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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 TARGET ASSETS**

POTENTIAL ACQUISITION

Penglai Mining intended to acquire the Target Assets from Jinchuang on SPREC by way of participation in a public tender process at a total consideration of not less than RMB465,173,000 and not more than the price approved by the Board.

As at the date of this announcement, no binding sale and purchase agreement has been entered into between Penglai Mining and Jinchuang in relation to the Potential Acquisition. If successful bidding in the public tender process, Penglai Mining will enter into the Asset Transaction Contract with Jinchuang within 5 working days.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Assets are owned by Jinchuang, which is an indirect non-wholly owned subsidiary of SDG Group Co.. 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 holding senior management positions in SDG Group Co., are deemed to have material interests in the connected transaction contemplated under the Potential Acquisition and has abstained from voting on the relevant resolution of the Board. Except 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

Penglai Mining intended to acquire the Target Assets from Jinchuang on SPREC by way of participation in a public tender process at a total consideration of not less than approximately RMB465,173,000 and not more than the price approved by the Board.

If successful bidding in the public tender process, Penglai Mining will enter into the Asset Transaction Contract with Jinchuang within 5 working days. The main terms of the contract are as follows:

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|-----------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Parties | : | 1. Penglai Mining (as transferee); and
2. Jinchuang (as transferor). |
| Target Assets | : | (i) the mining right of the Qigouyifen Mine; (ii) the exploration rights of gold mines at the deep level and outer rim of the Qigouyifen Mine; and (iii) other underlying assets held by Jinchuang (for details, please refer to the section headed “Information on the Target Assets” below). |
| | | Jinchuang stated that the ownership of the Target Assets is clear, and there is no mortgage, pledge and 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 Assets under this transaction were evaluated by Shandong Zhongping Hengxin Asset Appraisal Co., Ltd.* (山東中評恒信資產評估有限公司), an asset appraisal agency qualified for securities and futures business, with 31 January 2023 as the base date. Among them, the appraised value of assets amounted to RMB465,173,000, the liabilities amounted to RMB647,435,900 and net assets amounted to -RMB182,262,900. Jinchuang’s tender was based on the above-mentioned appraised value taken as the basis price. The asset value of the Target Assets is only the appraised value of total assets and does not include the liabilities. |

The base price of Penglai Mining's participation in the bid is the public tender price determined by Jinchuang based on the valuation carried out by the appraisal agency. If there is no other third party to bid, the bid price of Penglai Mining shall be the tender price of RMB465,173,000; if there is a third party to bid, Penglai Mining will determine the final bid price through competitive bidding within the scope of permission approved by the Board of the Company. The transaction of Potential Acquisition is priced in a fair and reasonable manner.

The Company will make an announcement on the bidding of Penglai Mining in due course. If Penglai Mining succeeds in bidding and the final bid price is higher than the tender price of RMB465,173,000, the Company will fulfill the relevant requirements under the Listing Rules (if applicable) based on the final bid price of Penglai Mining.

Payment terms : SPREC shall be responsible for paying the transaction security deposit directly to Jinchuang (the transaction security deposit is RMB140,000,000, which shall be offset against the first installment of the transaction price), and Penglai Mining shall provide legal and effective guarantee for the remaining balance of the transaction price and pay the balance within one year, during which the interest during the deferral period shall be paid based on the interest rates of bank loans for the contractual period.

In addition, the transferee shall bear the value-added tax (tax rate: 6%) on the mining right of the Qigouyifen Mine and the exploration rights of gold mines at the deep level and outer rim of the Qigouyifen Mine in Penglai District, Yantai City, Shandong Province, and shall pay to the transferor's account on the same day as the payment of the first installment of the transaction price. Other taxes and fees related to this transaction shall be borne by both parties.

Delivery : Within 30 working days after the signing of the Asset Transaction Contract (or obtaining the ownership transaction certificate), Jinchuang will cooperate with Penglai Mining to complete the registration of asset changes with relevant departments, and within 30 days after completing the above-mentioned asset-related change procedures, transfer the Target Assets to Penglai Mining in its entirety for verification and acceptance by Penglai Mining. Both parties shall conduct delivery according to the status quo at the time of delivery of the target mineral rights and assets. If the status quo of the target object does not match the asset valuation report, Penglai Mining will evaluate the inconsistent assets and determine the final transaction price based on the appraised value.

As at the date of this announcement, no binding sale and purchase agreement has been entered into between Penglai Mining and Jinchuang in relation to the Potential Acquisition. Upon successful bidding by Penglai Mining in the public tender process, Penglai Mining will enter into the Asset Transaction Contract with Jinchuang within 5 working days.

INFORMATION OF THE TARGET ASSETS

According to the valuation report, the cost method was adopted for the valuation. As at 31 January 2023, the carrying amount of total assets of the Target Assets was RMB410,457,600, and the appraised value was RMB465,173,000, representing an increase in value of RMB54,715,400, or 13.33%, over the carrying amount. In particular:

- (1) **The mining right of the Qigouyifen Mine**, with certificate number of C3700002009034110007820, is valid from 9 March 2016 to 9 March 2021, covering an area of 2.4931 square kilometers and with a production scale of 90,000 tonnes/year.

According to the tender documents of Jinchuang, the mining right of the Qigouyifen Mine of Jinchuang is valid from 9 March 2016 to 9 March 2021. In January 2021, the renewal application was submitted to the Shandong Provincial Department of Natural Resources. Because the scope of the mining area involves the 2016 version of the ecological red line, and the new version of the ecological red line policy had not yet been issued, the Shandong Provincial Department of Natural Resources did not accept the application for the time being. After the release of the new version of the ecological red line in October 2022, the renewal application was submitted to the Shandong Provincial Department of Natural Resources. According to the requirements of the Lu Zi Ran Zi [2022] No. 133 document, the Shandong Provincial Department of Natural Resources will no longer accept the registration application for the renewal and transfer of integrated mining rights separately. After the relevant elements are completed, according to the integration plan, the registration of change of the mining right integration is also handled when the registration of change of the scope of the mining area is handled.

The appraised value of the mining right of the Qigouyifen Mine is RMB34,469,900. The valuation method is the income equity method, and the main parameters of the valuation are as follows:

Mining area: 2.4931 square kilometers

The ore amount of reserved gold mineral resources is 207,958 tonnes, and the amount of gold metal is 1,645kg with an average gold grade of 7.91g/t. The ore amount of inferred resources of associated silver is 201,642 tonnes, and the amount of silver metal is 7,085kg with an average grade of 35.14g/t.

The ore amount of inferred resources of associated sulfur is 201,642 tonnes, the amount of pure sulfur is 10,076 tonnes with an average grade of 5.0%, equivalent to 28,786 tonnes of sulfur standard ore. The ore amount of mineable reserves is 190,300 tonnes, the amount of gold metal is 1,513.51kg with an average gold grade of 7.95g/t. The amount of silver metal is 6,483.04kg with an average silver grade of 34.07g/t. The mining recovery rate is 92.4%, the dilution rate is 14.2%, and the production scale is 60,000 tonnes/year. The mine service life is 2.46 years, and the appraised service life is 2.46 years.

For purposes of calculation, the average price of Au (99.95%) alloyed gold is RMB386.17/g, and the average price of Ag (T+D) alloyed silver is RMB4,343.78/kg without tax.

The price coefficient of flotation gold is 94%, the price coefficient of coarse gold is 97%. The price coefficient of flotation silver is 74%, and the price coefficient of silver contained in coarse gold is 90%. The equivalent price of gold concentrate containing metal is RMB363.00/g and RMB374.58/g, and the price of gold concentrate containing silver is RMB3,214.40/kg and RMB3,909.40/kg without tax. The discount rate is 8.02%. The equity coefficient is 7.00%.

- (2) **The exploration rights of gold mines at the deep level and outer rim of the Qigouyifen Mine**, with exploration license number of T3700002008014010000589, are valid from 10 March 2023 to 9 March 2025, covering an area of 2.90 square kilometers.

As informed by Jinchuang, according to the requirements of the Shandong Provincial Department of Natural Resources on accelerating the promotion of mining right integration plan of gold resources in Yantai City, the mining right of the Qigouyifen Mine belongs to those to be integrated, and the renewal of mining right cannot be processed. Therefore, since February 2021, no mining and production activities have been carried out. If Penglai Mining succeeds in bidding, the above two mineral rights will be integrated with Penglai Mining's existing four mineral rights, and after new mining licenses and other related certificates are obtained, unified mining planning will be carried out.

The appraised value of exploration rights for gold mines at the deep level and outer rim of the Qigouyifen Mine is RMB32,532,200. The valuation method is the income equity method. The main parameters of the valuation are as follows:

The exploration area is 2.90 square kilometers; the volume of reserved ore is 417,748 tonnes, and the volume of gold metal is 1,823kg with an average grade of 4.36g/t. The amount of associated silver ore is 417,748 tonnes, and the amount of metal is 13,195kg with an average grade of 31.59g/t; the amount of associated sulfur ore is 411,828 tonnes, and the amount of pure sulfur is 21,417 tonnes (equivalent to 61,191 tonnes of standard sulfur), with an average grade of 5.20%.

The amount of mineable reserve ore is 375,200 tonnes, the amount of gold metal is 1,620.70kg with an average gold grade of 4.32g/t; the amount of silver metal is 11,852.96kg with an average silver grade of 31.59g/t.

The mining recovery rate is 92.4%, the mine dilution rate is 14.2%, and the production scale is 90,000 tonnes/year. The mine service life is 4.86 years, and the appraised service life is 4.86 years.

The recovery rate of flotation gold beneficiation is 61.90%, the recovery rate of coarse gold beneficiation is 35%, the grade of flotation concentrate is 30g/t, and the grade of coarse gold concentrate is 200,000g/t. The recovery rate of silver-containing gold concentrate beneficiation is 67.82%, and the recovery rate of silver-containing coarse gold beneficiation is 30%. The grade of flotation gold concentrate containing silver is 160g/t, and the grade of coarse gold concentrate containing silver is 840,000g/t.

The average price of Au (99.95%) alloyed gold is RMB386.17/g, and the average price of Ag (T+D) alloyed silver is RMB4,343.78/kg without tax. The price coefficient of flotation gold is 94%, and the price coefficient of coarse gold is 97%. The price coefficient of flotation silver is 74%, and the price coefficient of coarse gold containing silver is 90%. The equivalent price of gold-containing gold concentrate is RMB363.00/g and RMB374.58/g, and the price of silver-containing gold concentrate is RMB3,214.40/kg and RMB3,909.40/kg without tax. The discount rate is 9.37%. The equity coefficient is 6.80%.

(3) Other related assets

1. Intangible assets: In addition to the above two mineral rights, there is still one land use right, which is of the land occupied by the production and living areas of the Qigouyifen Mine mining area, with an appraised value of RMB2,582,200.
2. Current assets of RMB3,913,700: It is the geological environment restoration fund and land reclamation fund of the Qigouyifen Mine mining area.
3. Fixed assets: The original value of houses is RMB8,340,100, and a provision of RMB3,570,900 has been made for depreciation; the original value of buildings is RMB4,044,000, and a provision of RMB1,289,800 has been made for depreciation, which is based on a 20-year period. The original value of shaft and laneway assets is RMB683,396,800, and a provision of RMB316,559,500 has been made based on the production method. The original value of machine and equipment is RMB28,854,400, and a provision of RMB12,286,000 has been made for the depreciation, which is based on a 10-year period. The original value of electronic equipment is RMB40,400, and a provision of RMB16,400 has been made for the depreciation, which is based on a 5-year period; the disposal of fixed assets is RMB239,100.
4. Other assets of RMB482,800: They are mainly the deductible temporary differences corresponding to the depreciation of shaft and laneway assets for land reclamation and interest adjustments.

Please refer to the following valuation assumptions for the valuation of the mining right of the Qigouyifen Mine and the exploration rights of gold mines at the deep level and outer rim of the Qigouyifen Mine Area and the reasons for using the income equity method for valuation:

	Mining right of the Qigouyifen Mine	Exploration rights of gold mines at the deep level and outer rim of the Qigouyifen Mine Area
Valuation assumptions	<ol style="list-style-type: none"> 1. It is assumed that the “Reserve Verification Report” used in this valuation can objectively reflect the endowment conditions of resource reserves in the exploration area, and the mineral resource reserves submitted and reviewed and accepted within the scope of the valuation are objective and credible; the resource reserves designed and utilized in the “development and utilization plan” on which the valuation is based can objectively reflect the resource reserves available in the exploration area in the future, and the resource reserves designed and utilized and the grade of the ore mined are objective and credible; 2. It is assumed that the production mode, production scale, production schedule and product structure of the Qigouyifen Mine Area designed according to the “development and utilization plan” can be implemented smoothly. Production remains unchanged and market supply and demand levels are benchmarked and continue to operate; 	<ol style="list-style-type: none"> 1. It is assumed that the exploration right adopted in the valuation can be successfully converted into the mining right; 2. It is assumed that the “General Exploration Report” used in this valuation can objectively reflect the endowment conditions of resource reserves in the exploration area, and the mineral resource reserves submitted and reviewed and accepted within the scope of the valuation are objective and credible; the resource reserves designed and utilized in the “development and utilization plan” on which the valuation is based can objectively reflect the resource reserves available in the exploration area in the future, and the resource reserves designed and utilized and the grade of the ore mined are objective and credible; 3. It is assumed that the production mode, production scale and product structure of the Qigouyifen Mine Area, Penglai, Shandong Province designed according to the “development and utilization plan” can be implemented smoothly. Production remains unchanged and market supply and demand levels are benchmarked and continue to operate;

	Mining right of the Qigouyifen Mine	Exploration rights of gold mines at the deep level and outer rim of the Qigouyifen Mine Area
	<p>3. It is assumed that geological exploration status as well as internal and external conditions of the valuation target will maintain its current status and will not change significantly;</p> <p>4. The appraisal technics and economic parameters are determined with reference to the principle of production-sale balance;</p> <p>5. The relevant policies, laws and regimes followed will maintain current status and will not change significantly, and the relevant social, political and economic environment as well as the technology and conditions of development followed will maintain current status and will not change significantly;</p> <p>6. The prices, costs, fees, tax rate, interest rate and other elements will vary within the normal range in the profit period of the mine in future development;</p> <p>7. It will not take into account the impact on its appraised value of other rights such as mortgages and guarantees that may be assumed in the future, or any other restrictions on the property rights, and any additional price that may be paid by a special counterparty;</p> <p>8. There is no other significant impact caused by force majeure and unpredictable factors.</p>	<p>4. It is assumed that geological exploration status as well as internal and external conditions of the valuation target will maintain its current status and will not change significantly;</p> <p>5. The appraisal technics and economic parameters are determined with reference to the principle of production-sale balance;</p> <p>6. The relevant policies, laws and regimes followed will maintain current status and will not change significantly, and the relevant social, political and economic environment as well as the technology and conditions of development followed will maintain current status and will not change significantly;</p> <p>7. The prices, costs, fees, tax rate, interest rate and other elements will vary within the normal range in the profit period of the mine in future development;</p> <p>8. It will not take into account the impact on its appraised value of other rights such as mortgages and guarantees that may be assumed in the future, or any other restrictions on the property rights, and any additional price that may be paid by a special counterparty;</p> <p>9. There is no other significant impact caused by force majeure and unpredictable factors.</p>

	Mining right of the Qigouyifen Mine	Exploration rights of gold mines at the deep level and outer rim of the Qigouyifen Mine Area
Reasons for using the income equity method for valuation	<p>According to the provisions of the China's Mineral Rights Evaluation Standards (《中國礦業權評估準則》), the valuation of mineral rights usually includes three basic appraisal methods, namely the income-based appraisal method, the cost-based appraisal method and the market-based appraisal method.</p> <p>The cost-based appraisal method is applicable to the valuation of exploration rights at the stage of pre-survey and general exploration of mineral resources, but is not applicable to the valuation of exploration rights at the stage of general exploration with a lower level of exploration in large and medium-sized sedimentary deposits with stable deposits. The target entrusted for valuation is the mining right, and it is not appropriate to apply the cost-based appraisal method to the valuation of this mining right.</p> <p>According to specific conditions of the mining right entrusted for valuation, this valuation is to appraise the mining right of Qigouyifen Mine of Jinchuang, and it is not suitable for market-based valuation because there is no example of the transaction for the same valuation purpose.</p>	<p>According to the provisions of the China's Mineral Rights Evaluation Standards (《中國礦業權評估準則》), the valuation of mineral rights usually includes three basic appraisal methods, namely the income-based appraisal method, the cost-based appraisal method and the market-based appraisal method.</p> <p>The cost-based appraisal method is applicable to the valuation of exploration rights at the stage of pre-survey and general exploration of mineral resources, but is not applicable to the valuation of exploration rights at the stage of general exploration with a lower level of exploration in large and medium-sized sedimentary deposits with stable deposits. The target entrusted for valuation is of a high degree of exploration, and therefore it is not appropriate to apply the cost-based appraisal method to the valuation of the exploration rights.</p> <p>According to specific conditions of the exploration rights entrusted for valuation, this valuation is to appraise the exploration rights of gold mines at the deep level and outer rim of Qigouyifen Mine in Penglai District, Yantai City, Shandong Province, and it is not suitable for market-based valuation because there is no example of the transaction for the same valuation purpose.</p>

	Mining right of the Qigouyifen Mine	Exploration rights of gold mines at the deep level and outer rim of the Qigouyifen Mine Area
	<p>The income-based valuation methods include income equity method and discounted cash flow method. The mining right has carried out systematic exploration work, and the “Verification Report on Gold Resource Reserves of Yifen Mine (Extended Boundary), Qijiagou Section, Heilangou Mining Area in Penglai City, Shandong Province (Verification Base Date of 31 December 2018)” submitted has been reviewed and filed by Shandong Provincial Department of Natural Resources. Corresponding parameters designed for the “Qigouyifen Mine (Extended Boundary) Gold Resource Development and Utilization Plan of Shandong Jinchuang Co., Ltd.” (SDG Group Yantai Design and Research Engineering Co., Ltd. (山東黃金集團煙台設計研究工程有限公司), December 2016) are basically available, but the resource reserves are small and the life is short, therefore the income equity method is used for valuation.</p> <p>According to the relevant provisions of China’s Mineral Rights Evaluation Standards, the income equity method is adopted in this valuation.</p>	<p>The income-based valuation methods include income equity method and discounted cash flow method. The exploration rights have carried out systematic exploration work, and the “General Exploration Report on Gold Mines at the Deep Level and Outer Rim of the Qigouyifen Mine in Penglai City, Shandong Province” submitted has been reviewed and filed by the original Shandong Provincial Department of Land and Resources. Corresponding parameters designed for the “Qigouyifen Mine (Extended Boundary) Gold Resource Development and Utilization Plan of Shandong Jinchuang Co., Ltd.” (SDG Group Yantai Design and Research Engineering Co., Ltd. (山東黃金集團煙台設計研究工程有限公司), December 2016) are basically available, but the resource reserves are small and the life is short, which is eligible for using the income equity method.</p> <p>According to the relevant provisions of China’s Mineral Rights Evaluation Standards, the income equity method is adopted in this valuation.</p>

(4) Payment of royalties for the mining right of the Qigouyifen Mine of Jinchuang

In March 2021, the mining license of the Qigouyifen Mine was renewed when it expired, and the mine had never evaluated or paid the price or grant proceeds in the past. On 13 January 2021, the mining right holder Jinchuang signed the Shandong Mining Right Grant Contract with the Yantai Natural Resources and Planning Bureau, stipulating that: as the proceeds from grant of the mining right have not yet been evaluated, the advance payment is made according to the benchmark market price of the proceeds from grant of mineral rights in Shandong Province, and the first advance payment amount is RMB20,000,000. The mining right holder paid the first installment of proceeds from grant of the mining right of RMB20,000,000 on 2 February 2021.

In October 2021, the Yantai Natural Resources and Planning Bureau commissioned Jinan Dashan Mining Consulting Co., Ltd.* (濟南大山礦業諮詢有限公司) to evaluate the grant proceeds of the “mining right of Shandong Jinchuang Co., Ltd. in the Qigouyifen Mine”, and determined that the appraised value of the grant proceeds of the mining right of Qigouyifen Mine of Jinchuang on the base date of valuation (30 June 2017) was RMB39,238,700. As stated above, the proceeds of a total of RMB20,000,000 from grant of the mining right of the Qigouyifen Mine were paid on 2 February 2021.

REASONS FOR AND BENEFITS OF THE POTENTIAL ACQUISITION

The Target Assets for the Potential Acquisition, being the mining right of the Qigouyifen Mine and the exploration rights of gold mines at the deep level and outer rim of the Qigouyifen Mine, are located in the same mineralized zone as the mineral rights under Penglai Mining, and the ore bodies mined under each mining right are located in the same group of veins, which are the same veins or parallel veins. Penglai Mining intended to bid for acquisition of the Target Assets, in order to actively implement the “Approval of Shandong Provincial People’s Government on the Mineral Resource Integration Plan of Gold Mines Across 8 Districts (Cities) in Yantai City” (《山東省人民政府關於煙台8個區(市)金礦礦產資源整合方案的批覆》) (Lu Zheng Zi [2021] No. 133) and the requirements of approval for the “Optimised and Adjusted Mineral Resource Integration Plan of Gold Mines in Penglai District of Yantai City (《煙台市蓬萊區金礦礦產資源整合優化調整方案》)” approved by the government of Penglai District of Yantai City, and to promote the integration of mineral rights.

Upon completion of the Potential Acquisition, it will be conducive to further increase the Company’s gold resource reserves. The layout of the mineral rights of Penglai Mining will become more scientific, which will enable the realization of overall exploration and integrated development, reduce the production costs through centralized mining, and improve the production scale and profitability of the Company as well as its core competitiveness.

The Potential Acquisition is to inject gold mineral rights and underlying assets under SDG Group Co. and its controlling companies that currently meet the listing requirements into the Company, which will help reduce the horizontal competition and connected transactions between SDG Group Co. and the Company, and further implement the regulatory requirements for listed companies.

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.

INFORMATION OF THE RELEVANT PARTIES

Penglai Mining

Penglai Mining is a wholly-owned subsidiary of the Company established in the PRC on 1 August 2003. It is principally engaged in underground mining of gold mines, ore flotation, etc..

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, Fujian Province and Argentina, South America and Ghana, Africa.

Jinchuang

Jinchuang is a joint stock company established in the PRC with limited liability on 16 November 1993, formerly known as Penglai Jinchuang Co., Ltd.* (蓬萊市金創股份有限公司). As at the date of this announcement, the share capital structure is that Shandong Gold Jinchuang Group Co., Ltd.* (山東黃金金創集團有限公司) holds 75,800,000 shares, accounting for 79.12% of the total share capital, and there are 20,000,000 individual shares, accounting for 20.88% of the total share capital. It is mainly engaged in mining of mineral resources (non-coal mines), retailing of refined oil, ore processing; smelting of precious metals; sales of metal ores. Shandong Gold Jinchuang Group Co., Ltd. is 65% owned by SDG Group Co. and 35% owned by the Finance Bureau of Penglai District of Yantai City.

SDG Group Co.

As the controlling shareholder, SDG Group Co. was established in the PRC in July 1996. SDG Group Co. 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 Co. 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Assets are owned by Jinchuang, which is an indirect non-wholly owned subsidiary of SDG Group Co.. 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 holding senior management positions in SDG Group Co., are deemed to have material interests in the connected transaction contemplated under the Potential Acquisition and has abstained from voting on the relevant resolution of the Board. Except 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”	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;
“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;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Jinchuang”	Shandong Jinchuang Co., Ltd.* (山東金創股份有限公司), a joint stock company established in the PRC with limited liability on 16 November 1993;
“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;
“Penglai Mining”	Shandong Gold Group Penglai Mining Co., Ltd.* (山東黃金集團蓬萊礦業有限公司), a limited liability company established in the PRC on 1 August 2003, which is a wholly-owned subsidiary of the Company;
“Potential Acquisition”	the acquisition of the Target Assets by Penglai Mining from Jinchuang;
“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. As of the date of this announcement, SDG Group Co. is held as to 70%, 20%, and 10% by Shandong Provincial People’s Government State-owned Assets Supervision and Administration Commission, Shandong Guohui Investment Holding Group Co., Ltd. and Shandong Caixin Assets Operation Co., Ltd., respectively. Shandong Guohui Investment Holding Group Co., Ltd. is a limited liability company established in the PRC, 100% owned by Shandong Provincial People’s Government State-owned Assets Supervision and Administration Commission;
“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 Assets”	the asset package project held by Jinchuang of the Qigouyifen Mine attributable to Jinchuang, including the mining right of the Qigouyifen Mine, two exploration rights of gold mines at the deep level and outer rim of the Qigouyifen Mine and other underlying assets held by Jinchuang; and
“%”	per cent.

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

Jinan, the PRC, 25 July 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*