



HENGXING GOLD HOLDING COMPANY LIMITED

IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO FSD 296 OF 2020 (MRHJ)

IN THE MATTER OF SECTION 15 AND SECTION 86 OF THE COMPANIES LAW 2020 REVISION

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER OF HENGXING GOLD HOLDING COMPANY LIMITED

PETITION

Introduction

1. The object of this Petition is to seek:-
 - a. the sanction of the Court to a scheme of arrangement under Section 86 of the Companies Law (2020 Revision) (hereinafter called the "**Scheme**") between the above-named Hengxing Gold Holding Company Limited (hereinafter called the "**Company**") and holders of ordinary shares with par value of HK\$0.01 each in the share capital of the Company ("**Shares**") other than those (if any) held by Shandong Gold Mining Co., Ltd. ("**SDGM**") and its concert parties on the date the Scheme is to become effective ("**Scheme Effective Date**");
 - b. the confirmation by the Court of a reduction of the issued share capital of the Company under Section 15 of the Companies Law (2020 Revision) by cancellation of the Shares other than those (if any) held by SDGM and its concert parties (the "**Scheme Shares**") (the "**Capital Reduction**"). In consideration therefor, 5/29 H Shares in SDGM ("**SDGM H Shares**") will be allotted and issued to the holders of the Scheme Shares ("**Scheme Shareholders**") on the Scheme Effective Date for every Scheme Share so cancelled; and
 - c. the confirmation by the Court of the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares by means of the issuance of new Shares in the same number as the Scheme Shares (which were cancelled) to SDGM (or its wholly-owned subsidiary) credited as fully paid out of the credit arising in the Company's books of account as a result of the Capital Reduction.

2. A print of the Scheme is annexed to this Petition by way of Schedule.

The Company

3. The Company was incorporated as an exempted company with limited liability on 10 April 2012 under the Companies Law.
4. The registered office of the Company is situated at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.
5. The objects for which the Company was established are unrestricted and include without limitation those objects set forth in the memorandum of association of the Company.
6. Shortly after its incorporation the Company commenced and has since continued to carry on business.
7. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 29 May 2014.

History of changes in the share capital of the Company

8. The original authorized share capital of the Company was HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each.

The following sets out the changes in the Company's authorized and issued share capital since the date of its incorporation:

- a. On 10 April 2012, one Share of a par value of HK\$0.01 was allotted, issued and credited as nil paid to Codan Trust Company (Cayman) Limited as the initial subscriber. On the same date, Codan Trust Company (Cayman) Limited transferred one Share to Mr. Ke Xiping, the chairman, a director and a majority shareholder of the Company, and Mr. Ke Xiping subsequently paid up and transferred one Share to Gold Virtue Limited, a company incorporated under the laws of the British Virgin Islands with limited liability which is wholly-owned by Mr. Ke Xiping ("Gold Virtue").
- b. On 18 June 2012, seven new Shares were allotted, issued and credited as fully paid to Gold Virtue.
- c. On 9 July 2012, two new Shares were allotted, issued and credited as fully paid to Xi Wang Developments Limited, a company incorporated in the British Virgin Islands with limited liability ("Xi Wang") which is wholly-owned by Mr. Ke Jiaqi, the son of Mr. Ke Xiping and a director of the Company.
- d. On 26 June 2013, four and one new Shares were allotted, issued and credited as fully paid to Gold Virtue and Xi Wang, respectively.

- e. On May 5, 2014, pursuant to a shareholders' resolution, the authorized share capital of the Company was increased to HK\$20,000,000 divided into 2,000,000,000 Shares of a par value of HK\$0.01 each by the creation of 1,962,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue prior to such increase.
- f. On 29 May 2014, the Company allotted and issued 693,749,985 Shares credited as fully paid as a result of a capitalization issue and the global offering:
 - (i) as regards the capitalization issue, 554,999,988 Shares and 138,749,997 Shares were allotted and issued, credited as fully paid at par and ranking *pari passu* in all respects with the then existing issued Shares, to Gold Virtue and Xi Wang, respectively;
 - (ii) as regards the global offering, 231,250,000 Shares were allotted and issued, credited as fully paid to the public and professional investors which subscribed for the Shares; and
 - (iii) immediately following the completion of a capitalization issue and the initial public offering of Shares by the Company, the authorized share capital of the Company increased to HK\$20,000,000 divided into 2,000,000,000 Shares, of which 925,000,000 Shares were issued fully paid or credited as fully paid, and 1,075,000,000 Shares remained unissued.

Save as disclosed above, there has been no alteration in the Company's share capital since the date of incorporation.

Proposed reconstruction of the capital structure

- 9. A reconstruction of the capital structure is now proposed whereby the share capital of the Company will be reduced by the cancellation of the Scheme Shares and, in consideration therefor, 5/29 SDGM H Shares will be allotted and issued to the Scheme Shareholders on the Scheme Effective Date for every Scheme Share so cancelled; forthwith upon the Capital Reduction, the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares by means of the issuance of new Shares in the same number as the Scheme Shares (which were cancelled) to SDGM (or its wholly-owned subsidiary) credited as fully paid out of the credit arising in the Company's books of account as a result of the Capital Reduction;
- 10. The Capital Reduction is expected to be approved by way of a special resolution to be passed at an extraordinary general meeting of the holders of the Shares ("**Shareholders**") to be held immediately after the Court Meeting referred to herein.
- 11. The profile of the Shareholders as at the Scheme Effective Date is expected to be as follows:

Assuming there is no change to the issued share capital of the Company from 17 November 2020 up to the Scheme Effective Date, the table below sets out the shareholding structure of

the Company (i) as at the date of this Petition; and (ii) Immediately upon the Scheme having become effective:

Shareholders	As at [xx] 2020		Immediately upon the Scheme having become effective	
	No. of Shares	Approximate %	No. of 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 Shareholders	231,250,000	25.00%		
Disinterested Shareholders	925,000,000	100.00	-	-
Total number of Shares	925,000,000	100.00	925,000,000	100.00

Notes:

1. SDGM reserves the right to require the Company to issue new Shares to a wholly owned subsidiary 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. China International Capital Corporation Hong Kong Securities Limited ("CICC") is the financial adviser to SDGM in respect of the Proposal (as defined below). 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 Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") (except in respect of the Shares and/or shares of SDGM ("SDGM Shares") held by exempt principal traders or exempt fund managers, in each case recognised by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his/her delegates as such for the purposes of the Takeovers Code and also excluding the Shares and/or SDGM Shares held on behalf of non-discretionary investment clients of the CICC group).

3. Mr. Ke Xiping holds the entire issued share capital of Gold Virtue and therefore he is deemed under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to be interested in the 555,000,000 Shares held by Gold Virtue. Mr. Ke Xiping is an executive director of the Company 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 under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to be interested in the 138,750,000 Shares held by Xi Wang. Mr. Ke Jiaqi is an executive director of the Company and the son of Mr. Ke Xiping.

5. Apart from Mr. Ke Xiping and Mr. Ke Jiaqi, no other director of the Company was interested in any Shares as at the [date hereof].

6. Under the Scheme, the issued share capital of the Company 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 the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company 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 Shares as the number of the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the Capital Reduction will be applied in paying up in full at par the new Shares so issued to SDGM or its wholly owned subsidiary (as the case may be).

Information on the Offeror

12. SDGM is a joint stock company incorporated under the laws of the People's Republic of China ("PRC") with limited liability. It is an integrated gold company with its A Shares ("SDGM A Shares") listed on the Shanghai Stock Exchange (Stock Code: 600547) and its 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.

Purpose of the Scheme

13. The purpose of the Scheme is to implement a take-private of the Company so that SDGM will own 100% of the issued share capital of the Company. This will be achieved by the steps summarized in paragraph 14 below.

Principal Features of the Scheme

14. The principal features of the Scheme are:
- a. the Capital Reduction and, in consideration therefor, 5/29 H Share in SDGM will be allotted and issued to the Scheme Shareholders on the Scheme Effective Date for every Scheme Share so cancelled;
 - b. forthwith upon the Capital Reduction referred to in a. above, the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares by means of the issuance of new shares in the same number as the Scheme Shares (which were cancelled) to SDGM (or its wholly-owned subsidiary) credited as fully paid out of the credit arising in the Company's books of account as a result of the Capital Reduction.

Pre-Conditions to which the Proposal (including the Scheme) is subject

15. The making of the proposal for a take-private of the Company by way of the Scheme involving the Capital Reduction, and the withdrawal of the listing of the Shares on the Hong Kong Stock Exchange (the "Proposal") is subject to pre-conditions, namely that 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.

16. The pre-conditions set out in paragraph 15 shall be satisfied before the Court Meeting is held; the Court Meeting shall not be held unless all such pre-conditions shall have been satisfied.
17. The pre-conditions set out in paragraph 15 are, as of the date of this Petition, expected to be satisfied on or around 27 November 2020.

Conditions to which the Scheme is subject

18. The Scheme will only become effective and binding on the Company and all Scheme Shareholders subject to the satisfaction or waiver (as applicable) of the following conditions (the "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 (as defined in the Hong Kong Code on Takeovers and Mergers and Share Buy-backs) 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 way of poll) by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at an extraordinary general meeting of the Company to approve and give effect to (i) the Capital Reduction; (ii) immediately thereafter the increase of the issued share capital of the Company 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 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 the Company's books of accounts as a result of such issued share capital reduction in paying up in full at par value the new 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 an extraordinary general

meeting and separate class meetings of holders of A Shares and holders of H Shares of SDGM 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 Scheme Shareholders 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 the Company, 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:
 - i. the State Administration for Market Regulation of the PRC for merger filing; and
 - ii. 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 Hong Kong 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 Hong Kong 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 Company and its subsidiaries 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 Company and its subsidiaries;
- 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 undertakings and warranties dated 30 September 2020 given by Gold Virtue and Xi Wang whose liabilities are agreed to be guaranteed by Mr. Ke Xiping and Mr. Ke Jiaqi in favour of SDGM 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 under the Proposal, being 30 June 2021 (or such later date as the Company and SDGM may agree or, to the extent applicable, as the Court may direct and, in all cases, as permitted by the Hong Kong Securities and Futures Commission), 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. The Company is not entitled to waive any of the Conditions.

As at the date of this Petition, save for the Conditions set out in paragraphs (d) and (f)(i), none of the Conditions has been fulfilled or waived.

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 Shares on the Hong Kong Stock Exchange upon the Scheme becoming effective, as at the [date of this Petition], each of SDGM and the Company 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.

Reasons for and benefits of the Scheme

19. The principal reasons for and benefits of the Scheme are as follows:

(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.

The Company 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, the Company 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, the Company has limited ability to withstand risks alone. 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 the Company. 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 the Company 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.

The Company 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, the Company 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. The Company 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 the Shares. The average daily trading volume of Shares on the Stock Exchange for the 120 trading days up to and including 16 November 2020 was approximately 706,456 Shares per trading day, representing approximately 0.08% of the total number of Shares as at 16 November 2020. The low trading liquidity of Shares makes it difficult for Shareholders to execute substantial on-market disposals without exerting downward pressure on the market price of the Shares in the short term. On the other hand, the average daily trading volume of SDGM H Shares over the same period was approximately 11,623,903 shares per trading day, representing approximately 1.66% of the total number of SDGM H Shares as at 16 November 2020. The Proposal provides an opportunity for the Scheme Shareholders to dispose of their relatively illiquid Shares in exchange for more

actively traded SDGM H Shares at a premium to the quoted price of 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.

20. 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 Share and the average closing prices per SDGM H Share in various historical periods, are as follows:

		Trading Periods up to and including 29 September 2020				
		10 Trading Days	30 Trading Days	60 Trading Days	90 Trading Days	120 Trading Days
A	Average closing price per Share based on the daily closing prices as quoted on the Stock Exchange (HK\$)	3.19	3.32	3.27	3.00	2.78
B	Average closing price per SDGM H Share based on the daily closing prices as quoted on the Hong Kong Stock Exchange (HK\$)	20.09	21.02	21.54	19.78	18.87
C	Premium = $(5/29)/(A/B)-1$	8.50%	9.29%	13.53%	13.80%	16.90%

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 Share for any of the specified date or period and the average closing price per SDGM H Share for any of the specified date or period.
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.

21. After careful consideration the Board of Directors of the Company believes that the terms of the Scheme are in the interests of the Scheme Shareholders. Accordingly, the Board of Directors of the Company approved the Scheme.

22. The Company intends to make an application for directions herein for declarations and orders that, among other things:

- a. The relevant class of shareholders of the Company affected by the Scheme is the Shareholders and they shall vote as a single class;
- b. The Company be at liberty to convene and hold a meeting of the Shareholders (voting together as a single class) (the "Court Meeting") for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme;
- c. Directions as to the mode of delivery of an explanatory statement and proxy form to the Shareholders;
- d. The appointment of a chairman of the Court Meeting and for the conduct of the Court Meeting generally; and,
- e. Directions as to the treatment of the Shares held by custodians, clearing houses and other nominees for the purposes of the "majority in number" calculation.
- f. The Company proposes to convene the Court Meeting in accordance with section 86 of the Companies Law to be held on or around at which the following resolution (with such amendment(s) as may be approved at the Court Meeting) will be considered (each of the capitalized terms referred to in the resolution below are defined in the Scheme Document):

"THAT a scheme of arrangement (the "Scheme of Arrangement") in the form of the print thereof which has been produced to this Court Meeting and, for the purposes of identification signed by the chairman of this Court Meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved."

23. Article 6 of the Articles of Association of the Company provides as follows:

"The Company may from time to time by special resolution, subject to any confirmation or consent required by [the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands], reduce its share capital or any capital redemption reserve or other undistributable reserve in any manner permitted by Law."

24. The Company intends to convene an extraordinary general meeting of the Shareholders (voting together as a single class) to take place as soon as possible after the conclusion of the Court Meeting at which it is intended to submit, among others, a special resolution to confirm the Capital Reduction pursuant to the Scheme. These resolutions are set out below:

SPECIAL RESOLUTION

(1) THAT AS A SPECIAL RESOLUTION

- a. the scheme of arrangement dated [*] (the "Scheme") between the Company and the Scheme Shareholders (as defined in the Scheme) in the form of the print thereof which has been produced to this Meeting, and for purpose of identification, signed by the chairman of this Meeting, subject to any modifications, additions or conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved;
- b. for the purpose of giving effect to the Scheme, on the Scheme Effective Date (as defined in the Scheme):
 - i. the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (the "Capital Reduction");
 - ii. subject to and forthwith upon the Capital Reduction taking effect, the issued share capital of the Company shall be increased to the amount prior to the Capital Reduction by issuing to Shandong Gold Mining Co., Ltd ("SDGM") or, as SDGM may direct, its wholly owned subsidiary (as the case may be) such number of new ordinary shares with par value of HK\$0.01 each in the share capital of the Company ("Shares") as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and
 - iii. the Company shall apply the credit arising in the Company's books of accounts as a result of the Capital Reduction in paying up in full at par value the new Shares issued as aforesaid, credited as fully paid, to SDGM or, as SDGM may direct, its wholly owned subsidiary (as the case may be), and the directors of the Company be and are hereby authorized to allot and issue the same accordingly;
- c. any one of the directors of the Company be and is hereby authorized to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) (i) giving consent to any modification of, or addition to, the Scheme which the Grand Court may see fit to impose; (ii) in relation to the Capital Reduction; (iii) the allotment and issue of the new Shares as aforesaid.

25. The Scheme and the Capital Reduction would not involve any diminution of liability in respect of any unpaid share capital or the payment to any member of the Company of any paid up capital or alteration of the underlying assets, business operations, management or financial position of the Company and would have no effect on the creditors of the Company. It is to be noted that the Capital Reduction and the restoration of capital will occur simultaneously. The Company will continue to be able to pay its debts as they fall due in the ordinary course of business. It is therefore proposed to dispense with preparing a list of creditors.

26. The form of Minute proposed to be registered in relation to the Capital Reduction pursuant to the Scheme is as follows:

"MINUTE

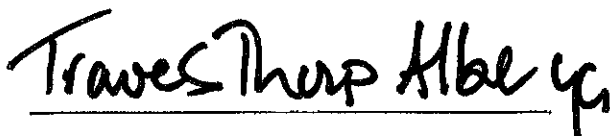
The authorized share capital of Hengxing Gold Holding Company Limited (the "Company") was HK\$20,000,000 divided into 2,000,000,000 shares of which 925,000,000 shares were issued fully paid or credited as fully paid and 1,075,000,000 shares were unissued. The capital was reduced by the cancellation of the shares further to a Special Resolution of the Company, dated . [By further resolution the Company resolved that on and from the date of the registration of this Minute the capital be restored to the amount immediately before the cancellation of the shares as aforesaid by means of the issuance of new shares in the same number as those cancelled credited as fully paid out of the credit arising in the Company's books of account as a result of the capital reduction.] By virtue of a Scheme of Arrangement sanctioned by the Grand Court of the Cayman Islands on and a resolution of the Company passed on the capital of the Company on the registration of this Minute is HK\$20,000,000 divided into 2,000,000,000 shares of which 925,000,000 shares were issued fully paid or credited as fully paid and 1,075,000,000 shares remain unissued."

27. The completed Minute will be provided to the Grand Court before the sanction of the Capital Reduction pursuant to the Scheme by the Grand Court.

28. The petitioner therefore humbly prays as follows:

- a. That the Scheme be approved at the Court Meeting to be convened and held at the direction of this Honourable Court be sanctioned by this Honourable Court so as to be binding on the Company, the Scheme Shareholders and the Offeror.
- b. That the Capital Reduction be confirmed and that the Minute mentioned in paragraph 23 may be approved by the Court.
- c. That the preparation of a list of creditors for the Scheme be dispensed with.
- d. That to this end, all necessary inquiries and directions be made and given.
- e. Such further or other relief as this Honourable Court shall see fit.

DATED this 2 day of Dec 2020



TRAVERS THORP ALBERGA

Attorneys-at-Law for the Petitioner herein