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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)

**CONNECTED TRANSACTION
MINING RIGHT LEASING AGREEMENT**

THE MINING RIGHT LEASING AGREEMENT

On 26 May 2022 (after training hours), SDG Mining (Laizhou) and Ludi Company entered into the Mining Right Leasing Agreement, pursuant to which, Ludi Company leased the mining right of former Jincheng Gold Mine to SDG Mining (Laizhou).

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

SDG Group Co. is the controlling Shareholder of the Company, directly and indirectly holding approximately 45.58% of the issued share capital of the Company as at the date of this announcement. Ludi Company is a wholly-owned subsidiary of SDG Group Co., therefore, it is also a connected person of the Company. SDG Mining (Laizhou) is a subsidiary of the Company that is owned by it as to approximately 95.31% of the equity interests as at the date of this announcement. Accordingly, the Mining Right Leasing Agreement and the transactions contemplated thereunder constitute connected transactions of the Company. As one or more of the relevant applicable percentage ratios (as defined under the Hong Kong Listing Rules), are more than 0.1% but less than 5%, and accordingly, the Mining Right Leasing Agreement is subject to reporting and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

BACKGROUND

In response to the Shandong Provincial Government's requirements for resource integration and consolidated development, SDG Mining (Laizhou) intends to integrate 14 mining rights including that of the Jiaojia Gold Mine into one mining right, which includes the mining right of the Jincheng Gold Mine owned by Ludi Company, a wholly-owned subsidiary of SDG Group Co. SDG Mining (Laizhou) has obtained the mining permit after integrating the Jiaojia Gold Mine on 20 April 2022, and the mining right of former Jincheng Gold Mine has been merged into the mining right of the Jiaojia Gold Mine. According to the Integration Undertaking signed by SDG Mining (Laizhou) and Ludi Company on 28 November 2021, the mining right of former Jincheng Gold Mine was only held by SDG Mining (Laizhou) on Ludi Company's behalf, and its mining right still belongs to Ludi Company. After the mining right of former Jincheng Gold Mine satisfies certain conditions, the Company and SDG Mining (Laizhou) will separately acquire the mining right of former Jincheng Gold Mine.

SDG Mining (Laizhou) and Ludi Company signed a leasing agreement on 26 May 2022 (after trading hours) to lease the mining right of former Jincheng Gold Mine for development and construction.

THE MINING RIGHT LEASING AGREEMENT

The principal terms of the Mining Right Leasing Agreement are set out below:

Date	26 May 2022
Parties	Ludi Company, as lessor; SDG Mining (Laizhou), as lessee
Transaction	Pursuant to the Mining Right Leasing Agreement, the lessor agreed to lease the mining right of former Jincheng Gold Mine to the lessee.
Subject Matter	The mining right of former Jincheng Gold Mine

Basic information of the mining right certificate of former Jincheng Gold Mine:

The name of original mining right: Jincheng Gold Mine mining right of Laizhou Ludi Mining Investment and Development Co., Ltd.;
Original mining right certificate number: C3700002019094210150437;
Original mining area: 2.1 square km;
Original production scale: 990,000 tons/year;
Original mining depth: -365.0m to -1,325.0m elevation;
Original validity period of mining right: 26 September 2019 to 26 September 2034.

Basic information of the mining right certificate of current Jiaojia Gold Mine:

The name of current mining right: Jiaojia Gold Mine mining right of Shandong Gold Mining (Laizhou) Co., Ltd.;
Current mining right certificate number: C1000002011024120106483;
Current mining area: 18.507 square km;
Current production scale: 6,600,000 tons/year;
Current mining depth: +150m to -1,880m elevation;
Current validity period of mining right: 21 April 2022 to 21 April 2032.

Lease Term	From the effective date of this agreement to the earlier of 21 April 2032 or the date when SDG Mining (Laizhou) officially completes the acquisition of the mining right of Jincheng Gold Mine.
Rent and Calculation Basis	<p>The annual rent is RMB31,949.1 thousand.</p> <p>The rent is determined after arm's length negotiation between both parties and with reference to the following formula:</p> $\text{Annual Rent} = (\text{Actual cost of investment in the mining right of former Jincheng Gold Mine}^{(1)} + \text{Lease Taxes and Fees}^{(2)}) / \text{Lease Term}^{(3)}$ <p><i>Notes:</i></p> <ul style="list-style-type: none"> (1) Representing considerations and transfer fees paid by Ludi Company to the government and other actual expenses, which amounted to approximately RMB299,289.4 thousand; (2) Based on RMB299,289.4 thousand multiplied by the value-added tax and the additional combined tax rate of 6.75%; (3) Temporarily calculated as 10 years. <p>Pursuant to the requirements of HKFRS 16, the leasing of such mining right under the Mining Right Leasing Agreement will be recognised as a right-of-use asset of the Group for an amount of approximately RMB234,387.8 thousand.</p> <p>Payments under the Mining Right Leasing Agreement are expected to be funded from the Group's internal resources.</p>
Rent Payment	The rent shall be settled annually and shall be paid before 31 August each year. If the rent is less than one year, it shall be calculated according to the actual rental days.
Rent Adjustment	<p>Before the end of the lease term, both parties may adjust the rent according to the degree of influence after the following events occur:</p> <p>There are other additional taxes and fees for the mining right of former Jincheng Gold Mine, or Ludi Company pays additional transfer fee (or royalties) for increased resource reserves as a result of prospecting under the mining right or statutory outgoings such as environmental protection and safety expenses.</p>
Acquisition Consideration	If SDG Mining (Laizhou) acquires the mining right of the former Jincheng Gold Mine in the future, both parties will use the following evaluation results as the basis for determining the acquisition price:

The two parties jointly entrust an evaluation agency to evaluate the mineral right appraised value based on the retained resource reserves within the scope of the original mining right of the Jincheng Gold Mine that was filed and approved by the department of land and resources as of the signing date of this agreement, and deduct the rent actually collected by the lessor in accordance with the agreement. Meanwhile, the assets and value-added part of the investment and construction part of the lessee are owned by the lessee.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MINING RIGHT LEASING AGREEMENT

The Mining Right Leasing Agreement and the transactions thereunder will help the Company to integrate the gold mine assets within the Jiaojia Gold Mine for unified construction and production. However, considering that the construction period of mining right area of the former Jincheng Gold Mine is relatively late, and the mining work in the mining right area of former Jincheng Gold Mine will not be involved in the early stage of the construction period, the Company plans not to acquire Jincheng Gold Mine for the time being, but intends to lease it.

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 Mining (Laizhou)

SDG Mining (Laizhou) is a subsidiary of the Company that is owned by it as to approximately 95.31%. It was established in the PRC on 27 May 2003. It is principally engaged in the sales of gold, mineral products (except coal), mining equipment and materials. Its subsidiary is principally engaged in gold mining and smelting; acquisition, processing, sales of gold products, silver products, gold concentrate, silver concentrate, copper concentrate, lead concentrate, zinc concentrate, sulfur concentrate and iron ore concentrate; wholesale and retail, production and sales of jewelry, metal jewelry and handicrafts; production and sales of construction materials and underground filling materials (for items subject to approval according to laws, operation activities may not be commenced until the approval has been obtained from the relevant authorities).

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.

Ludi Company

Ludi Company is a limited liability company incorporated in the PRC on 31 August 2007, mainly engages in gold mining related operations, including exploration and mining. As at the date of this announcement, Ludi Company is a wholly-owned subsidiary of SDG Group Co.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

SDG Group Co. is the controlling Shareholder of the Company, directly and indirectly holding approximately 45.58% of the issued share capital of the Company as at the date of this announcement. Ludi Company is a wholly-owned subsidiary of SDG Group Co., therefore, it is also a connected person of the Company. SDG Mining (Laizhou) is a subsidiary of the Company that is owned by it as to approximately 95.31% equity interests as at the date of this announcement. Accordingly, the Mining Right Leasing Agreement and the transactions contemplated thereunder constitute connected transactions of the Company. As one or more of the relevant applicable percentage ratios (as defined under the Hong Kong Listing Rules), are more than 0.1% but less than 5%, and accordingly, the Mining Right Leasing Agreement is subject to reporting and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

CONFIRMATION BY THE BOARD

The Directors, including the independent non-executive Directors, are of the view that, the connected transaction under the Mining Right Leasing Agreement has been entered into on normal commercial terms in the ordinary and usual course of business of the Company, which are fair and reasonable and are in the interest 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 connected transaction contemplated under the Mining Right Leasing 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 Mining Right Leasing Agreement.

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;
“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;
“Director(s)”	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;
“H Share(s)”	the overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange;
“Ludi Company”	Laizhou Ludi Mining Investment and Development Co., Ltd., a limited liability company incorporated in the PRC on 31 August 2007, and a wholly-owned subsidiary of the SDG Group Co.;
“Mining Right Leasing Agreement”	a mining right leasing agreement entered into between SDG Mining (Laizhou) and Ludi Company on 26 May 2022;
“RMB”	Renminbi, the lawful currency of China;

“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);
“SDG 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;
“%”	per cent.

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

Jinan, the PRC, 26 May 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.