

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**BACKGROUND**

Reference is made to the announcement dated 16 April 2020 in relation to the renewal of the financial services framework agreement entered into between the Company and SDG Finance on the even date for a term of three years from 1 January 2020 to 31 December 2022. In 2021, the Company acquired 100% equity interest in Ludi Gold Mine, Tiancheng Mining and Dikuang Laijin (which directly holds 55% equity interest of Hongsheng Mining) and 45% equity interest in Hongsheng Mining (the “**Acquired Companies**”). For details, please refer to the three discloseable and connected transaction announcements of the Company dated 5 August 2021. In view of the growing capital needs of the Company and the Acquired Companies for their business development, the Company has entered into a new financial service framework agreement (the “**New Financial Services Framework Agreement**”) on 28 March 2022 to facilitate the Group’s operational needs of financial services. The New Financial Services Framework Agreement will replace and supersede the financial services framework agreement dated 16 April 2020. The principal terms of the New Financial Services Framework Agreement are set out below:

**NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**Date:**

28 March 2022

**Parties:**

SDG Finance and the Company

**Subject matter:**

Pursuant to the New Financial Services Framework Agreement, SDG Finance will provide the Group with financial services, among others, (i) deposits and related services (the “**Deposit Services**”), (ii) loan, overdraft, bill and other financing related services under the total credit facilities (the “**Financing Services**”), and (iii) other financial services, including settlement, guarantee, insurance agent, and financial consultancy (the “**Other Financial Services**”).

**Term:**

The New Financial Services Framework Agreement will be valid from the date of the 2021 annual general meeting of the Company on which it was approved to 31 December 2024. The Company will enter into separate financial services agreements with SDG Finance, which will set out the specific terms and conditions according to the principles and conditions provided in the New Financial Services Framework Agreement.

**Pricing Policy**

The New Financial Services Framework Agreement provides that the interest rates applicable to the Deposit Services provided by SDG Finance to the Group shall be (i) on normal commercial terms; (ii) no less than benchmark interest rates for the same period published by the PBOC and interest rates for comparable deposit for the same period provided by other major domestic commercial banks; and (iii) no less than interest rates for comparable deposit for the same period applicable to other members of SDG Group provided by SDG Finance.

The interest rates for the Financing Services provided by SDG Finance to the Group shall be (i) on normal commercial terms and in compliance with applicable laws, rules and regulations; and (ii) no higher than rates for comparable loans for the same duration obtained by members of the Group from other domestic financial institutions. For bill services, the handling fee rates shall not be higher than those provided by other commercial banks to the Group. No security over the assets of the Group will be granted in respect of the financial assistance given by SDG Finance.

The handling fees for Other Financial Services shall be (i) charged based on the relevant rates or standards published by the PBOC or the CBIRC; or (ii) no higher than handling fees for similar financial services provided by other commercial banks to members of the Group, if there are no official rates or standards applicable.

Taking into account that no less favorable interest rates were charged with the Group and other commercial benefits provided to the Group, the Directors consider that the preservation of such financial arrangement with SDG Finance is beneficial to the Group and the Shareholders as a whole.

## REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The benefits to the Company from relevant financial services provided by SDG Finance pursuant to the New Financial Services Framework Agreement are as follows:

- (i) the rates on loans and deposits offered by SDG Finance to the Group will be equal to or more favourable than those offered by other PRC commercial banks;
- (ii) SDG Finance is regulated by the PBOC and CBIRC and provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities;
- (iii) pursuant to the relevant regulations of the PBOC and the CBIRC, the customers of SDG Finance are limited to entities within SDG Group (including the Group), thereby reducing the credit and operational risks that SDG Finance may otherwise be exposed to if its customers included other entities unrelated to SDG Group.

## HISTORICAL AMOUNTS

Set out below are the historical amounts of the relevant financial services provided by SDG Finance for the three years ended 31 December 2021.

|   | <b>Historical figures (RMB million)</b> |          |                 |
|---|---|----------|-----------------|
|   | <b>For the year ended 31 December</b>   |          |                 |
|   | 2019                                    | 2020     | 2021            |
| <b>Deposit Services</b>                                     |   |          |                 |
| Maximum daily balance of Deposit Services                   | 1,499.19                                | 1,999.99 | <b>2,499.99</b> |
| Interest income from Deposit Services on an actual basis    | 12.46                                   | 17.00    | <b>18.00</b>    |
| <b>Financing Services</b>                                   |   |          |                 |
| Maximum daily balance of loan and other financing services  | 684.31                                  | 1,000.00 | <b>1,596.00</b> |
| Maximum daily balance of overdraft services                 | 510.00                                  | 529.00   | <b>400.00</b>   |
| Total annual credit facilities                              | —                                       | —        | —               |
| Interest expenses for Financing Services on an actual basis | 10.72                                   | 17.00    | <b>21.00</b>    |
| <b>Other Financial Services</b>                             |   |          |                 |
| Handling fees and Other Financial Services                  | 0.25                                    | 0.40     | <b>6.00</b>     |

## PROPOSED CAPS AND BASIS OF CAPS

The existing caps under the financial services framework agreement for the three years ending 31 December 2022 are as follows.

|   | <b>Existing annual cap (RMB million)</b>     |       |              |
|---|--|-------|--------------|
|   | <b>For the year ended/ending 31 December</b> |       |              |
|   | 2020   | 2021  | 2022         |
| <b>Deposit Services</b>                                     |  |       |              |
| Maximum daily balance of Deposit Services                   | 2,000  | 2,500 | <b>2,700</b> |
| Interest income from Deposit Services on an actual basis    | 33   | 35    | <b>42</b>    |
| <b>Financing Services</b>                                   |  |       |              |
| Maximum daily balance of loan and other financing services  | 1,200  | 1,600 | <b>1,800</b> |
| Maximum daily balance of overdraft services                 | 800  | 900   | <b>900</b>   |
| Total annual credit facilities                              | —  | —     | <b>—</b>     |
| Interest expenses for Financing Services on an actual basis | 37   | 45    | <b>65</b>    |
| <b>Other Financial Services</b>                             |  |       |              |
| Handling fees and Other Financial Services                  | 50   | 50    | <b>50</b>    |

The proposed caps for the transactions contemplated under the New Financial Services Framework Agreement for the three years ending 31 December 2024 are as follows.

|   | <b>Proposed annual cap (RMB million)</b> |       |              |
|---|--|-------|--------------|
|   | <b>For the year ending 31 December</b>   |       |              |
|   | 2022                                     | 2023  | 2024         |
| <b>Deposit Services</b>                                     |  |       |              |
| Maximum daily balance of Deposit Services                   | 3,000                                    | 3,300 | <b>3,300</b> |
| Interest income from Deposit Services on an actual basis    | 65                                       | 75    | <b>75</b>    |
| <b>Financing Services</b>                                   |  |       |              |
| Maximum daily balance of loan and other financing services  | 3,000                                    | 3,500 | <b>4,300</b> |
| Maximum daily balance of overdraft services                 | 900                                      | 900   | <b>900</b>   |
| Total annual credit facilities                              | 4,300                                    | 4,700 | <b>5,500</b> |
| Interest expenses for Financing Services on an actual basis | 75                                       | 85    | <b>100</b>   |
| <b>Other Financial Services</b>                             |  |       |              |
| Handling fees and Other Financial Services                  | 50                                       | 50    | <b>50</b>    |

In determining the proposed annual caps for the transactions contemplated under the New Financial Services Framework Agreement, the Company has considered, among others, the following key factors:

- (i) For proposed caps of the Deposit Services, the Company has considered various key factors including the daily deposit balance and the caps set in the historical financial services framework agreements entered into with SDG Finance.
  - a. For the year ended 31 December 2021, the Company has utilised its daily deposit balance close to its annual caps. For instance, there was 33 days where the daily deposit balance has exceeded RMB2,000 million and been close to the caps and 238 days where the daily deposit balance has reached between RMB1,000 million and RMB2,000 million for 2021. The frequency of using the daily deposit balance service close to its annual caps has caused pressure on the daily management of the quota.
  - b. Prior to the Company's acquisition in 2021, the Acquired Companies had a maximum daily deposit balance of RMB140 million for 2021 entered into with SDG Finance. As a result of the acquisition, and in accordance with the expansion of the enterprise scope of the Company, there is a need to increase the annual caps as set out in the New Financial Service Framework Agreement.
  - c. Along with the increase in the annual caps of the Financing Services provided by SDG Finance for the Group, the amount to be deposited with SDG Finance would be increased accordingly.
- (ii) For the proposed caps of the Financing Services, the Company has considered various key factors including the historical maximum month-end balance of loans and other financing as well as the favorable loan interest rates provided by SDG Finance to the Group.

For the year ended 31 December 2021, the Company has utilised the Financing Services close to its annual caps, with 86 days over RMB1,500 million and close to RMB1,600 million and 213 days between RMB1,000 million to 1,500 million, and as a result the Company had to turn to other independent third party banks for additional financing. For bill services, security deposit would have to be paid if bill business was handled by other institutions such as commercial bank, which would affect the utilization of funds of the Group.

- (iii) For Other Financial Services the Company contemplated that the annual demand for the three years ending 31 December 2024 will remain unchanged.

## **INTERNAL CONTROL**

With a view to safeguard the interests of the independent Shareholders, the Company will require SDG Finance to provide it with periodic reports on its liquidity in order for the Company to determine the suitability of engaging SDG Finance for the transactions contemplated under the New Financial Services Framework Agreement from time to time. The Company's external auditors will review the transactions as contemplated under the New Financial Services Framework Agreement annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the proposed caps have been exceeded. The Company will have sufficient internal control system in place to ensure that the transactions as contemplated under the New Financial Services Framework Agreement will be on normal commercial terms and no less favourable to the Company than those offered by independent third parties.

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

### **SDG Finance**

As at the date of this announcement, SDG Finance was held as to 30% by the Company and 70% by SDG Group Co. and is principally engaged in carrying on business approved by the CBIRC pursuant to relevant applicable laws and regulations. SDG Finance is an institution regulated by the PBOC and CBIRC. SDG Finance is a non-banking financial institution incorporated in the PRC in July 2013 and is subject to the Administrative Measures on Finance Companies within Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the PBOC and the CBIRC.

## 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. SDG Finance is controlled by SDG Group Co., hence SDG Finance is a connected person of the Company by virtue of being an associate of the Company's substantial shareholder under Chapter 14A of the Hong Kong Listing Rules. As a result, the New Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As each of the percentage ratio(s) (as defined in Rule 14.07 of the Hong Kong Listing Rules) applicable to the Deposit Services under the New Financial Services Framework Agreement is more than 0.1% but less than 5%, the Deposit Services provided by SDG Finance to the Group 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.

For the Financing Services to be provided by SDG Finance to the Group, they are conducted on normal commercial terms or better and are not secured by the assets of the Group. According to Rule 14A.90 of the Hong Kong Listing Rules, the Financing Services are fully exempt under Rule 14A of the Hong Kong Listing Rules from reporting, announcement and independent shareholders' approval requirements.

In respect of Other Financial Services to be provided by SDG Finance to the Group, each of the percentage ratio(s) is below the de minimis threshold set out in Rule 14A.76 of the Hong Kong Listing Rules, therefore the provision of other financial services by SDG Finance to the Group is exempt from the reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Hong Kong Listing Rules.

As the Company's 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.

According to the SSE Listing Rules and the Articles of Association, the New Financial Services Framework Agreement and the transactions contemplated therein have to be submitted to the general meeting for consideration and approval. An ordinary resolution will be proposed at the AGM to seek for approval of the New Financial Services Framework Agreement and the transactions contemplated therein.



## CONFIRMATION BY THE BOARD

The Directors, including the independent non-executive Directors, are of the view that, the above continuing connected transactions under the New Financial Services 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, also believe that the proposed annual caps set out for the transactions contemplated under the New Financial Services 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 Co., are deemed to have material interests in the continuing connected transactions contemplated under the New Financial Services 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.

## DEFINITIONS

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

|                           |  |
|---------------------------|--|
| “AGM”                     | the annual general meeting of the Company for the approval for, among others, the annual report of the Company for the financial year of 2021;   |
| “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;  |
| “Articles of Association” | the articles of association of the Company, as amended from time to time;  |
| “Board”                   | the board of Directors;  |
| “CBIRC”                   | China Banking and Insurance Regulatory Commission;   |
| “China” or the “PRC”      | the People’s Republic of China;  |
| “Company”                 | Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated in the PRC under the laws of the People’s Republic of China 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; |



|                            |  |
|----------------------------|--|
| “Dikuang Laijin”           | Shandong Dikuang Laijin Holdings Co., Ltd. (山東地礦來金控股有限公司), a company incorporated in the PRC on 27 September 2011 and is a wholly-owned subsidiary of SD Gold Mining (Laizhou);  |
| “Directors”                | the directors of the Company;  |
| “Group”                    | the Company and its subsidiaries;  |
| “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;   |
| “Hongsheng Mining”         | Laizhou Hongsheng Mining Investment Co., Ltd. (萊州鴻昇礦業投資有限公司), a company incorporated in the PRC on 30 December 2008 and owned as to 55% by Dikuang Laijin and 45% by SD Gold Mining (Laizhou);   |
| “Ludi Gold Mine”           | Shandong Laizhou Ludi Gold Mine Company Limited (山東萊州魯地金礦有限公司), a company incorporated in the PRC on 13 July 2005 and is a wholly owned subsidiary of SD Gold Mining (Laizhou);  |
| “PBOC”                     | the People’s Bank of China (中國人民銀行), the central bank of the PRC;  |
| “SDG Finance”              | Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), a limited liability company incorporated in the PRC on 17 July 2013, which was held as to 30% by the Company and 70% by SDG Group Co.;   |
| “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 of the Company, 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); |
| “SD Gold Mining (Laizhou)” | Shandong Gold Mining (Laizhou) Co., Ltd. (山東黃金礦業(萊州)有限公司), a subsidiary of the Company incorporated in the PRC on 27 May 2003;   |

|                           |   |
|---------------------------|---|
| “Shanghai Stock Exchange” | Shanghai Stock Exchange (上海證券交易所);  |
| “Shareholders”            | the shareholders of the Company;  |
| “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;         |
| “Tiancheng Mining”        | Shandong Tiancheng Mining Co., Ltd. (山東天承礦業有限公司), a company incorporated in the PRC on 10 August 1989, a wholly owned subsidiary of SD Gold Mining (Laizhou); 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.*