transactions, and the transaction price is finally determined by both parties to the transaction who are independent to and not related with each other through repeated negotiations in an environment of fair market competition. The pricing method of the Transaction is in line with the principle of fairness and reasonableness.

The Consideration for the Transaction is RMB12,760,000,000, which represents a premium rate of approximately 48% over the average share trading price of Yintai Gold for the previous 20 days up to 2 December 2022, the day before the announcement on suspension of trading of Yintai Gold. Such premium level includes the premium of control rights, and the premium paid after considering Yintai Gold's resource reserves, development prospects and potential future synergies. The pricing of the Transaction is reasonable, specific analysis of which is as follows:

(1) Abundant mineral resource reserves of the Target Company

Yintai Gold's metal mines are all large-scale and high-grade mines. As at the end of 2021, the total resources of Yintai Gold in aggregate, including surface depositories, amounted to 101,941,700 tonnes of ore, 170.452 tonnes of gold metal, 7,154.06 tonnes of silver metal, 1,076,400 tonnes of lead + zinc metals, 63,500 tonnes of copper metal and 18,200 tonnes of tin metal (certain of the above reserves have not yet been reviewed). After full on-site due diligence, Shandong Gold believes that Yintai Gold's existing mine surroundings and deep areas have great prospecting prospects, and will further increase resource reserves in the future. The Transaction would help Shandong Gold expand its layout in the gold industry and further improve its resource reserves and operating efficiency.

(2) Acquiring control over the Target Company

Upon completion of the Transaction, Shandong Gold will become the controlling shareholder of Yintai Gold. This would help the both listed companies complement each other's strengths, play a synergistic effect, promote the overall improvement of the listed companies' development quality, and open up a new space for Shandong Gold's quality development. Through the Acquisition, Shandong Gold will strengthen industrial synergy with Yintai Gold, expand Shandong Gold's asset scale, optimize its capital structure, and enhance its comprehensive ranking and market influence in the market. The Transaction is of great significance for Shandong Gold to realize the "dually-driven model" development of resource and capital and promote the quality development.

(3) Strategic synergy

Shandong Gold, in line with the concept of "resource priority", continues to build core competitive advantages and increase resource reserves, by means of continuous enhanced efforts on exploration internally, and active resource mergers and acquisitions externally. Gold mines of Heihe Yintai (黑河銀泰), Jilin Banmiaozi (吉林板廟子) and Yunnan Huasheng (雲南華盛) of Yintai Gold are located in Heilongjiang, Jilin and Yunnan, respectively; these three provinces are rich in gold and non-ferrous metal resources. Through this merger and acquisition, Shandong Gold can realize the strategic layout of resources in the southwest and northeast regions from scratch and from a point to an area. By building new development bases for gold and non-ferrous metal mineral resources, Shandong Gold will greatly improve the competitiveness of major mineralization areas outside Shandong Province, enhance the capability against risks, and bring a stronger strategic synergy.

(4) Broad prospects for development

According to the China Gold Association, Yintai Gold ranks top ten among the listed gold enterprises in China in terms of gold mine production volume, indicating a strong market influence. The Acquisition will give full play to the core function of Shandong Gold as a capital operation platform to further build up the gold industry cluster in Shandong Province, and strengthen and expand the gold enterprises under Shandong Province. The Acquisition will further enhance the scale of Shandong Gold's principal business, improve the capacities of resource acquisition, management and operation, and accelerate the realization of the strategic goal to become a world-class gold mining enterprise.

(III) Goodwill Expected to Be Formed in the Transaction and Warning of Future Impairment Risks

Upon the Company's acquisition of approximately 20.93% equity interest of Yintai Gold, a large amount of goodwill may be formed in the Company's consolidated balance sheet, but it can only be determined after the evaluation of consideration allocation in accordance with the Accounting Standards for Business Enterprises. The goodwill formed in the Transaction will not be amortized and will be subject to impairment testing at the end of each year in the future.

If Yintai Gold does not operate well in the future, the Company will be exposed to the risk of goodwill impairment, which would adversely affect the Company's current profit or loss. As Yintai Gold operates in the precious and non-ferrous metals mining industry and the metal trading industry, its business performance is greatly affected by the price fluctuations of precious and non-ferrous metals. In the future, Yintai Gold will adhere to the development strategy of focusing on precious metals and simultaneously developing high-quality non-ferrous metals. In the medium and long term, the prices of precious and non-ferrous metals will be affected by domestic macroeconomic trends, which will further increase the uncertainty of Yintai Gold's future operating performance. After the Transaction, full attention should be paid to the potential risk of goodwill impairment.

Effectiveness of the Terms of the Agreements

The terms of the Share Transfer Agreement in relation to "The consideration percentage for the first instalment and the Vendors' internal distribution of the consideration and other payments for the equity transfer price", "No Solicitation or Negotiation", "Confidentiality", "Effectiveness" and "Other Terms" shall become effective upon signing, provided that the other terms of the Share Transfer Agreement shall become effective upon signing by the parties and subject to the satisfaction of the following conditions precedent:

- (a) approval by the general meeting of the Company, and approval by the Hong Kong Stock Exchange; and
- (b) approval by the competent state-owned assets supervision and administration authorities relevant to the Company.

The terms of the Supplemental Agreement in relation to "General Plan of the Transaction", "Payment of the Share Transfer Price for the First Instalment", "No Solicitation or Negotiation", "Effectiveness" and "Other Terms" shall become effective upon signing, provided that the other terms of the Supplemental Agreement shall become effective together with the Share Transfer Agreement upon signing by the parties and subject to the satisfaction of all the effective conditions set forth above in the Share Transfer Agreement.

Both parties shall be entitled to inform the other party to terminate the Share Transfer Agreement and the Supplemental Agreement without any responsibility of default, and the Vendors shall cooperate to release the joint supervision of the Escrow Account within five (5) working days and return to the Company the Consideration paid within ninety (90) days upon termination of the Share Transfer Agreement and the Supplemental Agreement, in the event that (i) the Acquisition has not been approved by the Hong Kong Stock Exchange, and/or the Acquisition has not been approved by the competent state-owned assets supervision and administration authorities relevant to the Company; and/or (ii) the State Administration of Market Regulation has not approved or has forbidden the concentration of operators involved in the Acquisition or the conditions attached to the Acquisition in case of conditional approval will cause the failure of the Acquisition to achieve its contractual purpose.

Completion

China Yintai and Mr. Shen shall, upon all the terms of the Share Transfer Agreement and the Supplemental Agreement taking effect, and the following conditions being proven to be satisfied:

- (i) all of the Sale Shares have been released from pledge, and there is no restriction on transfer (except for the shares pledged by the Vendors to the Company in accordance with the Share Transfer Agreement and the Supplemental Agreement);
- (ii) the State Administration for Market Regulation has issued a decision or consent document on the anti-monopoly review of the concentration of operators not to implement further review or not to prohibit the concentration of operators involved in the Transaction;
- (iii) the Company has paid RMB2,552,000,000 as the second instalment pursuant to the Supplemental Agreement; and
- (iv) the documents and materials submitted to the Shenzhen Stock Exchange have been prepared,

submit compliance confirmation application documents to the Shenzhen Stock Exchange for the Transaction within three (3) working days, and then report to the Shenzhen Stock Exchange for consent and approval in respect of the Transaction. The Company shall promptly cooperate with China Yintai and Mr. Shen in submitting relevant application documents (including but not limited to the provision of relevant documents upon request of the Shenzhen Stock Exchange in respect of the issuance of documents agreeing to the transfer of the Sale Shares pledged by China Yintai and Mr. Shen to the Company in accordance with the Share Transfer Agreement and the Supplemental Agreement).

Within five (5) working days from the day following the date of obtaining the compliance confirmation opinion of the Shenzhen Stock Exchange, China Yintai and Mr. Shen shall facilitate China Securities Depository and Clearing Corporation Limited to transfer and register all the Sale Shares to the Company's A-share securities account, for which the Company shall provide reasonable and necessary assistance and cooperation in a timely manner. Completion of the Acquisition shall take place upon transfer and registration of all of the Sale Shares by China Securities Depository and Clearing Corporation Limited to the Company's A-share securities account. Upon completion of the registration of the transfer, the Company shall acquire and enjoy all shareholders' rights of the Sale Shares.

Upon completion of the Acquisition, the Company will hold approximately 20.93% of the issued shares of the Target Company and become its controlling shareholder. The financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

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.

China Yintai

China Yintai is a limited liability company established in the PRC, which is principally engaged in custody, restructuring and operation of asset; investment, development and operation of agriculture, forestry, animal husbandry and fishery; investment, development and operation of high-tech industries; development and sale of hygiene products and labour protective products; investment and operation of commercial department store retail. As at the date of this announcement, China Yintai is indirectly held as to 92.5% by Mr. Shen.

Mr. Shen

Mr. Shen Guojun (沈國軍) is the ultimate beneficial owner of China Yintai and an Independent Third Party.

INFORMATION OF THE TARGET COMPANY

The Target Company is a joint stock company established in the PRC with limited liability and listed on the Shenzhen Stock Exchange (stock code: 000975). It is principally engaged in precious metal and non-ferrous metal mining and processing and trading of metal. As at the date of this announcement, the Target Company is owned as to 14.44% by China Yintai, which is ultimately owned by Mr. Shen, and 6.49% by Mr. Shen.

The unaudited net profit (before and after taxation) for the nine months ended 30 September 2022 and the audited consolidated net profit (before and after taxation) for the financial years ended 31 December 2020 and 2021 of the Target Company prepared under the China Accounting Standards for Business Enterprises are set out below:

	For the period ended 30 September 2022 (unaudited) RMB	For the year ended 31 December	
		2021 (audited) RMB	2020 (audited) RMB
Net profit before taxation	1,315,848,300.23	1,844,617,072.24	1,761,071,642.21
Net profit after taxation	1,021,926,137.26	1,421,709,251.71	1,366,117,676.21

The unaudited consolidated net asset of the Target Company as at 30 September 2022 amounted to approximately RMB12.55 billion.

REASONS FOR AND BENEFITS OF THE ACQUISITION

(I) Continued improvement in industry competitiveness and brand influence

At present, in the context of “concentration at the top level” in the global gold market, high-quality gold resources are further gathered to leading companies in the industry. In recent years, along with further integration and merger by international gold conglomerates, domestic gold companies have also been increasing the pace of resource integration, merger and reorganization. Upon completion of the merger and acquisition, Shandong Gold and Yintai Gold, which are in the first echelon of China’s gold industry, have forged alliance to further strengthen Shandong Gold’s leading position in the domestic gold industry from various perspectives, such as asset scale, gold reserves and economic benefits, and effectively enhance Shandong Gold’s brand influence and industry reputation in the international gold market.

(II) Further increase in resource reserves

As at the end of 2021, the total resources of Yintai Gold in aggregate, including surface depositories, amounted to 101,941,700 tonnes of ore, 170.452 tonnes of gold metal, 7,154.06 tonnes of silver metal, 1,076,400 tonnes of lead + zinc metal, 63,500 tonnes of copper metal and 18,200 tonnes of tin metal (certain of the above reserves have not yet been reviewed). As at 30 June 2022, the five mining subsidiaries of Yintai Gold had a total of 15 exploration rights, with an exploration area of 159.63 square kilometers. Its main mines have advantageous conditions of large mining areas for producing non-ferrous metals and precious metals such as silver, copper, lead, zinc and gold, with great potential for prospection and very broad prospects for exploration. The Transaction can effectively leverage on the potential of Yintai Gold for exploration to increase reserves, further enhance Shandong Gold’s resource reserves, improve its ability of resource acquisition, expand the assets scale of Shandong Gold and accelerate the realization of the strategic goal to become a world-class gold mining enterprise.

(III) Significant increase in both gold production and non-ferrous metal production

From 2019 to 2021, the production from non-ferrous metal mining and beneficiation segment of Yintai Gold was 17,860.31 tonnes, 21,416.72 tonnes and 24,154.24 tonnes respectively, of which the production of alloyed gold was 6.10 tonnes, 6.11 tonnes and 7.21 tonnes respectively, representing a significant increase in both gold production and non-ferrous metal production. Yintai Gold is also a mining enterprise with high gross profit margin among gold mines in China. The Transaction would significantly increase the Company's gold and non-ferrous metal production, and through effectively leveraging the potential of Yintai Gold to expand production and increase reserves, further push the concentration of domestic gold resources to leading enterprises through alliance between giants, expand the industrial economies of scale and better transform the resource advantage into economic advantage.

(IV) Further strengthening of the capacity of industrial and regional synergies

Qinghai Dachaidan Gold Mine (青海大柴旦金礦) of Yintai Gold is located in Haixi Prefecture, Qinghai, which enables it to form regional synergy with the mines, smelters and geological exploration entities of SDG Group Co., the controlling shareholder of Shandong Gold, in Qinghai and realizes complementary advantages. The alloyed gold produced by Yintai Gold can be smelted at the smelter of Qinghai Kunlun Gold Co., Ltd. (青海昆侖黃金有限公司) under SDG Group Co. nearby, realising synergy between gold production and smelting industries. Yulong Mining Company (玉龍礦業公司), a subsidiary of Yintai Gold, is located in West Ujimqin Banner, Inner Mongolia, in the proximity of XilinGol League Aerhada Mining Co., Ltd. (錫林郭勒盟阿爾哈達礦業有限公司), XilinGol League Baiyin Hubu Mining Co., Ltd. (錫林郭勒盟白音呼布礦業有限公司), Chifeng Shanjin Hongling Non-ferrous Mining Co., Ltd. (赤峰山金紅嶺有色礦業有限責任公司) and Chifeng Shanjin Gold Silver Lead Co., Ltd. (赤峰山金銀鉛有限公司) of SDG Group Co., which would realize the synergistic development of the regional lead-zinc-silver industry and build a non-ferrous mining base in Inner Mongolia. The lead concentrate (containing silver) and zinc concentrate (containing silver) produced by Yintai Gold can be smelted in the nearby smelter of Chifeng Shanjin Gold Silver Lead Company under SDG Group Co., reducing smelting costs and metal losses. In addition, Yintai Shenghong (銀泰盛鴻), the supply chain management company of Yintai Gold, is located in Shanghai, which would complement the advantages of Shandong Gold Trading Centre (山東黃金交易中心), SD Gold Capital Management Co., Ltd. (山金金控資本管理有限公司) of Shandong Gold, and the trading company under SDG Group Co. to form regional synergy. The Transaction will strengthen the industrial and regional synergies between Shandong Gold and Yintai Gold, expand Shandong Gold's asset scale, profitability and gold resource reserves, and enhance its comprehensive ranking and market influence in the market.

Impact of the Transaction on Yintai Gold's Horizontal Competition

According to relevant standards of the Guidelines for the Industry Classification of Listed Companies (《上市公司行業分類指引》) of the China Securities Regulatory Commission, the Company and Yintai Gold belong to the non-ferrous metal mining and processing industry. As at the date of this announcement, major products of the Company are standard gold ingots and investment gold bars of various specifications, while major products of Yintai Gold are alloy gold (including silver), silver-containing lead concentrate and zinc concentrate. Yintai Gold's alloy gold products need to be further refined before they can become standard gold. Yintai Gold's alloy gold products are essentially the upstream products of standard gold produced by the Company. The major products of the Company are quite different from those of Yintai Gold. In terms of sales model, the major customer of the Company is the Shanghai Gold Exchange, while those of Yintai Gold are downstream gold smelters. There are large differences in major customers as both customers are at different industrial chain links. In terms of resources of mineral rights, according to the mining rights and exploration rights currently held, the areas involved in the mineral rights of the Company and Yintai Gold are all independent mines, and there is no cross coverage. The Transaction is not expected to have a material adverse impact on the production and operation of Yintai Gold.

In order to solve and avoid horizontal competition or potential horizontal competition between both parties, the Company undertakes as follows:

1. After the completion of the Acquisition, the Company and its related parties will have horizontal competition or potential horizontal competition with Yintai Gold. According to the requirements of current laws and regulations and relevant policies, the Company will, within five years from the date when the Company obtains the control of Yintai Gold, pursuant to the requirements of relevant securities regulatory authorities, and subject to the applicable laws and regulations and relevant regulatory rules then prevailing, actively coordinate the Company and its related parties to comprehensively use various methods, including but not limited to asset reorganization, business adjustment and entrusted management, and steadily promote the integration of related to solve the horizontal competition or potential horizontal competition problems.

The aforementioned solutions include but not limited to:

- (1) Asset reorganization: Through assets purchase, asset replacement, asset transfer or other feasible reorganization methods in different ways permitted by relevant laws and regulations such as cash consideration or issuance of shares consideration, gradually sort out and reorganize the assets of the Company, related parties and Yintai Gold that have business overlaps to eliminate certain business overlap cases;
- (2) Business adjustment: Sort out business boundaries and do its best to achieve differentiated operations, such as realizing business differentiation through asset transaction, business delineation, etc., including but not limited to differentiation in non-ferrous and precious metal products, types of mineral rights, industry classification, geographical location and other aspects;

- (3) Entrusted management: By signing an entrustment agreement, one party entrusts the other party with full authority to manage the decision-making and management rights involved in the operation of certain related assets that have business overlaps;
 - (4) Other feasible solutions within the scope permitted by laws, regulations and relevant policies. The implementation of the above solutions is subject to the fulfillment of necessary review procedures of Yintai Gold and approval procedures of the securities regulatory authorities and relevant competent authorities in accordance with relevant laws and regulations.
2. In addition to the above, when the Company and related parties acquire business opportunities that may compete with Yintai Gold's business, the Company will maintain Yintai Gold's independent participation in market competition and support Yintai Gold to play its inherent advantages. The Company undertakes to continue to participate in market competition independently with Yintai Gold based on the principles of openness, fairness and justice, and will not harm the interests of Yintai Gold and its minority shareholders;
3. The Company warrants to strictly abide by the laws and regulations as well as Yintai Gold's articles of association and relevant management rules, and not to seek illegitimate interests by taking advantage of its control over Yintai Gold, thereby harming the rights and interests of other minority shareholders of Yintai Gold;
4. The Company has the ability to fulfill and will strictly fulfill the above undertakings. There is no major performance risk, and the performance of the above undertakings will not cause losses to the listed company and its relevant shareholders;
5. The above undertakings are irrevocable, and they will continue to be valid during the period when the Company has control over Yintai Gold. In the event of a violation of the above undertakings which causes a damage to the rights and interests of Yintai Gold, the Company is willing to bear the corresponding liability for damages.

In addition, SDG Group Co., the controlling shareholder of the Company, and some other enterprises controlled by it have certain overlaps with some businesses of Yintai Gold, and there are cases of horizontal competition or potential horizontal competition with Yintai Gold. After the Company obtains control of Yintai Gold, and subject to maintaining the stability of Yintai Gold's existing production and operation business, SDG Group Co. plans to inject its high-quality non-ferrous metal sector assets into Yintai Gold provided that the asset quality meets relevant regulations of the China Securities Regulatory Commission. SDG Group Co. will regulate the horizontal competition and potential horizontal competition with Yintai Gold in the non-ferrous metal business, which in turn would provide support for the development of Yintai Gold. In order to actively avoid the horizontal competition and potential horizontal competition between SDG Group Co. and its related parties and Yintai Gold, SDG Group Co. has made the following undertakings:

1. After the completion of the Acquisition, in respect of the horizontal competition and potential horizontal competition between the SDG Group and its related parties and Yintai Gold, according to the requirements of current laws and regulations and relevant

policies, the SDG Group will, within five years from the date when Shandong Gold obtains the control of Yintai Gold, pursuant to the requirements of relevant securities regulatory authorities, and subject to the applicable laws and regulations and relevant regulatory rules then prevailing, actively coordinate the SDG Group and its related parties to comprehensively use various methods, including but not limited to asset reorganization, business adjustment and entrusted management, in the principle of benefiting the development of Yintai Gold and safeguarding the interests of its shareholders, especially the interests of its minority shareholders, and steadily promote the integration of related businesses to solve the existing horizontal competition and potential horizontal competition problems.

The aforementioned solutions include but not limited to:

- (1) Asset reorganization: Through assets purchase, asset replacement, asset transfer or other feasible reorganization methods in different ways permitted by relevant laws and regulations such as cash consideration or issuance of shares consideration, gradually inject the high-quality related business segments of the SDG Group that constitute horizontal competition and potential horizontal competition into the listed company subject to relevant regulations of the China Securities Regulatory Commission, and sort out and reorganize the assets of the SDG Group, related parties and Yintai Gold that have business overlaps to eliminate certain business overlap cases;
 - (2) Business adjustment: Sort out business boundaries and do its best to achieve differentiated operations, such as realizing business differentiation through asset transaction, business delineation, etc., including but not limited to differentiation in non-ferrous and precious metal products, types of mineral rights, industry classification, geographical location and other aspects;
 - (3) Entrusted management: By signing an entrustment agreement, one party entrusts the other party with full authority to manage the decision-making and management rights involved in the operation of certain related assets that have business overlaps;
 - (4) Other feasible solutions within the scope permitted by laws, regulations and relevant policies. The implementation of the above solutions is subject to the fulfillment of necessary review procedures of Yintai Gold and approval procedures of the securities regulatory authorities and relevant competent authorities in accordance with relevant laws and regulations.
2. In addition to the above, when the SDG Group and related parties acquire business opportunities that may compete with Yintai Gold's business, the SDG Group will maintain Yintai Gold's independent participation in market competition and support Yintai Gold to play its inherent advantages. The SDG Group undertakes to continue to participate in market competition independently with Yintai Gold based on the principles of openness, fairness and justice, and will not harm the interests of Yintai Gold and its minority shareholders;

3. The SDG Group warrants to strictly abide by the laws and regulations as well as Yintai Gold's articles of association and relevant management rules, and not to seek illegitimate interests by taking advantage of its control over Yintai Gold, thereby harming the rights and interests of other minority shareholders of Yintai Gold;
4. The SDG Group will guide and supervise its subsidiaries to avoid horizontal competition with Yintai Gold, give priority to guaranteeing business acquisition opportunities of the listed company, and safeguard the legitimate interests of the listed company and minority shareholders;
5. The SDG Group has the ability to fulfill and will strictly fulfill the above undertakings. There is no major performance risk, and the performance of the above undertakings will not cause losses to the listed company and its relevant shareholders;
6. The above undertakings are irrevocable, and they will continue to be valid during the period when the SDG Group is the controlling shareholder of Shandong Gold and Shandong Gold has the control of Yintai Gold. In the event of a violation of the above undertakings which causes a damage to the rights and interests of Yintai Gold, the SDG Group is willing to bear the corresponding liability for damages.

Impact of the Transaction on Yintai Gold's Related Party Transactions

During the period when the Company is the controlling shareholder of Yintai Gold, the Company undertakes as follows in order to regulate the potential related party transactions in the future:

- (1) After the completion of the Transaction, the Company and its subsidiaries will not take advantage of their shareholder status and significant influence on Yintai Gold to seek from Yintai Gold and its subsidiaries to give the Company and its subsidiaries the right superiority over third parties in the market in terms of business cooperation and other aspects. The Company and its subsidiaries will not take advantage of their shareholder status and significant influence on Yintai Gold to seek the priority right to enter into transactions with Yintai Gold and its subsidiaries.
- (2) The Company and its subsidiaries are prevented from illegally occupying the funds and assets of Yintai Gold and its subsidiaries, and under no circumstances shall Yintai Gold and its subsidiaries be required to provide the Company and its subsidiaries with guarantee of any kind in violation of regulations.
- (3) After the completion of the Transaction, the Company and its subsidiaries will perform their obligations as shareholders of Yintai Gold in integrity and good faith, and try to avoid unreasonable related party transactions with Yintai Gold (including companies controlled by it). For related party transactions that cannot be avoided or exist for reasonable reasons, a standardized related party transaction agreement shall be signed with Yintai Gold in accordance with the law, and approval procedures shall be performed in accordance with relevant laws, regulations, rules, other regulatory documents and the articles of association of Yintai Gold. The price of related party transactions shall be determined based on the price of identical or similar transactions with an independent

third party without connected relationship, so as to ensure the fairness of the price of such related party transactions. It warrants that the information disclosure obligation of related party transactions will be performed in accordance with relevant laws, regulations and the articles of association of Yintai Gold. It warrants not to take advantage of related party transactions to illegally transfer funds or profits of the listed company, or damage the interests of the listed company and non-connected shareholders.

- (4) After the completion of the Transaction, the Company and its subsidiaries undertake to perform the obligation of abstaining from voting on such related party transactions involving the Company and its subsidiaries at the general meeting of Yintai Gold.
- (5) After the completion of the Transaction, the Company and its subsidiaries warrant to attend the general meeting in accordance with Yintai Gold's articles of association, equally exercise shareholder's rights and undertake shareholder's obligations, and not to use their shareholder status to seek illegitimate interests and damage the legitimate rights and interests of Yintai Gold and other shareholders.
- (6) After the completion of the Transaction, unless the Company is no longer a shareholder of Yintai Gold, the above undertakings will always be valid. In the event of a violation of the above undertakings which causes losses to Yintai Gold and other shareholders, all losses shall be borne by the party that violates the undertakings.

Impact of the Transaction on the Independence of Yintai Gold

During the period when the Company is the controlling shareholder of Yintai Gold, the Company will ensure that it is independent from Yintai Gold in terms of personnel, assets, finance, organization and business. The specific undertakings are as follows:

- (1) The Company warrants to keep separate from Yintai Gold in terms of assets, personnel, finance, organization and business, and strictly abides by relevant regulations of the China Securities Regulatory Commission on the independence of listed companies. The Company will not ride on its controlling position to violate standardized operating procedures of Yintai Gold, interfere with its business decisions and damage the legitimate rights and interests of Yintai Gold and other shareholders. The Company and other subsidiaries under its control warrant not to occupy the funds of Yintai Gold and its controlled subsidiaries in any way;
- (2) The above undertakings will continue to be valid during the period when the Company has control over Yintai Gold. If the Company fails to fulfill the above undertakings and causes losses to Yintai Gold accordingly, the Company will bear the corresponding liability for compensation.

In view of the above, the Directors are of the view that the terms of the Acquisition are on normal commercial terms and fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

HONG KONG LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Acquisition is higher than 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Acquisition, other information as required to be disclosed under the Hong Kong Listing Rules; and (ii) the notice convening the EGM, will be despatched to the Shareholders on or before 28 March 2023 as additional time is required to prepare the relevant information to be included in the circular.

As the Acquisition is subject to the fulfillment of the conditions precedent, the Acquisition may or may not proceed. Shareholders and any potential investors are advised to take caution in dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition” or “Transaction”	the acquisition of the Sale Shares by the Company from the Vendors, as contemplated under the Share Transfer Agreement and the Supplemental Agreement;
“Board”	the board of Directors;
“China Yintai”	China Yintai Holdings Co., Ltd. (中國銀泰投資有限公司), a limited liability company established in the PRC on 18 June 1985 and is indirectly owned as to 92.5% by Mr. Shen;
“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;
“Consideration”	the consideration of RMB12,760,000,000 payable by the Company to the Vendors in relation to the Acquisition;

“controlling shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Acquisition and the transactions contemplated thereunder;
“Escrow Account”	the escrow account opened, maintained and operated in accordance with the escrow agreement entered into among China Yintai, the Company and Bank of China, and the account is opened in the name of the Company;
“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 Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time;
“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;
“Independent Third Party(ies)”	the third party(ies) independent of the Company and its connected person(s) (as defined in the Hong Kong Listing Rules);
“Mr. Shen”	Mr. Shen Guojun (沈國軍), the ultimate beneficial owner of China Yintai and an Independent Third Party;
“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;
“Sale Shares”	an aggregate of 581,181,068 shares of the Target Company, representing approximately 20.93% of its issued shares as at the date of this announcement;
“SDG Group”	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司) and its subsidiaries

“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, approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會);
“Shanghai Stock Exchange”	Shanghai Stock Exchange (上海證券交易所);
“Shareholder(s)”	shareholder(s) of the Company;
“Share Transfer Agreement”	the share transfer agreement entered into between the Company and the Vendors on 11 December 2022 for the Acquisition;
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange (深圳證券交易所);
“Supplemental Agreement”	the agreement supplemental to the Share Transfer Agreement entered into between the Company and the Vendors on 19 January 2023 in relation to the Acquisition;
“Target Company” or “Yintai Gold”	Yintai Gold Co., Ltd. (銀泰黃金股份有限公司), a joint stock company established in the PRC with limited liability on 18 June 1999, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000975);
“Vendors”	China Yintai and Mr. Shen; and
“%”	per cent.

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

Jinan, the PRC, 19 January 2023

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.