



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)

22 December 2020

To the Disinterested Shareholders

Dear Sir or Madam,

(1) PROPOSAL TO TAKE PRIVATE OF HENGXING GOLD HOLDING COMPANY LIMITED BY SHANDONG GOLD MINING CO., LTD. BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW;
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF THE SHARES OF HENGXING GOLD HOLDING COMPANY LIMITED

We refer to the scheme document (the “**Scheme Document**”) dated 22 December 2020 jointly issued by SDGM and HXG in relation to the Proposal and the Scheme, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

We have been appointed by the HXG Board as the HXG Independent Board Committee to advise the Disinterested Shareholders in respect of the Proposal and the Scheme.

Octal Capital has been appointed, with our approval, as the HXG Independent Financial Adviser in respect of the Proposal and the Scheme.

We wish to draw your attention to (a) the letter from the HXG Board as set out in Part IV of the Scheme Document; (b) the letter from the HXG Independent Financial Adviser as set out in Part VI of the Scheme Document which sets out the factors and reasons taken into account by the HXG Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Statement as set out in Part VII of the Scheme Document.

Having considered the terms of the Proposal and the Scheme and having taken into account the advice of the HXG Independent Financial Adviser, in particular, the factors, reasons and recommendations as set out in the letter from the HXG Independent Financial Adviser as set out in Part VI of the Scheme Document, we consider the terms of the Proposal and the Scheme to be fair and reasonable so far as the Disinterested Shareholders are concerned.

Accordingly, we recommend:

- (a) the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and
- (b) the HXG Shareholders to vote in favour of the special resolution 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) 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).

Yours faithfully,
HXG Independent Board Committee

Mr. Albert Fook Lau HO
Non-executive director

Ms. WONG, Yan Ki Angel
*Independent non-executive
director*

Dr. Tim SUN
*Independent non-executive
director*

Dr. PAN Guocheng
*Independent non-executive
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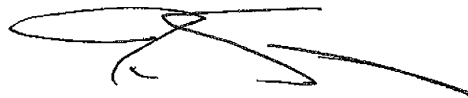
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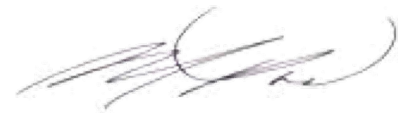
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