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SD-GOLD

SHANDONG GOLD MINING CO., LTD.

山東黃金礦業股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1787)

**REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS UNDER THE
COMPREHENSIVE SERVICE FRAMEWORK AGREEMENT**

BACKGROUND

Reference is made to the announcement of the Company dated 3 December 2020 (the “**CCT Announcement**”) in relation to the continuing connected transactions under the comprehensive service framework agreement between the Company and SDG Group Co. (the “**Comprehensive Service Framework Agreement**”) for the following:

- (1) procurement of supplies, products and services from SDG Group Co. and/or its associates;
- (2) sales of supplies, products and services to SDG Group Co. and/or its associates (“**Sales of Supplies, Products and Services**”);
- (3) granting the rights to use certain trademarks/logos and certain equipments, vehicles and landed properties by SDG Group Co. and/or its associates to the Company (“**Trademark Licensing and Property Leasing from SDG Group Co.**”);
- (4) leasing of buildings and equipments by the Company to SDG Group Co. and/or its associates; and
- (5) equity entrustment services provided to SDG Group Co. whereby SDG Group Co. will entrust the Company with the management and operation of certain of its PRC subsidiaries which are or through their subsidiaries principally engaged in gold mining, non-ferrous mining, other mining related operations.

Moreover, pursuant to the announcement of the Company dated 29 September 2021 (the “**First Revision Announcement**”), the Board has approved the resolution on increasing the annual caps for Sales of Supplies, Products and Services for the financial year ending 31 December 2021. As transaction amount of (i) the Sales of Supplies, Products and Services and (ii) Trademark Licensing and Trademark Licensing and Property Leasing from SDG Group Co. are anticipated to continue exceeding the original projection, the existing annual caps for the Sales of Supplies, Products and Services and Trademark Licensing and Property Leasing from SDG Group Co. for the financial year ending 31 December 2022 are considered as insufficient. Accordingly, on 28 March 2022 (after trading hours), the Board has approved the resolutions on further increasing the annual caps for transactions of the Sales of Supplies, Products and Services and Trademark Licensing and Property Leasing from SDG Group Co. for the financial year ending 31 December 2022 and to re-comply with the requirements of Chapter 14A of the Hong Kong Listing Rules.

For details of the Comprehensive Service Framework Agreement, including without limitation the terms of the said agreement, the basis for annual caps, pricing policies, reasons for entering into of the transactions contemplated under the Comprehensive Service Framework Agreement, as well as details of the revision of the annual cap for Sales of Supplies, Products and Services for the financial year ending 31 December 2021, please refer to the CCT Announcement and the First Revision Announcement.

THE EXISTING AND PROPOSED REVISED ANNUAL CAPS

The existing annual caps and proposed revised annual caps for the transactions of the Sales of Supplies, Products and Services and Trademark Licensing and Property Leasing from SDG Group Co. contemplated under the Comprehensive Service Framework Agreement for the year ending 31 December 2022, and the transactions amount of the Sales of Supplies, Products and Services and Trademark Licensing and Property Leasing from SDG Group Co. for the year ended 31 December 2021 are set out as follows:

Sales of Supplies, Products and Services

	For the financial year ending 31 December 2022 (RMB million)
Annual caps of Sales of Supplies, Products and Services	11.25
Revised annual caps of Sales of Supplies, Products and Services	558.73
	For the financial year ending 31 December 2021 (RMB million)
Actual transaction amounts of Sales of Supplies, Products and Services	205.75

Trademark Licensing and Property Leasing from SDG Group Co.

**For the financial year ending
31 December 2022
(RMB million)**

Annual caps of Trademark Licensing and Property Leasing from SDG Group Co.	32.29
Revised annual caps of Trademark Licensing and Property Leasing from SDG Group Co.	87.78

**For the financial year ending
31 December 2021
(RMB million)**

Actual transaction amounts of Trademark Licensing and Property Leasing from SDG Group Co.	23.86
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Save for the revision of the aforesaid annual caps, all other terms under the Comprehensive Service Framework Agreement remain unchanged.

BASIS OF THE REVISED ANNUAL CAPS

In determining the revised annual caps for the transactions of the Sales of Supplies, Products and Services and Trademark Licensing and Property Leasing from SDG Group Co. contemplated under the Comprehensive Service Framework Agreement, the Company has considered, among other things, the following key factors:

Sales of Supplies, Products and Services

1. Fujian Zhenghe County Yuanxin Mining Co., Ltd. (福建省政和縣源鑫礦業有限公司), a subsidiary of the Group (as seller), entered into sales of concentrate products (精礦產品) transactions with subsidiaries of SDG Group (as purchaser) on July 2021 upon conducting competitive negotiations, resulting in an estimated increase in connected transaction amount of approximately RMB304.0 million by the end of 2022;
2. Xihe County Zhongbao Mining Co. Ltd. (西和縣中寶礦業有限公司), a subsidiary of the Group (as seller), entered into the agreement for sale and purchase of gold with subsidiaries of SDG Group Co. (as purchaser) in 2022, and the new demands for gold products is estimated to be approximately RMB203.4 million by the end of 2022; and
3. the increase in demand from SDG Group Co. for purchase from the Company mining equipment produced by the subsidiaries of the Group by the end of 2021, which is estimated to be approximately RMB40.1 million.

Trademark Licensing and Property Leasing from SDG Group Co.

The transaction amount of Trademark Licensing and Property Leasing from SDG Group Co. is expected to increase, which is mainly due to the recent relocation of the office premises of the Group's headquarters and SD Gold Capital Management Co., Ltd. (山金金控資本管理有限公司) (a wholly-owned subsidiary of the Company) in Shanghai and Jinan City to the properties owned by SDG Group which would increase the rental expenses.

PRICING POLICIES

Sales of Supplies, Products and Services

If government-prescribed/government guided price is applicable to any particular supplies, products or services, such as electricity, gold and certain metals, such supplies, products or services shall be supplied at the applicable government-prescribed/government guided price. Where such price standard is not available, the price shall be determined based on public bidding price. If there is no government-prescribed/government guided price or public bidding price, the price shall be determined taking into account then prevailing market prices of the same or similar products or services. If there are no above-mentioned references available, the price shall be negotiated through arm's length negotiations by the parties on normal commercial terms.

Trademark Licensing and Property Leasing from SDG Group Co.

The annual licensing fee is charged at a fixed amount of approximately RMB750,000 for the three years ending 31 December 2023, which is determined with reference to its historical fees. For properties leased for production and operation, the annual rent is determined with reference to its appraisal price and for properties leased for office use, the price shall be determined taking into account then prevailing market rental. The annual rent for equipments shall be determined taking into account then prevailing market prices of the same or similar products or services. If there is no reference available, the price shall be negotiated through arm's length negotiations by the parties on normal commercial terms.

REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS

The Group's business covers a broad range of gold exploration, mining, processing, smelting and sales. The Group has supplied various products and services to SDG Group Co. and/or its associates since 2018, and the Group is familiar with the specification and quality of such products and services required by them due to long-term cooperation. It helps the Group to effectively control the transaction risk and communication costs during the sales process and is beneficial to the business development of the Group. Along with the business growth of SDG Group, its demands for concentrate products, gold products, mining equipment and relevant service have also been increasing over years, and the revised annual cap is in line with the business growth of SDG Group.

In relation to property leasing from SDG Group Co., during historical acquisitions of business or assets, the relevant leased properties that the Company used were not injected into the Group and remained under ownership of SDG Group Co. or its associates. Since the relocation from the current office premises to other premises would result in unnecessary costs, the Company is of the view that entering into the above transaction is cost-effective and to the benefit of the business operation.

The increase in the proposed annual caps for the Sales of Supplies, Products and Services and Trademark Licensing and Property Leasing from SDG Group Co. is based on the normal daily operating needs of the Company and its subsidiaries. The said increase will not cause prejudice to the interests of the Company's minority shareholders and will not have adverse impact on the Company's continued operations, profitability and independence.

CONFIRMATION BY THE BOARD

The Directors, including the independent non-executive Directors, are of the view that, the above continuing connected transactions under the Comprehensive Service Framework Agreement have been entered into on normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

The Directors, including the independent non-executive Directors, are also of the view that the revised annual caps set out for the transactions contemplated for Sales of Supplies, Products and Services and Trademark Licensing and Property Leasing from SDG Group Co. under the Comprehensive Service Framework Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. The Directors, Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling, also hold senior management positions in SDG Group, are deemed to have material interests in the continuing connected transactions contemplated under the Comprehensive Service Framework Agreement and have abstained from voting on the relevant resolution of the Board. Save for the Directors mentioned above, none of the other Directors has or is deemed to have a material interest in the above transactions.

INTERNAL CONTROL

In order to ensure that the terms under the Comprehensive Service Framework Agreement are not less favourable than those available from independent third parties, the Company has adopted the following measures:

1. the Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control mechanism on continuing connected transactions. The Company will require the relevant personnel of the business department of the Company's subsidiaries that are conducting transactions with SDG Group Co. and/or its associates to conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of their respective agreements and will also regularly update the aforesaid pricing policy for the purpose of considering if the prices charged for specific transactions are fair and reasonable and in accordance with the aforesaid pricing policy; and

2. the Company's external auditors will conduct an annual review on the annual caps of the continuing connected transactions.

INFORMATION OF THE RELEVANT PARTIES

The Company

The Company was established by its promoters with approval from the Shandong Province Economic System Reform Commission (山東省經濟體制改革委員會) and the People's Government of Shandong Province (山東省人民政府) in January 2000. The Company is an integrated gold company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange since 2003 and 2018, respectively and engaged in gold exploration, mining, processing, smelting and sales. It is one of the largest gold producers listed domestically and/or in Hong Kong that operates in the PRC, controlling and operating more than 10 gold mines with operation primarily located in Shandong Province. The Company has gradually expanded its business into the Inner Mongolia Autonomous Region, Gansu Province, Xinjiang Uyghur Autonomous Region and Fujian Province and Argentina, South America and Ghana, Africa.

SDG Group Co.

As the Company's controlling Shareholder, SDG Group Co. was established in the PRC in July 1996. SDG Group engages in gold mining related operations, including geological exploration and mining of gold, gold processing, gold smelting and technical services, and production and sales of specialized equipment and supplies and construction materials for gold mines. The gold resources of SDG Group are mainly located in the PRC. As of the date of this announcement, SDG Group Co. directly and indirectly holds approximately 45.58% of the Company's issued share capital.

HONG KONG LISTING RULES IMPLICATIONS

Any transactions between the Group and SDG Group Co., or its associates (as defined under Chapter 14A of the Hong Kong Listing Rules) will constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules. As a result, the Comprehensive Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Hong Kong Listing Rules. As the percentage ratio(s) (as defined in Rule 14.07 of the Hong Kong Listing Rules) applicable to the transactions of Sales of Supplies, Products and Services and Trademark Licensing and Property Leasing from SDG Group Co. contemplated under the Comprehensive Service Framework Agreement is more than 0.1% but less than 5%, the revised annual caps for the Sales of Supplies, Products and Services and Trademark Licensing and Property Leasing from SDG Group Co. are subject to the reporting and announcement requirements as set out in Rule 14A.35 of the Hong Kong Listing Rules but exempt from the independent shareholders' approval requirement under Rules 14A.36 to 14A.39 of the Hong Kong Listing Rules. The Company will disclose the relevant details in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Hong Kong Listing Rules.

As the A Shares are listed on the Shanghai Stock Exchange, the Company will continue to be subject to and regulated by the SSE Listing Rules and other applicable laws and regulations in the PRC insofar as the A Shares remain listed. The requirements of the Hong Kong Listing Rules in relation to connected transactions are different from those of the SSE Listing Rules. In particular, the definition of connected person under the Hong Kong Listing Rules is different from the definition of related party under the SSE Listing Rules. Therefore, a connected transaction under the Hong Kong Listing Rules may or may not constitute a related party transaction under the SSE Listing Rules, and vice versa.

As at the date of this announcement, the Board confirms that the actual transaction amount of the Company under the Comprehensive Service Framework Agreement has not exceeded the existing annual caps.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“A Share(s)”	the domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange;
“Board”	the board of Directors;
“Company”	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company 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 Hong Kong Stock Exchange (Stock Code: 1787) and the Shanghai Stock Exchange (Stock Code: 600547) respectively;
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“connected transaction”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Director(s)”	the director(s) of our Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“PRC” or “China”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SDG Group”	SDG Group Co. and all of its subsidiaries;
“SDG Group Co.”	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a limited liability company incorporated in the PRC on 16 July 1996, the controlling Shareholder, and was held as to approximately 70% by Shandong SASAC, as to approximately 20% by Shandong Guohui Investment Co., Ltd. (山東國惠投資有限公司) and as to approximately 10% by Shandong Social Security Fund Committee (山東省社會保障基金理事會);
“Share(s)”	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares;
“Shareholder(s)”	holder(s) of our Share(s);
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則) as amended, supplemented or otherwise modified from time to time; and
“%”	per cent.

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

Jinan, The PRC, 28 March 2022

As at the date of this announcement, the executive directors of the Company are Mr. Liu Qin, Mr. Wang Shuhai and Mr. Tang Qi; the non-executive directors of the Company are Mr. Li Guohong, Mr. Wang Lijun and Ms. Wang Xiaoling; and the independent non-executive directors of the Company are Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng.