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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  
TAKING OVER THE LIABILITIES AND  
PERSONNEL AFFILIATED TO THE MINERAL RIGHTS**

**TAKING OVER THE LIABILITIES AND PERSONNEL AFFILIATED TO THE  
MINERAL RIGHTS**

Reference is made to the announcement of the Company dated 25 July 2023. Penglai Mining has successfully bid and acquired the Qigouyifen Mine Assets (excluding the liabilities) that Jinchuang transferred through the SPREC by way of public tender at a base price of RMB465,173,000, and Penglai Mining and Jinchuang entered into the Asset Transaction Contract on 28 July 2023. After mutual negotiation between Penglai Mining and Jinchuang, both parties signed the Supplemental Agreement on 2 August 2023, pursuant to which Penglai Mining agreed to take over the liabilities of RMB324,047,187.67 of the Qigouyifen Mine Assets and the personnel affiliated to the mineral rights.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Jinchuang and Jinchuang Group are the non-wholly owned subsidiaries of SDG Group Co.. Therefore, the transaction contemplated under the Supplemental Agreement constitutes 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 transaction contemplated under the Supplemental Agreement 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 Supplemental Agreement 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 transaction contemplated under the Supplemental Agreement and was required to abstain from voting on the Board resolution approving the matter.

## TAKING OVER THE LIABILITIES AND PERSONNEL AFFILIATED TO THE MINERAL RIGHTS

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The main terms of the Supplemental Agreement are as follows:

- Parties : 1. Jinchuang;
2. Penglai Mining; and
3. Jinchuang Group
- The Liabilities and personnel affiliated to the mineral rights : The liabilities of RMB324,047,187.67 of the Qigouyifen Mine Assets attributable to Jinchuang, including: (i) the debts of Jinchuang to Jinchuang Group with a value of RMB321,000,000.00; (ii) the payment for shaft and laneway construction project of Penglai Branch of Shandong Huaxin Mining Engineering Co., Ltd. (山東華鑫礦業工程有限公司蓬萊分公司) with a value of RMB1,279,087.67; and (iii) the land reclamation fees of the Natural Resources Bureau of Penglai District, Yantai (煙台蓬萊區自然資源局) with a value of RMB1,768,100.00.

Penglai Mining agreed to take over a total of 128 personnel affiliated to the Qigouyifen Mine Assets.

Jinchuang guarantees that the amount of the liabilities transferred to Penglai Mining is true, accurate and undisputed. Jinchuang guarantees that the transfer of the liabilities involved has been approved by the creditors Jinchuang Group, Penglai Branch of Shandong Huaxin Mining Engineering Co., Ltd. and the Natural Resources Bureau of Penglai District, Yantai.

- Transfer of the Liabilities : (1) Penglai Mining shall inherit the repayment obligation of the debts of RMB321,000,000.00 to Jinchuang Group. The term and method of performance shall follow the borrowing contract entered into between Jinchuang Group and Jinchuang in January 2023, with a term of five years and an annual interest rate of 3.85%, and Penglai Mining shall pay the interest before the 21st of each quarter;
- (2) The payment for shaft and laneway construction project of RMB1,279,087.67 shall be paid off by Penglai Mining within one year from the effective date of the Supplemental Agreement, and if overdue, the interest during the deferral period shall be paid based on the interest rates of bank loans; and
- (3) The land reclamation fees of RMB1,768,100.00 shall be processed by Penglai Mining in accordance with relevant national regulations.

The liabilities of RMB324,047,187.67 transferred to Penglai Mining were also offset against the consideration of RMB324,047,187.67 under the Asset Transaction Contract. The remaining asset transfer price of RMB1,125,812.33 under the Asset Transaction Contract shall be paid off in lump sum by Penglai Mining to Jinchuang within 5 working days after obtaining the mining license of Yanshan integrated area without interest

Note 1.

- Transfer of personnel affiliated : Penglai Mining shall employ a total of 128 Jinchuang personnel as stipulated by the Supplemental Agreement.
- (1) Jinchuang shall terminate the labor relationship with the relevant personnel as scheduled according to the law, sign a written labor relationship termination contract, and settle all accounts with the relevant personnel.
- (2) Jinchuang shall cooperate with Penglai Mining to handle matters such as the personnel files of relevant personnel and the transfer of social security relations. Penglai Mining shall handle matters including the signing of labor contracts for relevant personnel and the subsequent handling of relevant entry procedures.

Penglai Mining is not required to pay any consideration to Jinchuang for the employment of such personnel.

Note 1: As disclosed in the Company's announcement dated 25 July 2023, after the relevant elements are completed, according to the integration plan, the registration of change of the mining right integration is also handled by Penglai Mining when the registration of change of the scope of the mining area is handled. Specifically, such "relevant elements" include the submission of resource reserve verification reports for handling the change of mining right, development and utilization plans, review opinions on geological environmental protection and land reclamation plans, and payment of the geological environment control and restoration fund, the proceeds from grant of the mineral rights and other fees. The authorities governing mineral rights will review and approve the above materials level by level, and the Shandong Provincial Department of Natural Resources will issue new mining licenses.

## **REASONS FOR AND BENEFITS OF TAKING OVER THE LIABILITIES AND PERSONNEL AFFILIATED TO THE MINERAL RIGHTS**

The liabilities of RMB324,047,187.67 to be taken over by Penglai Mining, are closely related to the operation of the Qigouyifen Mine Assets and acquired and should be inherited by Penglai Mining. And the Liabilities to be taken over can be used to offset the consideration payable by Penglai Mining under the Asset Transaction Contract in equal amounts, which would greatly reduce the amount of cash that Penglai Mining needs to pay promptly for the acquisition under the Asset Transaction Contract. After taking over the Liabilities, Penglai Mining only needs to pay the remaining asset transfer price of RMB1,125,812.33 within 5 working days after obtaining the mining license of Yanshan integrated area, in addition to the transaction security deposit of RMB140,000,000 (the transaction security deposit is RMB140,000,000, which shall be offset against the first installment of the transaction price) and the mineral rights value-added tax of RMB4,020,100 that Penglai Mining has paid when it bid.

Among the liabilities of RMB324,047,187.67 inherited by Penglai Mining, the debts attributable to Jinchuang Group are RMB321,000,000. The term and method of performance shall follow the borrowing contract entered into between Jinchuang Group and Jinchuang in January 2023, with a term of five years and an annual interest rate of 3.85%, and Penglai Mining shall pay the interest before the 21st of each quarter. Penglai Mining has extended the payment period for five years by taking over the liabilities to offset the asset transfer price of the bid assets. The loan interest rate is 35 BP lower than the loan prime rate for five years and above of LPR being 4.20%, which can effectively reduce the capital cost of Penglai Mining, and is conducive to Penglai Mining's concentration of funds to develop the integrated resources after the acquisition of Qigouyifen Mine Assets. The Qigouyifen Mine Assets attributable to Jinchuang include liabilities of a total of RMB637,577,300, including: the borrowings from Jinchuang Group (other payables) of RMB615,291,400, the payment for shaft and laneway construction project of Penglai Branch of Shandong Huaxin Mining Engineering Co., Ltd. of RMB1,279,100, the proceeds from grant of the mineral rights of the Natural Resources Bureau of Penglai District, Yantai of RMB19,238,700, and the land reclamation fees of the Natural Resources Bureau of Penglai District, Yantai of RMB1,768,100. Except for the above-mentioned liabilities of RMB324,047,187.67 to be taken over by Penglai Mining, the remaining liabilities of the Qigouyifen Mine Assets shall continue to be borne and repaid by Jinchuang itself.

According to the employment needs of Penglai Mining for integration of the Qigouyifen Mine, Jinchuang will transfer a total of 128 personnel affiliated to the Qigouyifen Mine Area to Penglai Mining. The transfer of relevant personnel of the Qigouyifen Mine Assets can ensure the normal operation of the mine systems during and after the transfer of two mineral rights and underlying assets of the Qigouyifen Mine, and guarantee the handover of data and operation and maintenance of equipment and facilities of the Qigouyifen Mine Area.

The Directors (including all the independent non-executive Directors) are of the view that although the Supplemental Agreement and the transaction contemplated thereunder are not in the ordinary course of business of the Group, their terms are on normal commercial terms or better and are 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 Jinchuang Group 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.

### **Jinchuang Group**

Jinchuang Group is a limited liability company established in China on 17 March 1987. Its business scope includes ore flotation, gold smelting and underground gold mining. As at the date of this announcement, Jinchuang Group is 65% directly 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, Jinchuang and Jinchuang Group are the non-wholly owned subsidiaries of SDG Group Co.. Therefore, the transaction contemplated under the Supplemental Agreement constitutes 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 transaction contemplated under the Supplemental Agreement 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 Supplemental Agreement 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 transaction contemplated under the Supplemental Agreement and was required to abstain from voting on the Board resolution approving the matter.

## 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;
“Asset Transaction Contract”	the asset transaction contract signed by Penglai Mining and Jinchuang on 28 July 2023 in relation to Penglai Mining's acquisition of the Qigouyifen Mine Assets from Jinchuang. For details of the acquisition, please refer to the announcement of the Company dated 25 July 2023;
“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;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“H Share(s)”	the overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange;
“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;
“Jinchuang Group”	Shandong Gold Jinchuang Group Co., Ltd.* (山東黃金金創集團有限公司), a limited liability company established in the PRC;
“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;
“Liabilities”	including: (i) the debts of Jinchuang to Jinchuang Group with a value of RMB321,000,000.00; (ii) the payment for shaft and laneway construction project of Penglai Branch of Shandong Huaxin Mining Engineering Co., Ltd.* (山東華鑫礦業工程有限公司) with a value of RMB1,279,087.67; and (iii) the land reclamation fees of the Natural Resources Bureau of Penglai District, Yantai with a value of RMB1,768,100.00;
“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;
“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;
“Qigouyifen Mine 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;
“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.* (山東國惠投資控股集團有限公司) and Shandong Caixin Assets Operation Co., Ltd., respectively. Shandong Guohui Investment Holding Group Co., Ltd. is a limited liability company established in the PRC, which is 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);
“Supplemental Agreement”	the supplemental agreement on the transfer of the asset package of the Qigouyifen Mine of Shandong Jinchuang Co., Ltd. signed by Penglai Mining, Jinchuang and Jinchuang Group on 2 August 2023; and
“%”	per cent.

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

Jinan, the PRC, 2 August 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