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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 ACQUISITION OF TARGET ASSETS

ASSET ACQUISITION

On 24 February 2023 (after trading hours), the Transferor and the Transferee entered into the Asset Transfer Contract, pursuant to which the Transferor has agreed to sell and the Transferee, a wholly-owned subsidiary of the Company, has agreed to purchase the Target Assets held by the Transferor at a total Consideration of RMB115,490,855.67 (exclusive of tax) and RMB130,504,666.91 (inclusive of tax), which was determined based on the appraised value of the Target Assets as at the Valuation Reference Date (i.e. 30 April 2022).

LISTING RULES IMPLICATIONS

The Transferor is a wholly-owned subsidiary of SDG Group Co., which is the controlling Shareholder of the Company, directly and indirectly holding approximately 45.58% of the issued share capital of the Company. Accordingly, the Asset Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest relevant percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the transactions under the Asset Transfer Contract is more than 0.1% but less than 5%, and accordingly, the Asset Transfer Contract is subject to reporting and announcement requirements but exempt from independent Shareholders' approval requirement under the Hong Kong Listing Rules.

ASSET ACQUISITION

On 24 February 2023 (after trading hours), the Transferor and the Transferee entered into the Asset Transfer Contract, pursuant to which the Transferor has agreed to sell and the Transferee, a wholly-owned subsidiary of the Company, has agreed to purchase the Target Assets held by the Transferor at a total Consideration of RMB115,490,855.67 (exclusive of tax) and RMB130,504,666.91 (inclusive of tax), which was determined based on the appraised value of the Target Assets as at the Valuation Reference Date (i.e. 30 April 2022).

The major terms of the Asset Transfer Contract are as follows:

Date	:	24 February 2023
Parties	:	<ol style="list-style-type: none">1. SDG Design and Consultancy Co., Ltd. (as Transferor); and2. SDG Heavy Industry Co., Ltd. (as Transferee).
Consideration and Basis of Determination	:	<p>The total Consideration payable by the Transferee for the purchase of the Target Assets is RMB115,490,855.67 (exclusive of tax) and RMB130,504,666.91 (inclusive of tax), which is determined after arm's length negotiation between both parties based on the total appraised value of the Target Assets of RMB115,490,855.67 as at the Valuation Reference Date (i.e. 30 April 2022), which was appraised by an independent valuer based on the cost method, and such appraised value specifically includes:</p> <ol style="list-style-type: none">1. the appraised value of inventory of RMB105,198,945.67, including:<ol style="list-style-type: none">(i) the appraised value of raw materials of RMB11,726,622.82;(ii) the appraised value of work in progress of RMB92,720,186.05;(iii) the appraised value of finished products of RMB752,136.80; and2. the appraised value of equipment of RMB10,291,910.00.
Payment Method	:	The Transferee shall pay the full Consideration to the Transferor from the date when the Transferor delivers all of the Target Assets to the Transferee until 30 June 2023.

Delivery of the Target Assets : The Transferor shall deliver all of the Target Assets to the Transferee before 10 March 2023.

Effectiveness of the Contract : The Asset Transfer Contract shall become effective after it is signed and sealed by both parties.

INFORMATION OF THE TARGET ASSETS

The Target Assets under the Asset Transfer Contract are inventory and equipment assets held by the Transferor, including raw materials, work in progress and finished products. The carrying amount of the Target Assets as at the Valuation Reference Date is RMB115,837,527.93, including (i) the carrying amount of raw materials of RMB11,726,622.82; (ii) the carrying amount of work in progress of RMB92,886,550.76; (iii) the carrying amount of finished products of RMB1,058,552.28; and (iv) the carrying amount of equipment of RMB10,165,802.07.

REASONS FOR AND BENEFITS OF THE ASSET ACQUISITION

The Board is of the view that the Asset Acquisition will be conducive to the daily production and operation of the Company, promoting the expansion and strengthening of the manufacturing business segment, making full use of the relevant equipment resources, reducing the procurement costs and improving the efficiency of the use of assets, which is in the interests of the Company and all Shareholders.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Asset Transfer Contract are fair and reasonable, the transactions contemplated under the Asset Transfer Contract are on normal commercial terms in the ordinary course of business of the Company and are in the interests of the Company and all Shareholders as a whole.

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 Asset Acquisition and have abstained from voting on the relevant resolutions proposed to the Board on the Asset Transfer Contract. Save as disclosed above, none of the Directors who attended the Board meeting has a material interest in the Asset Acquisition.

INFORMATION OF THE 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.

Transferee

SDG Heavy Industry Co., Ltd. is a wholly-owned subsidiary of the Company. It was established in the PRC on 15 October 2018 and is principally engaged in the manufacture, processing, sales, installation and commissioning of mining equipment and accessories, mining mechanical and electrical products, repair of mining equipment, mining engineering design, pilot studies, and mining technology development.

Transferor

SDG Design and Consultancy Co., Ltd. is a wholly-owned subsidiary of SDG Group Co., the controlling shareholder of the Company. It was established in the PRC on 8 March 1987 and is principally engaged in the construction engineering design and construction, sales of mining machinery, repair of specialized equipment, lease of machinery equipment and sales of construction machinery. SDG Group Co. is the controlling shareholder of the Company and was established 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. is held as to 70%, 20% and 10% by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government (山東省人民政府國有資產監督管理委員會), Shandong Guohui Group Co. and Shandong Caixin Assets Operation Co., Ltd.* (山東省財欣資產運營有限公司), respectively. Shandong Guohui Group Co. is a limited liability company established in the PRC and is 100% held by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.

LISTING RULES IMPLICATIONS

The Transferor is a wholly-owned subsidiary of SDG Group Co., which is the controlling Shareholder of the Company, directly and indirectly holding approximately 45.58% of the issued share capital of the Company. Accordingly, the Asset Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest relevant percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the transactions under the Asset Transfer Contract is more than 0.1% but less than 5%, and accordingly, the Asset Transfer Contract is subject to reporting and announcement requirements but exempt from independent Shareholders' approval requirement under the Hong Kong Listing Rules.

DEFINITIONS

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

“Asset Acquisition”	the acquisition of the Target Assets under the Asset Transfer Contract
“Asset Transfer Contract”	the asset transfer contract dated 24 February 2023 entered into between SDG Design and SDG Heavy Industry, pursuant to which the Transferee agreed to purchase and the Transferor agreed to sell the Target Assets held by it at a total Consideration of RMB130,504,666.91 (inclusive of tax)
“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, 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 Hong Kong Listing Rules
“connected transaction”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Consideration”	the consideration of RMB130,504,666.91 (inclusive of tax) payable by the Transferee to the Transferor in respect of the Asset Acquisition

“controlling shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 Design” or “Transferor”	SDG Design and Consultancy Co., Ltd.* (山金設計諮詢有限公司), a limited liability company established in the PRC on 8 March 1987 and is a wholly-owned subsidiary of SDG Group Co., the controlling shareholder of the Company
“SDG Group”	Shandong Gold Group Co., Ltd. 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 in July 1996 and directly and indirectly holds approximately 45.58% of the total issued share capital of the Company as at the date of this announcement
“SDG Heavy Industry” or “Transferee”	SDG Heavy Industry Co., Ltd.* (山金重工有限公司), a limited liability company established in the PRC on 15 October 2018 and a wholly-owned subsidiary of the Company
“Shandong Guohui Group”	Shandong Guohui Investment Holding Group Co., Ltd.* (山東國惠投資控股集團有限公司), a limited liability company incorporated in the PRC in January 2016
“Share(s)”	shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising of A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)

“Target Assets”	the Transferor’s inventory, including raw materials, work in progress and finished goods, and equipment assets to be acquired by the Transferee from the Transferor under the Asset Transfer Contract
“Valuation Reference Date”	30 April 2022
“%”	per cent

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

Jinan, the PRC, 24 February 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.

* *For identification purposes only*