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**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)



**HENGXING GOLD HOLDING
COMPANY LIMITED**

恒興黃金控股有限公司

*(incorporated in the Cayman Islands
with limited liability)*

(Stock Code: 2303)

JOINT ANNOUNCEMENT

- (1) PRE-CONDITIONAL PROPOSAL TO TAKE PRIVATE
OF HENGXING GOLD HOLDING COMPANY LIMITED
BY SHANDONG GOLD MINING CO., LTD.
BY WAY OF SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW**
- (2) DISCLOSEABLE TRANSACTION OF SHANDONG GOLD MINING
CO., LTD. INVOLVING ISSUE OF NEW SDGM H SHARES UNDER
SPECIFIC MANDATE PURSUANT TO THE SCHEME**
- (3) PROPOSED WITHDRAWAL OF LISTING OF THE SHARES OF
HENGXING GOLD HOLDING COMPANY LIMITED
AND**
- (4) RESUMPTION OF TRADING IN THE SHARES OF
SHANDONG GOLD MINING CO., LTD. AND HENGXING GOLD
HOLDING COMPANY LIMITED**

Financial Adviser to SDGM



Financial Adviser to HXG



Independent Financial Adviser to the HXG Independent Board Committee



INTRODUCTION

The Proposal

SDGM and HXG jointly announce that on 29 September 2020 (after trading hours), SDGM has formally requested, subject to the satisfaction of the Pre-Conditions, the HXG Board to put forward to the Scheme Shareholders the Proposal regarding the proposal to take private of HXG by SDGM by way of a scheme of arrangement under section 86 of the Companies Law. Subject to the Scheme becoming effective, the entire issued share capital of HXG will be owned by SDGM or its wholly owned subsidiary upon completion of the Proposal.

SDGM has appointed CICC as its financial adviser in connection with the Proposal and the Scheme.

HXG has appointed SCB as its financial adviser in connection with the Proposal and the Scheme.

HXG Special Dividend

At a meeting of the HXG Board held on 29 September 2020, the HXG Board has approved the declaration of the HXG Special Dividend which will be payable to HXG Shareholders whose names appeared on the register of members of HXG on 16 October 2020. The HXG Special Dividend is expected to be paid on 30 October 2020.

The payment of HXG Special Dividend will not result in any adjustment to the Share Exchange Ratio.

The HXG Special Dividend is independent of the Proposal and HXG will not withdraw or cancel the HXG Special Dividend even if the Scheme does not proceed or become effective.

TERMS OF THE PRE-CONDITIONAL PROPOSAL

Subject to the satisfaction of the Pre-Conditions, under the Proposal, if the Scheme becomes effective, all of the Scheme Shares will be cancelled in exchange for newly issued SDGM H Share(s) according to the Share Exchange Ratio:

**For every Scheme Share cancelled 5/29 SDGM H Share
(approximate to 0.17241* SDGM H Share)**

* The approximate figure of 0.17241 is included in this joint announcement for illustrative purpose only and is subject to rounding adjustment. Please use the fraction of 5/29 for calculation of exact entitlement.

The Share Exchange Ratio has been determined on a commercial basis after taking into account (i) the historical performance and business potential of SDGM and HXG, (ii) the prevailing and historical market price levels of both the SDGM H Shares and HXG Shares traded on the Stock Exchange, (iii) other comparable share exchange transactions in Hong Kong and in the global gold mining industries in recent years, and (iv) the HXG Special Dividend.

The new SDGM H Shares will only be issued to holders of Scheme Shares if the Scheme becomes effective.

The number of SDGM H Shares to be issued to holders of Scheme Shares under the Scheme will be in accordance with the Share Exchange Ratio and will not be increased, and SDGM does not reserve the right to do so.

Neither HXG nor SDGM intends to (i) declare and/or pay any dividend (other than the HXG Special Dividend) or other distributions; or (ii) conduct any consolidation or sub-division with respect to its share capital, before the Scheme becomes effective, lapses or being not approved at the HXG EGM or the Court Meeting (as the case may be).

As at the date of this joint announcement, (i) the entire issued share capital of HXG comprises 925,000,000 HXG Shares, all of which will constitute the Scheme Shares; and (ii) there are no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by HXG that carry a right to subscribe for or which are convertible or exchangeable into HXG Shares.

As at the date of this joint announcement, neither SDGM nor any SDGM Concert Parties holds any HXG Shares.

Based on the Share Exchange Ratio and assuming no changes to either SDGM's issued share capital or HXG's issued share capital from the date of this joint announcement to the Scheme Effective Date and subject to the Scheme becoming effective, SDGM will allot and issue a total of 159,482,759 SDGM H Shares to the holders of Scheme Shares on the Scheme Effective Date, which will represent (i) approximately 3.68% of the issued share capital of SDGM as at the date of this joint announcement; and (ii) approximately 3.54% of the issued share capital of SDGM of 4,498,939,042 SDGM Shares as enlarged only by the issuance of the aforesaid number of new SDGM H Shares.

As the new SDGM H Shares to be issued under the Scheme will be allotted and issued by SDGM to the holders of Scheme Shares on the Scheme Effective Date for the sole purpose of the Proposal, no cash proceeds will be received by SDGM in connection with such allotment.

PRE-CONDITIONS TO THE MAKING OF THE PROPOSAL

The making of the Proposal is conditional upon satisfaction of the Pre-Conditions. If any of the Pre-Conditions is not satisfied, the Proposal will not be made.

CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Scheme will become effective and binding on HXG and all holders of Scheme Shares subject to the satisfaction or waiver (as applicable) of the Conditions on or before the Scheme Long Stop Date, failing which the Proposal and the Scheme shall lapse. If the Proposal is approved by the Scheme Shareholders, and if the Scheme is sanctioned by the Court, all requirements of the Companies Law are complied with, including the registration by the Cayman Islands Registrar of Companies of the relevant Court order, and all other Conditions are fulfilled or waived (as the case may be), the Scheme will be binding on each holder of Scheme Shares, irrespective of whether or not he, she or it attends and/or votes at the Court Meeting or the HXG EGM.

IRREVOCABLE UNDERTAKING AND WARRANTIES

SDGM received the Irrevocable Undertaking from the IU Shareholders (being Gold Virtue and Xi Wang), pursuant to which each of the IU Shareholders has undertaken to, among other things, exercise all voting rights attached to the relevant IU Shares in favour of the resolutions to approve the Proposal and any such other matters in connection therewith at the Court Meeting and the HXG EGM. The 693,750,000 IU Shares held in aggregate by the IU Shareholders represent approximately 75% of the total issued share capital of HXG as at the date of this joint announcement.

Further, each of the IU Shareholders has undertaken, inter alia, to exercise the voting rights attached to the relevant IU Shares in favour of the resolutions to approve matters assisting the implementation of the Proposal and not to (i) sell, transfer or otherwise dispose of the IU Shares held or owned by it, (ii) purchase or acquire any other HXG Shares without the consent of SDGM, or (iii) take any actions which may adversely affect or impede giving effect to the Scheme. Customary representations and warranties in relation to the business operations of HXG Group and specific indemnity in relation to contingent liability of HXG Group have also been given by the IU Shareholders under the Irrevocable Undertaking. The IU Guarantors have agreed to jointly and severally guarantee the due performance of the obligations of the IU Shareholders under the Irrevocable Undertaking and a cash deposit was pledged by a company owned by one of the IU Guarantors, Mr. Ke Xiping, in favour of SDGM as security for the specific indemnity.

HXG INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The HXG Independent Board Committee, comprising the non-executive director of HXG, namely Mr. Albert Fook Lau HO, and all independent non-executive directors of HXG, namely Ms. WONG, Yan Ki Angel, Dr. Tim SUN and Dr. PAN Guocheng, has been established by the HXG Board to make a recommendation to the Disinterested Shareholders (i) as to whether the terms of the Proposal and the Scheme are fair and reasonable; and (ii) as to whether to vote in favour of the resolutions for the approval of the Scheme at the Court Meeting and the resolutions necessary to implement the Proposal at the HXG EGM, taking into account the advice of the Independent Financial Adviser.

Octal Capital Limited has been appointed as the Independent Financial Adviser by HXG pursuant to Rule 2.1 of the Takeovers Code to advise the HXG Independent Board Committee in respect of the Proposal and the Scheme. The appointment of Octal Capital Limited as the Independent Financial Adviser has been approved by the HXG Independent Board Committee.

IMPLEMENTATION OF THE PROPOSAL AND WITHDRAWAL OF LISTING OF HXG SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates of the Scheme Shares will thereafter cease to have effect as documents or evidence of title. HXG will apply to the Stock Exchange for withdrawal of the listing of the HXG Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective.

The Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Scheme Long Stop Date. If the Scheme is not approved or if the Proposal otherwise lapses, the listing of HXG Shares on the Stock Exchange will not be withdrawn. If the Scheme is not approved or if the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers to the effect that neither SDGM nor any person who acted in concert with it in the course of the Proposal nor any person who is subsequently acting in concert with any of them may, within 12 months from the date on which the Scheme is not approved or the Proposal lapses, announce an offer or possible offer for HXG, except with the consent of the Executive.

DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, inter alia, further details of the Proposal and the Scheme, the expected timetable, information regarding SDGM Group and HXG Group, recommendations from the HXG Independent Board Committee with respect to the Proposal and the Scheme and the letter of advice of the Independent Financial Adviser, a notice of the Court Meeting and a notice of the HXG EGM, together with proxy forms in relation thereto, will be despatched to the Scheme Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code and the Companies Law, the Court and other applicable regulations.

DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF NEW SDGM H SHARES UNDER SPECIFIC MANDATE PURSUANT TO THE SCHEME AND LISTING RULES IMPLICATIONS FOR SDGM

As the highest of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the Proposal and the Scheme exceed 5% but are less than 25%, the Proposal and the Scheme constitute a discloseable transaction for SDGM for the purposes of the Listing Rules, and are therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

Further, the SDGM H Shares to be issued pursuant to the Scheme as consideration for the cancellation and extinguishment of the Scheme Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the SDGM Shareholders at the SDGM EGM and SDGM Class Meetings, respectively.

RESUMPTION OF TRADING

At the request of HXG, trading in HXG Shares on the Stock Exchange was halted with effect from 2:21 p.m. on 29 September 2020 pending the publication of this joint announcement. Application has been made by HXG to the Stock Exchange for the resumption of trading in the HXG Shares on the Stock Exchange with effect from 9:00 a.m. on 5 October 2020.

At the request of SDGM, trading in SDGM H Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 30 September 2020 pending the publication of this joint announcement. Application has been made by SDGM to the Stock Exchange for the resumption of trading in the SDGM H Shares on the Stock Exchange with effect from 9:00 a.m. on 5 October 2020.

WARNING: The respective shareholders and potential investors of HXG and SDGM should exercise caution when dealing in the HXG Shares, the SDGM Shares or any options or other rights in respect of them. The making of the Proposal is subject to the satisfaction of the Pre-Conditions. Even if the Proposal is made, the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors or other professional advisers.

1. INTRODUCTION

The Proposal

SDGM and HXG jointly announce that on 29 September 2020 (after trading hours), SDGM has formally requested, subject to the satisfaction of the Pre-Conditions, the HXG Board to put forward to the Scheme Shareholders the Proposal regarding its proposal to take private of HXG by SDGM by way of a scheme of arrangement under section 86 of the Companies Law involving:

- (i) the reduction of the issued share capital of HXG by the cancellation of the Scheme Shares and in consideration therefor, 5/29 SDGM H Share will be allotted and issued to the holders of Scheme Shares on the Scheme Effective Date for every Scheme Share so cancelled;
- (ii) forthwith upon the capital reduction referred to in (i) above, the restoration of the issued share capital of HXG to the amount immediately before the cancellation of the Scheme Shares by means of the issuance of new HXG Shares in the same number as the Scheme Shares (which were cancelled) to SDGM credited as fully paid out of the credit arising in HXG's books of account as a result of the capital reduction referred to in (i) above; and
- (iii) the withdrawal of the listing of the HXG Shares on the Stock Exchange immediately following the Scheme Effective Date pursuant to Rule 6.15 of the Listing Rules.

SDGM reserves the right to require HXG to issue new HXG Shares to a wholly-owned subsidiary of SDGM (in lieu of SDGM itself) for the purpose of (ii) above.

If the Scheme is approved by the Scheme Shareholders, and if the Scheme is sanctioned by the Court, all requirements of the Companies Law are complied with, including the registration by the Cayman Islands Registrar of Companies of the relevant Court order, and all other Conditions are fulfilled or waived (as the case may be), the Scheme will

be binding on each holder of Scheme Shares, irrespective of whether or not he, she or it attends and/or votes at the Court Meeting or the HXG EGM. Subject to the Scheme becoming effective, the entire issued share capital of HXG will be owned by SDGM or its wholly-owned subsidiary (as the case may be) upon completion of the Proposal.

SDGM has appointed CICC as its financial adviser in connection with the Proposal and the Scheme.

HXG has appointed SCB as its financial adviser in connection with the Proposal and the Scheme.

Each of HXG and the Disinterested Shareholders and their respective ultimate beneficial owners are third parties independent of SDGM and connected persons of SDGM.

HXG Special Dividend

At a meeting of the HXG Board held on 29 September 2020, the HXG Board has approved the declaration of the HXG Special Dividend which will be payable to HXG Shareholders whose names appeared on the register of members of HXG on 16 October 2020. The HXG Special Dividend is expected to be paid on 30 October 2020.

The payment of HXG Special Dividend will not result in any adjustment to the Share Exchange Ratio.

The HXG Special Dividend is independent of the Proposal and HXG will not withdraw or cancel the HXG Special Dividend even if the Scheme does not proceed or become effective.

2. TERMS OF THE PRE-CONDITIONAL PROPOSAL

Subject to the satisfaction of the Pre-Conditions, under the Proposal, if the Scheme becomes effective, all of the Scheme Shares will be cancelled in exchange for newly issued SDGM H Share(s) according to the Share Exchange Ratio:

**For every Scheme Share cancelled 5/29 SDGM H Share
(approximate to 0.17241* SDGM H Share)**

* The approximate figure of 0.17241 is included in this joint announcement for illustrative purpose only and is subject to rounding adjustment. Please use the fraction of 5/29 for calculation of exact entitlement.

The Share Exchange Ratio has been determined on a commercial basis after taking into account (i) the historical performance and business potential of SDGM and HXG, (ii) the prevailing and historical market price levels of both the SDGM H Shares and HXG Shares traded on the Stock Exchange, (iii) other comparable share exchange transactions in Hong Kong and in the global gold mining industries in recent years, and (iv) the HXG Special Dividend.

The new SDGM H Shares will only be issued to holders of Scheme Shares if the Scheme becomes effective.

The number of SDGM H Shares to be issued to holders of Scheme Shares under the Scheme will be in accordance with the Share Exchange Ratio and will not be increased, and SDGM does not reserve the right to do so.

Dividend Payment by SDGM and HXG

Neither HXG nor SDGM intends to (i) declare and/or pay any dividend (other than the HXG Special Dividend) or other distributions; or (ii) conduct any consolidation or subdivision with respect to its share capital, before the Scheme becomes effective, lapses or being not approved at the HXG EGM or the Court Meeting (as the case may be).

Comparison of Value

The premia represented by the issue of the new SDGM H Shares as calculated by reference to various ratios between the average closing prices per HXG Share and the average closing prices per SDGM H Share in various historical periods, are as follows:

		Trading Periods up to and including the respective Last Trading Day				
		10	30	60	90	120
		Trading	Trading	Trading	Trading	Trading
		Days	Days	Days	Days	Days
A	Average closing price per HXG Share based on the daily closing prices as quoted on the Stock Exchange, less the HXG Special Dividend (HK\$)	3.15	3.28	3.24	2.93	2.70
B	Average closing price per SDGM H Share based on the daily closing prices as quoted on the Stock Exchange (HK\$)	20.09	21.02	21.54	19.78	18.87
C	Premium = (5/29)/(A/B)-1	9.99%	10.33%	14.78%	16.23%	20.53%

Notes:

1. "C" corresponds to the premium represented by the issuance of 5/29 new SDGM H Share for every Scheme Share based on the ratio between the average closing price per HXG Share for any of the specified period up to the HXG Last Trading Day and the average closing price per SDGM H Share for any of the specified period up to the SDGM Last Trading Day.
2. The figures shown in the table above are rounded to two decimal places.
3. Exact premium figures may not be replicated using the share prices shown in the table due to rounding differences.

Based on the closing price of HK\$19.08 per SDGM H Share as at the SDGM Last Trading Day, the issuance of 5/29 new SDGM H Share for every Scheme Share ascribes a value of HK\$3.29 per Scheme Share, which represents:

- (i) a discount of approximately 2.43% to the closing price of HK\$3.73 per HXG Share as quoted on the Stock Exchange on the HXG Last Trading Day less the HXG Special Dividend resulting in a net price of HK\$3.37 per HXG Share;

- (ii) a premium of approximately 9.60% over the closing price of HK\$3.36 per HXG Share as quoted on the Stock Exchange on the HXG Last Full Trading Day less the HXG Special Dividend resulting in a net price of HK\$3.00 per HXG Share;
- (iii) a premium of approximately 4.45% over the average closing price of approximately HK\$3.51 per HXG Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the HXG Last Trading Day less the HXG Special Dividend resulting in a net price of HK\$3.15 per HXG Share;
- (iv) a premium of approximately 0.16% over the average closing price of approximately HK\$3.64 per HXG Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the HXG Last Trading Day less the HXG Special Dividend resulting in a net price of HK\$3.28 per HXG Share;
- (v) a premium of approximately 1.67% over the average closing price of approximately HK\$3.59 per HXG Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the HXG Last Trading Day less the HXG Special Dividend resulting in a net price of HK\$3.24 per HXG Share;
- (vi) a premium of approximately 12.10% over the average closing price of approximately HK\$3.29 per HXG Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the HXG Last Trading Day less the HXG Special Dividend resulting in a net price of HK\$2.93 per HXG Share;
- (vii) a premium of approximately 21.90% over the average closing price of approximately HK\$3.06 per HXG Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the HXG Last Trading Day less the HXG Special Dividend resulting in a net price of HK\$2.70 per HXG Share;
- (viii) a premium of approximately 248.16% over approximately RMB0.83 (equivalent to approximately HK\$ 0.94) which is the audited consolidated net asset value of HXG as at 31 December 2019 per HXG Share less the HXG Special Dividend; and
- (ix) a premium of approximately 262.27% over approximately RMB0.80 (equivalent to approximately HK\$ 0.91) which is the unaudited consolidated net asset value of HXG as at 30 June 2020 per HXG Share less the HXG Special Dividend.

The Scheme will be implemented at the Share Exchange Ratio. The comparisons above are provided solely for the convenience of investors. They are illustrations only. Shareholders should use the comparisons with care and take into account other disclosures in this joint announcement, including but not limited to the reasons for and benefits of the Proposal.

Highest and lowest prices of HXG Shares

During the six months immediately preceding the Last Trading Day, the highest closing price of the HXG Shares as quoted on the Stock Exchange was HK\$4.50 per HXG Share on 7 August 2020, and the lowest closing price of the HXG Shares as quoted on the Stock Exchange was HK\$1.65 per HXG Share on 30 March 2020.

Value of the Proposal and New SDGM H Shares to be issued pursuant to the Scheme

As at the date of this joint announcement, (i) the entire issued share capital of HXG comprises 925,000,000 HXG Shares, all of which will constitute the Scheme Shares; and (ii) there are no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by HXG that carry a right to subscribe for or which are convertible or exchangeable into HXG Shares.

As at the date of this joint announcement, neither SDGM nor any SDGM Concert Parties holds any HXG Shares.

Based on the Share Exchange Ratio and assuming no changes to either SDGM's issued share capital or HXG's issued share capital from the date of this joint announcement to the Scheme Effective Date and subject to the Scheme becoming effective, SDGM will allot and issue a total of 159,482,759 SDGM H Shares to the holders of Scheme Shares on the Scheme Effective Date, which will represent (i) approximately 3.68% of the issued share capital of SDGM as at the date of this joint announcement; and (ii) approximately 3.54% of the issued share capital of SDGM of 4,498,939,042 SDGM Shares as enlarged only by the issuance of the aforesaid number of new SDGM H Shares.

As the new SDGM H Shares to be issued under the Scheme will be allotted and issued by SDGM to the holders of Scheme Shares on the Scheme Effective Date for the sole purpose of the Proposal, no cash proceeds will be received by SDGM in connection with such allotment.

The new SDGM H Shares to be issued pursuant to the Scheme are expected to be issued under the Specific Mandate to be proposed for voting by the SDGM Shareholders at the SDGM EGM and the SDGM Class Meetings, respectively, and will be issued free from all liens, charges and encumbrances, and together with all rights attaching to them, including the right to receive all dividends and other distributions, if the record time for determining the entitlement to such dividends and distributions falls on or after the date of issue of the new SDGM H Shares, and will rank pari passu in all respects with all other SDGM H Shares then in issue. The Specific Mandate, if approved, will be valid until the earlier of completion of the Proposal or lapse of the Scheme.

SDGM will make an application to the Stock Exchange for the listing of, and permission to deal in, the SDGM H Shares to be issued pursuant to the Scheme on the Main Board of the Stock Exchange.

3. PRE-CONDITIONS TO THE MAKING OF THE PROPOSAL

The making of the Proposal is conditional upon the Approvals in connection with the Proposal and the Scheme having been obtained by SDGM from (i) the National Development and Reform Commission of the PRC or the Development and Reform Commission of Shandong Provincial Government; and (ii) the Ministry of Commerce of the PRC or the Department of Commerce of Shandong Provincial Government, for outbound direct investment.

None of the Pre-Conditions can be waived. Further announcement(s) will be made as soon as practicable after the Pre-Conditions have been satisfied. If any of the Pre-Conditions is not satisfied, the Proposal would not be made and the Scheme Shareholders will be notified by a further announcement as soon as practicable thereafter.

4. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will only become effective and binding on HXG and all the holders of Scheme Shares subject to the satisfaction or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders;
- (b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all of the Scheme Shares held by the Disinterested Shareholders;
- (c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the HXG Shareholders present and voting in person or by proxy at the HXG EGM to approve and give effect to (i) the reduction of the issued share capital of HXG by cancelling and extinguishing the Scheme Shares; (ii) immediately thereafter the increase of the issued share capital of HXG to the amount prior to the cancellation of the Scheme Shares by issuing to SDGM or its wholly owned subsidiary (as the case may be) such number of new HXG Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (iii) the application of the credit arising in HXG's books of accounts as a result of such issued share capital reduction in paying up in full at par value the new HXG Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to SDGM or its wholly owned subsidiary (as the case may be);

- (d) SDGM having obtained approval of the SDGM Shareholders at the SDGM EGM and SDGM Class Meetings for the Proposal and the Scheme (including, without limitation, the grant of the Specific Mandate for the allotment and issuance of SDGM H Shares to the holders of Scheme Shares on the Scheme Effective Date pursuant to the Scheme) in compliance with the Listing Rules and the Articles of Association of SDGM;
- (e) the Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of HXG, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Court for registration;
- (f) all necessary Approvals in connection with the Proposal and the Scheme having been obtained by SDGM from, given by or made with or by (as the case may be) the relevant Authorities in the PRC, being:
 - (1) the State Administration for Market Regulation of the PRC for merger filing; and
 - (2) the China Securities Regulatory Commission for the issuance of SDGM H Shares by SDGM; andall such Approvals remaining in full force and effect without variation;
- (g) the listing committee of the Stock Exchange having granted the listing of, and permission to deal in, the SDGM H Shares to be issued pursuant to the Scheme on the Stock Exchange;
- (h) all necessary Approvals in connection with the Proposal and the Scheme having been obtained from, given by or made with or by (as the case may be) the relevant Authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions, and all such Approvals remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with in all material respects and no requirement having been imposed by the relevant Authorities which are not expressly provided for, or are in addition to requirements expressly provided for, in any relevant laws, rules, regulations or codes in connection with the Proposal or any related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;
- (i) all necessary third party consents or waivers in relation to the Proposal and the Scheme which may be required under any existing contractual obligations of the HXG Group having been obtained (and remaining in effect), where any failure to obtain such consent or waiver would have a material adverse effect on the implementation of the Proposal or the Scheme or the business, assets or liabilities of the HXG Group;

- (j) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted or, made, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or the implementation thereof in accordance with their terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or the implementation thereof in accordance with their terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of SDGM to proceed with the Proposal and the Scheme; and
- (k) all warranties provided under the Irrevocable Undertaking remaining true, accurate and not misleading in all material respects and there having been no material breach of any undertakings, terms and conditions therein.

All of the above Conditions would have to be fulfilled or waived, as applicable, on or before the Scheme Long Stop Date, failing which the Proposal and the Scheme shall lapse.

SDGM reserves the right to waive the Conditions set out in paragraphs (i) and/or (k) either in whole or in part, either generally or in respect of any particular matter. The Conditions set out in paragraphs (a) to (h) and (j) (all inclusive) cannot be waived in any event. HXG is not entitled to waive any of the Conditions.

In respect of the Conditions set out in paragraphs (f), (h) and (i), other than those specifically set out as Conditions above and the application for the withdrawal of the listing of the HXG Shares on the Stock Exchange upon the Scheme becoming effective, as at the date of this joint announcement, each of SDGM and HXG is not aware of any such necessary Approvals, consents or waivers which may be required to be obtained in connection with the Proposal and the Scheme.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, SDGM may only invoke any or all of the Conditions above as a basis for not proceeding with the Proposal or the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to SDGM in the context of the Proposal.

WARNING: The respective shareholders and potential investors of HXG and SDGM should exercise caution when dealing in the HXG Shares, the SDGM Shares or any options or other rights in respect of them. The making of the Proposal is subject to the satisfaction of the Pre-Conditions. Even if the Proposal is made, the implementation of the Proposal and the Scheme is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank manager, solicitor or other professional advisers.

5. IRREVOCABLE UNDERTAKING AND WARRANTIES

SDGM received the Irrevocable Undertaking from the IU Shareholders (being Gold Virtue and Xi Wang), pursuant to which each of the IU Shareholders has undertaken to, among other things, exercise all voting rights attached to the relevant IU Shares in favour of the resolutions to approve the Proposal and any such other matters in connection therewith at the Court Meeting and the HXG EGM. The 693,750,000 IU Shares held in aggregate by the IU Shareholders represent approximately 75% of the total issued share capital of HXG as at the date of this joint announcement.

Further, each of the IU Shareholders has undertaken, inter alia, to exercise the voting rights attached to the relevant IU Shares in favour of the resolutions to approve matters assisting the implementation of the Proposal and not to (i) sell, transfer or otherwise dispose of the IU Shares held or owned by it; (ii) purchase or acquire any other HXG Shares without the consent of SDGM; or (iii) take any actions which may adversely affect or impede giving effect to the Scheme. Customary representations and warranties in relation to the business operations of HXG Group and specific indemnity in relation to contingent liability of HXG Group have also been given by the IU Shareholders under the Irrevocable Undertaking. The IU Guarantors have agreed to jointly and severally guarantee the due performance of the obligations of the IU Shareholders under the Irrevocable Undertaking and a cash deposit was pledged by a company owned by one of the IU Guarantors, Mr. Ke Xiping, in favour of SDGM as security for the specific indemnity.

The Irrevocable Undertaking will terminate and the obligations of the relevant IU Shareholders thereunder will cease to be binding if (i) the Proposal and the Scheme do not become effective by the Scheme Long Stop Date; (ii) the Proposal is not approved at the Court Meeting or the HXG EGM; (iii) SDGM and the IU Shareholders mutually agree to terminate; or (iv) the Proposal is withdrawn or lapses.

6. INFORMATION AND SHAREHOLDING STRUCTURE OF HXG

Information on HXG

HXG is an exempted company incorporated in the Cayman Islands with limited liability, and its shares are listed on the Main Board of the Stock Exchange with the stock code 2303, whose principal business is engaged in gold mining and production.

Set out below is certain financial information of the HXG Group for the three years ended 31 December 2019 extracted from the published audited consolidated financial statements of HXG for the years ended 31 December 2018 and 31 December 2019 and for the six months ended 30 June 2020 extracted from the published unaudited consolidated interim financial information of HXG for the six months ended 30 June 2020:

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June 2020
	(Audited)	(Audited)	(Audited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	324,314	323,767	271,346	72,472
Profit attributable to owners	240,303	260,897	214,544	55,154

The unaudited consolidated net asset value of HXG as at 30 June 2020 was approximately RMB1,030,544,000 according to its published unaudited consolidated interim financial information for the six months ended 30 June 2020.

Shareholding Structure of HXG

As at the date of this joint announcement, there are 925,000,000 HXG Shares in issue, all of which will constitute the Scheme Shares and there are no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by HXG that carry a right to subscribe for or which are convertible or exchangeable into HXG Shares.

As at the date of this joint announcement, neither SDGM nor any SDGM Concert Parties holds any HXG Shares. Thus, the Disinterested Shareholders hold 925,000,000 HXG Shares, representing 100% of the issued share capital of HXG.

Assuming there is no change to the issued share capital of HXG from the date of this joint announcement up to the Scheme Effective Date, the table below sets out the shareholding structure of HXG (i) as at the date of this joint announcement; and (ii) immediately upon completion of the Proposal (and the Scheme having become effective):

HXG Shareholders	As at the date of this joint announcement		Immediately upon completion of the Proposal (and the Scheme having become effective)	
	No. of HXG Shares	Approximate %	No. of HXG Shares	Approximate %
SDGM (Note 1)	–	–	925,000,000	100.00
SDGM Concert Parties (Note 2)	–	–	–	–
Sub-total of SDGM and SDGM Concert Parties	–	–	925,000,000	100.00
Gold Virtue (Note 3)	555,000,000	60.00%		
Xi Wang (Note 4)	138,750,000	15.00%		
Other Public HXG Shareholders (Note 5)	231,250,000	25.00%		
Disinterested Shareholders	925,000,000	100.00	–	–
Scheme Shareholders	925,000,000	100.00	–	–
Total number of HXG Shares	<u>925,000,000</u>	<u>100.00</u>	<u>925,000,000</u>	<u>100.00</u>

Notes:

1. SDGM reserves the right to require HXG to issue new HXG Shares to a wholly owned-subsiary of SDGM (in lieu of SDGM itself) immediately after the cancellation and extinguishment of the Scheme Shares upon the Scheme becoming effective. Please see note 6 below for further details.
2. CICC is the financial adviser to SDGM in respect of the Proposal. Accordingly, CICC and relevant members of the CICC group are presumed to be acting in concert with SDGM in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code (except in respect of HXG Shares and/or SDGM Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code and also excluding HXG Shares and/or SDGM Shares held on behalf of non-discretionary investment clients of the CICC group). Details of holdings, borrowings or lendings of, and dealings in, HXG Shares and/or SDGM Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of HXG and/or SDGM held by or entered into by other parts of the CICC group, if any, will be obtained as soon as possible after the date of this joint announcement in accordance with Note 1 to Rule 3.5 of the Takeovers Code. A further announcement will be made if the holdings of, borrowings, lendings, or dealings by the other parts of the CICC group are significant and in any event, such information will be disclosed in the Scheme Document. Hence, the statements in this joint announcement as to the holdings, borrowings or lendings of, or dealings in HXG Shares and/or SDGM Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of HXG and/or SDGM by SDGM Concert Parties are subject to the holdings of, borrowings, lendings, or dealings (if any) by such members of the CICC group. Any dealings in the relevant securities of HXG and/or SDGM during the six months prior to the date of this joint announcement by the CICC group will be disclosed in the Scheme Document.
3. Mr. Ke Xiping holds the entire issued share capital of Gold Virtue and therefore he is deemed to be interested in the 555,000,000 HXG Shares held by Gold Virtue. Mr. Ke Xiping is an executive director of HXG and the father of Mr. Ke Jiaqi.
4. Mr. Ke Jiaqi holds the entire issued share capital of Xi Wang and therefore he is deemed to be interested in the 138,750,000 HXG Shares held by Xi Wang. Mr. Ke Jiaqi is an executive director of HXG and the son of Mr. Ke Xiping.
5. Apart from Mr. Ke Xiping and Mr. Ke Jiaqi, no other director of HXG was interested in any HXG Shares as at the date of this joint announcement.
6. Under the Scheme, the issued share capital of HXG will, on the Scheme Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that there is no other change in the shareholding of HXG before completion of the Proposal, forthwith upon such reduction, the issued share capital of HXG will be increased to its former amount by the issue at par to SDGM or its wholly owned subsidiary (as the case may be), credited as fully paid, of the same number of new HXG Shares as the number of the Scheme Shares cancelled. The reserve created in HXG’s books of account as a result of the capital reduction will be applied in paying up in full at par the new HXG Shares so issued to SDGM or its wholly owned subsidiary (as the case may be).

7. INFORMATION AND SHAREHOLDING STRUCTURE OF SDGM

Information on SDGM

SDGM is a joint stock company incorporated under the laws of the PRC with limited liability. It is an integrated gold company with the SDGM A Shares listed on the Shanghai Stock Exchange (Stock Code: 600547) and SDGM H Shares listed on the Hong Kong Stock Exchange (Stock Code: 1787) since 2003 and 2018, respectively. SDGM is principally engaged in gold exploration, mining, processing, smelting and sales and is one of the largest gold producers listed in the PRC and/or Hong Kong that operates in the PRC, controlling and operating more than 10 gold mines with operation primarily located in Shandong province.

Set out below is certain financial information of the SDGM Group for the three years ended 31 December 2019 extracted from the published audited consolidated financial statements of SDGM for the years ended 31 December 2018 and 31 December 2019 and for the six months ended 30 June 2020 extracted from the published unaudited consolidated interim financial information of SDGM for the six months ended 30 June 2020:

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June
	(Audited)	(Audited)	(Audited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	1,604,445	1,580,028	2,072,690	1,646,982
Profit attributable to owners	1,118,920	964,411	1,290,503	1,122,253

The unaudited consolidated net asset value of SDGM as at 30 June 2020 was approximately RMB27,028,356,000 according to its published unaudited consolidated interim financial information for the six months ended 30 June 2020.

Shareholding Structure of SDGM

As at the date of this joint announcement, (i) the issued share capital of SDGM comprises 699,503,419 SDGM H Shares and 3,639,952,864 SDGM A Shares; and (ii) there are no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by SDGM that carry a right to subscribe for or which are convertible or exchangeable into SDGM Shares.

Assuming the Scheme becomes effective, a total of 159,482,759 SDGM H Shares will be issued. The table below sets out the shareholding structure of SDGM as at the date of this joint announcement and following completion of the Proposal (and the Scheme having become effective), assuming 159,482,759 SDGM H Shares are issued and there are no other changes in the shareholdings in SDGM prior to completion of the Proposal:

	As at the date of this joint announcement			Immediately upon completion of the Proposal (and the Scheme having become effective)		
	No. of SDGM Shares	SDGM A/H Shares	Approximate % in the total issued SDGM Shares	No. of SDGM Shares	SDGM A/H Shares	Approximate % in the total issued SDGM Shares
Non-public SDGM Shareholders						
Shandong Gold Group Co., Ltd. ("Shandong Gold Group")						
(Note 1)	2,042,292,447	A	47.06	2,042,292,447	A	45.39
Mr. Li Tao (Note 2)	129,182	A	0.01	129,182	A	0.01
Mr. Tang Qi (Note 2)	149,056	A	0.01	149,056	A	0.01
Public SDGM Shareholders						
Gold Virtue	–	–	–	95,689,655	H	2.13
Xi Wang	–	–	–	23,922,414	H	0.53
Other Public SDGM Shareholders	1,597,382,179	A	36.80	1,597,382,179	A	35.51
	699,503,419	H	16.12	739,374,109	H	16.43
Total number of SDGM Shares (Note 3 & 4)	4,339,456,283	–	100.00	4,498,939,042	–	100.00

Notes:

1. These 2,042,292,447 SDGM A Shares held by Shandong Gold Group comprise 1,671,709,197 SDGM A Shares directly held by Shandong Gold Group and 370,583,250 SDGM A Shares indirectly held by Shandong Gold Group through its various subsidiaries.
2. Mr. Li Tao and Mr. Tang Qi are executive directors of SDGM.
3. A bonus issue on the basis of 4 bonus SDGM Shares for every 10 SDGM Shares was made by SDGM to all SDGM Shareholders on 19 August 2020.
4. An exempt share buy-back (as defined under the Takeovers Code) may be conducted by SDGM by the end of 2020 in respect of 25,509,517 SDGM A Shares (having taken into account of the bonus issues made by SDGM in 2019 and 2020), representing approximately 0.58% of the total issued share capital of SDGM, from Shandong Gold Non-ferrous Metal Mine Group Co. Ltd ("Non-ferrous Group") at a consideration of RMB1.00, as a result of Non-ferrous Group's failure to achieve certain profit commitments under an asset acquisition agreement entered in May 2015. For details of the transaction and share buy-back, please refer to the circular dated 31 July 2020 issued by SDGM.
5. Certain percentage figures included in this table have been subject to rounding adjustments. Figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

8. HXG INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which received an offer must establish an independent committee of the board to make a recommendation (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance or voting. The HXG Independent Board Committee, comprising the non-executive director of HXG, namely Mr. Albert Fook Lau HO, and all independent non-executive directors of HXG, namely Ms. WONG, Yan Ki Angel, Dr. Tim SUN and Dr. PAN Guocheng, has been established by the HXG Board to make a recommendation to the Disinterested Shareholders (i) as to whether the terms of the Proposal and the Scheme are fair and reasonable; and (ii) as to whether to vote in favour of the resolutions for the approval of the Scheme at the Court Meeting and the resolutions necessary to implement the Proposal at the HXG EGM, taking into account the advice of the Independent Financial Adviser.

Octal Capital Limited has been appointed as the Independent Financial Adviser by HXG pursuant to Rule 2.1 of the Takeovers Code to advise the HXG Independent Board Committee in respect of the Proposal and the Scheme. The appointment of Octal Capital Limited as the Independent Financial Adviser has been approved by the HXG Independent Board Committee.

The Disinterested Shareholders are hereby reminded that they should, before making a decision and casting their vote in the Court Meeting and the HXG EGM, carefully read the Scheme Document, including the letter of advice from each of the HXG Independent Board Committee and the Independent Financial Adviser, which will be contained in the Scheme Document.

9. REASONS FOR AND BENEFITS OF THE PROPOSAL

(a) Solidification of industry leadership and enhancement of global competitiveness

SDGM is a leading gold producer in China with operations across the entire industry chain comprising exploration, mining, processing, smelting, deep processing and sale of gold products, supported by a complementary technological R&D system. As of 31 December 2019, SDGM controlled and operated 12 mines in China, and jointly operated the Veladero Mine in South America with Barrick Gold Corporation on a 50-50% basis.

HXG is an emerging gold producer in China which owns and operates the Gold Mountain Mine, the largest individual mine in Xinjiang, in terms of annual ore processing capacity and gold production. In 2019, the Gold Mountain Mine produced 2.66 tonnes of gold and was ranked 12th among the top individual gold mines in China. As of 30 June 2020, HXG has total gold resources of 77.28 tonnes and total gold reserves of 39.76 tonnes.

Continuous consolidations within the gold industry in recent years have further increased the market concentration, with large mining corporations gaining advantages from the economies of scale as the capital, technologies and market shares are dominated by top industry players. SDGM believes that further expansion and appropriate integration of gold resources is one of the key approaches to achieve business growth.

With more gold reserves, resources and production capacity to be added to its existing portfolio, SDGM's competitiveness in terms of its resources diversity and resources capacity are expected to be further strengthened, thereby solidifying its industry-leading position in China and enhancing its scale and industry ranking globally. In addition, the stronger cash flow and enlarged balance sheet will support the organic growth and inorganic expansion of SDGM going forward, creating value for both SDGM Shareholders and Scheme Shareholders.

(b) Diversification of mining asset portfolio with broadened geographic coverage and increased resilience to risks

SDGM's existing gold mines are mainly concentrated in Shandong, with benchmark projects such as Sanshandao Gold Mine, Jiaojia Gold Mine, Xincheng Gold Mine and Linglong Gold Mine located in Laizhou and Zhaoyuan regions in Yantai City, Shandong Province, and other assets located in provinces such as Fujian, Inner Mongolia and Gansu. The Proposal will allow SDGM to gain access to its first gold mine project in Xinjiang, further expanding its domestic gold production network with potential synergies to be realised with mines in neighboring provinces. It would also facilitate SDGM's integration of resources and potential development of gold projects in the Northwest China region in the future.

As a single mine company with the Gold Mountain Mine being the only asset in its portfolio, HXG has limited ability to resist risks on a standalone basis. The Proposal will provide an opportunity for the Scheme Shareholders to participate in SDGM's continuous optimisation of the Gold Mountain Mine, while eliminating such single-asset risk faced by HXG. Furthermore, through ownership of the SDGM H Shares, the Scheme Shareholders will gain exposure to a more diversified portfolio of assets with coverage across the entire industry chain, benefitting from an increased resilience to risks and more stable investment returns.

(c) Sharing of technological achievements and optimization of the management system

SDGM values technological innovation. It has been continuously increasing its investments in R&D, actively participating in various national key R&D projects, strengthening the construction of its independent innovation platforms, and obtaining a set of cutting-edge core technologies of the mining industry. As of 31 December 2019, SDGM owned 210 valid patents, including 61 invention patents. SDGM possesses industry-leading underground mining technologies and advanced scientific mine management expertise, which can effectively support the existing operations of HXG and the development of its underground mining resources after depletion of the open-pit mining area. These technologies will help to further extend the life span of mines, reduce mining costs and enhance the operations of the Gold Mountain Mine.

HXG has been committed to technical optimisation over the past few years with a focus to increase production efficiency. Following the utilization of high-pressure grinding rollers in commercial operation in 2017 which effectively improved the ore processing capacity, HXG has been conducting research to further improve the leaching rate through biological pre-oxidation. Biological pre-oxidation has advantages including: (i) requiring limited incremental cost and low capital investment, (ii) being a simple and user-friendly process, and (iii) having a low energy consumption and being environmentally friendly, which make it an optimal solution for mining of low-grade ores that are generally difficult to process. HXG has already commenced semi-industrial tests on biological pre-oxidation since June 2020. The sharing and exchange of technological achievements following completion of the Proposal will enable SDGM to improve its recovery rates, increase gold production volume and reduce production costs.

(d) Improvement in market liquidity as well as financial and capital markets profile

SDGM H Shares have historically been more actively traded as compared to HXG Shares. The average daily trading volume of HXG Shares on the Stock Exchange for the 120 trading days up to and including the HXG Last Trading Day was approximately 1,062,444 shares per trading day, representing approximately 0.11% of the number of HXG Shares as at the date of this joint announcement. The low trading liquidity of HXG Shares makes it difficult for HXG Shareholders to execute substantial on-market disposals without exerting downward pressure on the market price of the HXG Shares in the short term. On the other hand, the average daily trading volume of SDGM H Shares over the same period was approximately 11,642,184 shares per trading day, representing approximately 1.66% of the number of SDGM H Shares as at the date of this joint announcement. The Proposal provides an opportunity for the Scheme Shareholders to dispose their relatively illiquid HXG Shares in exchange for more actively traded SDGM H Shares at a premium to the quoted price of HXG Shares without suffering any illiquid discount. In addition to enhancing the liquidity of investment, the Scheme Shareholders will gain exposure to a broader asset portfolio through ownership of SDGM H Shares, with the opportunity to enjoy the growth potential of the gold industry as explained above.

Furthermore, as the consideration for the Proposal will be settled by way of issuing new SDGM H Shares, the Proposal is expected to improve the gearing ratio and debt indicators of SDGM, as well as to expand the market capitalisation of SDGM and further enhance the liquidity in SDGM H Shares, thereby increasing the attractiveness of SDGM to institutional investors to further strengthen its financing capability in the future.

10. IMPLEMENTATION OF THE PROPOSAL AND WITHDRAWAL OF LISTING OF HXG SHARES

(a) If the Scheme becomes effective

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. HXG will apply to the Stock Exchange for withdrawal of the listing of the HXG Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective.

The holders of Scheme Shares will be notified by way of an announcement of the exact date of the last day for dealing in the HXG Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the HXG Shares on the Stock Exchange will be effective. A detailed timetable of the implementation of the Proposal will be included in the Scheme Document, which will also contain, inter alia, further details of the Proposal.

(b) If the Scheme is not approved or if the Proposal lapses

The Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Scheme Long Stop Date. If the Scheme is not approved or if the Proposal otherwise lapses, the listing of HXG Shares on the Stock Exchange will not be withdrawn. If the Scheme is not approved or if the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither SDGM nor any person who acted in concert with it in the course of the Proposal nor any person who is subsequently acting in concert with any of them may, within 12 months from the date on which the Scheme is not approved or the Proposal lapses, announce an offer or possible offer for HXG, except with the consent of the Executive.

If the HXG Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal or the Scheme, and the Scheme is not approved, all expenses incurred by HXG in connection therewith will be borne by SDGM in accordance with Rule 2.3 of the Takeovers Code.

11. OVERSEAS SCHEME SHAREHOLDERS

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such overseas Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance by the overseas Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to SDGM and HXG and their respective advisers (including without limitation, CICC and SCB) that those laws and regulatory requirements have been complied with.

The Scheme will provide that if the law of any relevant jurisdiction precludes an offer of the SDGM H Shares, or precludes it except after compliance by SDGM with conditions with which SDGM is unable to comply or that SDGM regards as unduly onerous, no SDGM H Shares will be issued to the relevant overseas holders of Scheme Shares (the “**Non-Qualifying Overseas Shareholders**”) and other alternative arrangement will be made in relation to the SDGM H Shares to which those Non-Qualifying Overseas Shareholders would otherwise be entitled. Such arrangements may include, subject to the Executive’s consent and compliance with applicable requirements, an arrangement for the SDGM H Shares which would otherwise have been allotted to the relevant Non-Qualifying Overseas Shareholders under the Scheme to be allotted to a person selected by the SDGM Board, who will sell such SDGM H Shares on the market, with the net proceeds of such sale to be paid to the relevant Non-Qualifying Overseas Shareholders pro rata to their shareholdings in HXG. If, based on the enquiries made before the issue of the Scheme Document, overseas shareholders in any particular jurisdictions are regarded as Non-Qualifying Overseas Shareholders, relevant details will be included in the Scheme Document.

In the event that the despatch and/or receipt of the Scheme Document to or by overseas Scheme Shareholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements that the HXG Board regards as unduly onerous or burdensome or otherwise not in the best interests of HXG and its shareholders, the Scheme Document, subject to the Executive’s consent and directions of the Court, would not be despatched to such overseas Scheme Shareholders. For that purpose, HXG will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholder(s). In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to their position or the taxation implications of accepting the Proposal. It is emphasised that none of SDGM, HXG and any of their respective directors, officers or associates or professional advisers (including without limitation, CICC and SCB) or any other person involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

12. SCHEME SHARES, COURT MEETING AND HXG EGM

All Scheme Shareholders will be entitled to attend and vote on the Scheme in the Court Meeting, but only the votes of the Disinterested Shareholders will be taken into account in determining if the Condition in paragraph (b) under the section headed “4. Conditions of the Proposal and the Scheme” is satisfied.

By virtue of CICC and SCB being the financial adviser to SDGM and HXG, respectively, in connection with the Proposal and the Scheme, any HXG Shares held by any exempt principal traders within the CICC group or within the SCB group, notwithstanding such connected exempt principal traders not being SDGM Concert Parties, must not be voted in the context of the Proposal in accordance with the requirements of Rule 35.4 of the Takeovers Code, unless (i) the relevant connected exempt principal trader holds the HXG Shares as a simple custodian for and on behalf of non-discretionary clients, and (ii) there are contractual arrangements in place between the relevant connected exempt principal trader and its clients that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant HXG Shares, and all voting instructions shall originate from the client only, and if no instructions are given, then no votes shall be cast for the relevant HXG Shares held by the relevant connected exempt principal trader. For this purpose, where applicable, a written confirmation of the matters set out in points (i) and (ii) above and whether the relevant underlying clients are entitled to vote in the context of the Proposal will be submitted to the Executive prior to the Court Meeting.

All HXG Shareholders will be entitled to attend the HXG EGM to be held after the Scheme is approved by the Scheme Shareholders at the Court Meeting, and vote on the special resolution to approve and give effect to (i) the reduction of the issued share capital of HXG by cancelling and extinguishing the Scheme Shares; (ii) the increase of the issued share capital of HXG immediately thereafter to the amount prior to the cancellation of the Scheme Shares by issuing to SDGM or its wholly-owned subsidiary (as the case may be) such number of new HXG Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (iii) the application of the credit arising in HXG’s books of accounts as a result of the Scheme to pay up in full at par value such number of new HXG Shares, credited as fully paid, for issuance to SDGM or its wholly owned subsidiary (as the case may be).

13. GENERAL

SDGM confirms that as at the date of this joint announcement:

- (a) none of SDGM and SDGM Concert Parties owns or has control or direction over any voting rights in HXG or rights over HXG Shares;
- (b) save for the Irrevocable Undertaking, SDGM and SDGM Concert Parties have not received any irrevocable commitment to accept the offer to cancel the Scheme Shares or to vote for or against the Scheme;
- (c) there were no convertible securities, warrants or options in respect of the HXG Shares held by SDGM or SDGM Concert Parties;
- (d) SDGM and SDGM Concert Parties have not entered into any derivatives in respect of the securities of HXG;
- (e) save for the Irrevocable Undertaking, there are no arrangements (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the HXG Shares or the SDGM Shares between SDGM or any of the SDGM Concert Parties and any other person which might be material to the Proposal;
- (f) save for the Pre-Conditions and the Conditions, there are no agreements or arrangements to which SDGM is a party which relate to the circumstances in which SDGM may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal;
- (g) SDGM and SDGM Concert Parties have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in HXG; and
- (h) there is no understanding, arrangement or agreement which constitutes special deals (as defined under Rule 25 of the Takeovers Code) between any HXG Shareholder (on one hand) and SDGM and any SDGM Concert Parties (on the other hand).

Subject to the dealings (if any) of any member of the CICC group (except in respect of HXG Shares and/or SDGM Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code and also excluding HXG Shares and/or SDGM Shares held on behalf of non-discretionary investment clients of the CICC group), neither SDGM nor any SDGM Concert Parties has dealt for value in any HXG Shares, any SDGM Shares, or any options, convertible securities, warrants, options or derivatives in respect of the securities of HXG and/or SDGM during the six months prior to the date of this joint announcement. Any dealings in the relevant securities of HXG and/or SDGM during the six months prior to the date of this joint announcement by the CICC group will be disclosed in the Scheme Document.

Save for the new SDGM H Shares to be allotted and issued to the holders of the Scheme Shares on the Scheme Effective Date pursuant to the Scheme, there is no other consideration, compensation or benefits in whatever form provided or to be provided by SDGM or any of the SDGM Concert Parties to the holders of Scheme Shares or any party acting in concert with any of them in relation to the Scheme Shares.

HXG confirms that as at the date of this joint announcement, there is no understanding, arrangement or agreement which constitutes special deals (as defined under Rule 25 of the Takeovers Code) between any HXG Shareholder (on one hand) and HXG or any of its subsidiaries or associated companies (on the other hand).

14. DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, inter alia, further details of the Proposal and the Scheme, the expected timetable, information regarding SDGM Group and HXG Group, recommendations from the HXG Independent Board Committee with respect to the Proposal and the Scheme and the letter of advice of the Independent Financial Adviser, a notice of the Court Meeting and a notice of the HXG EGM, together with proxy forms in relation thereto, will be despatched to the Scheme Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code and the Companies Law, the Court and other applicable regulations.

The Scheme Document will contain important information and the Scheme Shareholders are urged to carefully read the Scheme Document containing such disclosures before casting any vote at (or providing any proxy in respect of) the Court Meeting or the HXG EGM mentioned above (as the case may be). Any acceptance or other response to the Proposal should be made only on the basis of information contained in the Scheme Document or any other document by which the Proposal is made.

15. DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF NEW SDGM H SHARES UNDER SPECIFIC MANDATE PURSUANT TO THE SCHEME AND LISTING RULES IMPLICATIONS FOR SDGM

As the highest of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the Proposal and the Scheme exceed 5% but are less than 25%, the Proposal and the Scheme constitute a discloseable transaction for SDGM for the purposes of the Listing Rules, and are therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

Further, the SDGM H Shares to be issued pursuant to the Scheme as consideration for the cancellation and extinguishment of the Scheme Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the SDGM Shareholders at the SDGM EGM and SDGM Class Meetings, respectively.

16. ODD LOTS ARRANGEMENT AND FRACTIONS OF SDGM H SHARES

HXG Shareholders should be aware that in accepting the Proposal, no arrangements are intended to be made for the trading of odd lots of SDGM H Shares resulting from the acceptance of the Proposal.

If the number of SDGM H Shares to be obtained by a HXG Shareholder according to the Share Exchange Ratio will not result in a whole number, the HXG Shareholder(s) concerned will be ranked according to the fractional value after the decimal point from highest to lowest, and one additional SDGM H Share will be given to each such HXG Shareholder in such order until the aggregate number of SDGM H Shares actually exchanged is equal to the total number of SDGM H Shares proposed to be issued, i.e. 159,482,759 SDGM H Shares.

If the number of HXG Shareholders with the same fractional value after the decimal point is more than the number of remaining SDGM H Shares to be issued, SDGM H Shares will be allocated randomly by a computerised system until the aggregate number of SDGM H Shares actually exchanged is equal to the total number of SDGM H Shares proposed to be issued.

17. RESUMPTION OF TRADING

At the request of HXG, trading in HXG Shares on the Stock Exchange was halted with effect from 2:21 p.m. on 29 September 2020 pending the publication of this joint announcement. Application has been made by HXG to the Stock Exchange for the resumption of trading in the HXG Shares on the Stock Exchange with effect from 9:00 a.m. on 5 October 2020.

At the request of SDGM, trading in SDGM H Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 30 September 2020 pending the publication of this joint announcement. Application has been made by SDGM to the Stock Exchange for the resumption of trading in the SDGM H Shares on the Stock Exchange with effect from 9:00 a.m. on 5 October 2020.

18. DISCLOSURE OF DEALINGS

In accordance with Rule 3.8 of the Takeovers Code, associates of SDGM and HXG, including persons who own or control 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of either SDGM or HXG, are hereby reminded to disclose their dealings in the relevant securities of SDGM and HXG pursuant to the Takeovers Code.

The full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

19. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This joint announcement includes certain “forward-looking statements”. These statements are based on the current expectations of the management of SDGM and/or HXG (as the case may be) and assumptions in light of currently available information and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this joint announcement include statements about the expected effects of the Proposal on SDGM and/or HXG, the expected timing of the Proposal, and all other statements in this joint announcement other than historical facts.

In addition, forward-looking statements include, without limitation, statements typically containing words such as “may”, “could”, “will”, “expect”, “believe”, “intend”, “anticipate”, “seek”, “continue”, “target”, “estimate”, “envisage”, “project”, “plan”, “strategy” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the Pre-Conditions to the making of the Proposal and the Conditions to the implementation of the Proposal, as well as additional factors, such as general, social, economic and political conditions in the PRC and/or other countries which have an impact on the SDGM Group and/or the HXG Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the SDGM Group and/or HXG Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the SDGM Group and/or the HXG Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the SDGM Group and/or the HXG Group operate and regional or general changes in asset valuations. Other unknown or unpredictable factors could also cause actual results to differ materially from those in the forward-looking statements.

Any forward-looking statement contained in this joint announcement based on past or current trends and/or activities of the SDGM Group and the HXG Group, respectively, should not be taken as a representation that such trends or activities will continue in the future. No statement in this joint announcement is intended to be a profit forecast or to imply that the earnings of SDGM or HXG for the current year or future years will necessarily match or exceed the historical or published earnings of SDGM or HXG.

All written and oral forward-looking statements attributable to SDGM, HXG or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the date of this joint announcement. Subject to the applicable requirements under the Takeovers Code, each of SDGM and HXG expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the expectations of each of SDGM and HXG with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

DEFINITIONS

“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “concert parties” shall be construed accordingly
“Approvals”	authorisations, registrations, filings, rulings, consents, opinions, permissions, waivers, notices and approvals
“associates”	has the meaning ascribed to it under the Takeovers Code
“associated company(ies)”	has the meaning ascribed to it under the Takeovers Code
“Authority(ies)”	government, quasi-government and/or governmental body(ies), statutory or regulatory body(ies), court(s), or designated authorised body(ies) or agency(ies) of any of the foregoing
“BVI”	the British Virgin Islands
“CICC”	China International Capital Corporation Hong Kong Securities Limited, a company incorporated in Hong Kong with limited liability and licensed under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities, and the financial adviser to SDGM in respect of the Proposal and the Scheme
“Companies Law”	the Companies Law (2020 Revision) of the Cayman Islands, as consolidated and revised from time to time
“Conditions”	the conditions to the implementation of the Proposal, as set out under the section headed “4. CONDITIONS OF THE PROPOSAL AND THE SCHEME” of this joint announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Court”	the Grand Court of the Cayman Islands
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Disinterested Shareholders”	all the Scheme Shareholders, other than SDGM and the SDGM Concert Parties (except in respect of the holding of HXG Shares by the CICC group in the capacity of an exempt principal trader or exempt fund manager in each case recognised by the Executive as such for the purposes of the Takeovers Code and excluding HXG Shares held by the CICC group for and on behalf of its non-discretionary investment clients)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“exempt fund manager”	has the meaning ascribed to it in the Takeovers Code
“exempt principal trader”	has the meaning ascribed to it in the Takeovers Code
“Gold Mountain Mine”	金山金礦, a gold mine located in Yining County of Xinjiang, China, which covers five gold prospects, namely the Yelmand prospect, the Mayituobi prospect, the Jingxi-Balake prospect, the Kuangou prospect and the Lion prospect
“Gold Virtue”	Gold Virtue Limited, a company incorporated under the laws of the BVI with limited liability on 16 March 2012 and a controlling shareholder of HXG holding approximately 60% of the issued share capital thereof, which is wholly-owned by Mr. Ke Xiping
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HXG”	Hengxing Gold Holding Company Limited (恒興黃金控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2303)
“HXG Board”	the board of directors of HXG
“HXG EGM”	the extraordinary general meeting of HXG to be held to consider and approve, among other matters, the capital reduction arising as a result of the Scheme

“HXG Group”	HXG and its subsidiaries
“HXG Independent Board Committee”	the independent board committee of HXG established by the HXG Board to make a recommendation to the Disinterested Shareholders in respect of, amongst others, the Proposal and the Scheme
“HXG Last Full Trading Day”	28 September 2020, being the last full trading day on which HXG Shares were traded on the Stock Exchange immediately prior to their suspension in trading on the Stock Exchange pending the publication of this joint announcement
“HXG Last Trading Day”	29 September 2020, being the last trading day on which HXG Shares were traded on the Stock Exchange immediately prior to their suspension in trading on the Stock Exchange pending the publication of this joint announcement
“HXG Shares”	ordinary shares with par value of HK\$0.01 each in the share capital of HXG
“HXG Shareholders”	registered holders of HXG Shares
“HXG Special Dividend”	the special dividend of HK\$0.3585 per HXG Share declared by the HXG Board on 29 September 2020, for which the record date was 16 October 2020
“Independent Financial Adviser”	Octal Capital Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by HXG for the purpose of providing advice to the HXG Independent Board Committee in respect of the Proposal and the Scheme
“Irrevocable Undertaking”	the irrevocable undertakings and warranties given by the IU Shareholders whose liabilities are agreed to be guaranteed by the IU Guarantors in favour of SDGM dated 30 September 2020
“IU Guarantors”	Mr. Ke Xiping and Mr. Ke Jiaqi, being the sole shareholder of Gold Virtue and Xi Wang respectively
“IU Shareholders”	Gold Virtue and Xi Wang
“IU Shares”	collectively, the 555,000,000 HXG Shares held by Gold Virtue and the 138,750,000 HXG Shares held by Xi Wang
“Last Trading Day”	HXG Last Trading Day (with respect to HXG Shares) or SDGM Last Trading Day (with respect to SDGM Shares)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ke Jiaqi”	Ke Jiaqi (柯家琪), an executive director and a controlling shareholder of HXG, Mr. Ke Xiping’s son
“Mr. Ke Xiping”	Ke Xiping (柯希平), an executive director, the chairman, the president and a controlling shareholder of HXG
“Non-Qualifying Overseas Shareholders”	has the meaning ascribed to it in the section headed “11. Overseas Scheme Shareholders” of this joint announcement
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-Conditions”	the pre-conditions to the making of the Proposal, as set out under the section headed “3. PRE-CONDITIONS TO THE MAKING OF THE PROPOSAL” of this joint announcement
“Proposal”	the proposal to take private of HXG by SDGM by way of the Scheme involving the cancellation and the extinguishment of the Scheme Shares, the restoration of the share capital of HXG to the amount immediately before the cancellation of the Scheme Shares by means of the issuance of new HXG Shares to SDGM or its wholly owned subsidiary (as the case may be), and the withdrawal of listing of HXG Shares on the Stock Exchange, on terms and subject to the conditions set out in this joint announcement
“relevant securities”	has the meaning ascribed to it in Note 4 to Rule 22 of the Takeovers Code
“RMB”	Renminbi, the lawful currency of the PRC
“SCB”	Standard Chartered Bank (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and is regulated by the Hong Kong Monetary Authority and registered with the SFC to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO (Cap. 571), and the financial adviser to HXG in respect of the Proposal and the Scheme
“Scheme”	the scheme of arrangement under section 86 of the Companies Law involving, amongst others, the cancellation of all the Scheme Shares and the restoration of the issued share capital of HXG to the amount immediately before the cancellation of the Scheme Shares by the issuance of new HXG Shares to SDGM or its wholly owned subsidiary (as the case may be)

“Scheme Document”	the scheme document to be despatched to all Scheme Shareholders in connection with the Scheme and containing, inter alia, further details of the Proposal and the Scheme
“Scheme Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Law
“Scheme Long Stop Date”	30 June 2021 or such later date as SDGM and HXG may agree, or to the extent applicable, as the Court may direct and, in all cases, as permitted by the Executive
“Scheme Record Date”	the record date to be announced for determining entitlements under the Scheme
“Scheme Share(s)”	the HXG Shares in issue as at the Scheme Record Date other than those held by SDGM and SDGM Concert Parties
“Scheme Shareholder(s)”	holder(s) of the Scheme Share(s) as at the Scheme Record Date
“SDGM”	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated 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 Stock Exchange (Stock Code: 1787) and the Shanghai Stock Exchange (Stock Code: 600547) respectively, being the offeror under the Proposal
“SDGM A Shares”	domestic shares in the share capital of SDGM, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“SDGM Board”	the board of directors of SDGM
“SDGM Class Meetings”	the class meeting of holders of SDGM A Shares and the class meeting of holders of SDGM H Shares to be held to consider and approve, among other matters, the Specific Mandate
“SDGM Concert Party(ies)”	any party(ies) acting in concert, or presumed to be acting in concert with SDGM under the definition of “acting in concert” under the Takeovers Code (except in the capacity of an exempt principal trader or exempt fund manager in each case recognised by the Executive as such for the purpose of the Takeovers Code and excluding HXG Shares held by the CICC group on behalf of non-discretionary investment clients)

“SDGM EGM”	the extraordinary general meeting of SDGM to be held to consider and approve, among other matters, the Specific Mandate
“SDGM Group”	SDGM and its subsidiaries
“SDGM H Shares”	overseas listed foreign shares in the share capital of SDGM, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK\$ and which are listed on the Main Board of the Stock Exchange
“SDGM Last Trading Day”	29 September 2020, being the last full trading day on which SDGM H Shares were traded on the Stock Exchange immediately prior to their suspension in trading on the Stock Exchange pending the publication of this joint announcement
“SDGM Shareholders”	registered holders of SDGM Shares
“SDGM Shares”	ordinary shares of SDGM with a nominal value of RMB1.00 each, comprising both SDGM A Shares and SDGM H Shares
“Share Exchange Ratio”	the exchange ratio of 5/29 new SDGM H Share for every Scheme Share cancelled under the Scheme
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Specific Mandate”	the specific mandate for the allotment and issue, credited as fully paid, of new SDGM H Shares as consideration for the Proposal to the Scheme Shareholders pursuant to the Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities

“Xi Wang” Xi Wang Developments Limited (熙望發展有限公司), a limited liability company incorporated in the BVI on 11 May 2012 and a controlling shareholder of HXG holding approximately 15% of the issued share capital thereof, which is wholly-owned by Mr. Ke Jiaqi

“%” per cent

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

By order of the HXG Board
Hengxing Gold Holding Company Limited
Ke Xiping
Chairman

Hong Kong, 30 September 2020

For the purposes of this joint announcement, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1 to HK\$1.1369 for the purposes of illustration only. No representation is made that any amount converted from RMB into HK\$ could have been or could be converted at the above rate or at any other rates.

As at the date of this joint announcement, the executive directors of SDGM are Mr. Wang Peiyue, Mr. Li Tao and Mr. Tang Qi; the non-executive directors of SDGM are Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling; and the independent non-executive directors of SDGM are Mr. Gao Yongtao, Mr. Lu Bin and Ms. Hui Wing.

The directors of SDGM jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the HXG Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of HXG) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statements in this joint announcement misleading.

As at the date of this joint announcement, the executive directors of HXG are Mr. Ke Xiping, Mr. Chen, David Yu and Mr. Ke Jiaqi, the non-executive director of HXG is Mr. Albert Fook Lau Ho and the independent non-executive directors of HXG are Ms. Wong, Yan Ki Angel, Dr. Tim Sun and Dr. PAN Guocheng.

The directors of HXG jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the SDGM Group and the SDGM Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of SDGM) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statements in this joint announcement misleading.

In the event of any inconsistency, the English text of this joint announcement shall prevail over the Chinese text.