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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shandong Gold Mining Co., Ltd., you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)**

**(1) RESOLUTION ON THE ENTERING INTO OF THE NEW  
COMPREHENSIVE SERVICE FRAMEWORK AGREEMENT AND  
CONFIRMATION OF THE CAPS OF CONTINUING CONNECTED  
TRANSACTIONS OF THE COMPANY FOR THE YEARS 2024 TO 2026  
AND  
(2) NOTICE OF 2023 SIXTH EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and  
the Independent Shareholders**



**Lego Corporate  
Finance Limited**

力高企業融資有限公司

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A notice convening the 2023 sixth extraordinary general meeting (the “EGM”) of Shandong Gold Mining Co., Ltd. (the “Company”) to be held at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC at 10:00 a.m. on Thursday, 28 December 2023 is set out on pages II-1 to II-2 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 21 of this circular. A letter of advice from Lego, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 34 of this circular.

The proxy form for use in connection with the EGM is enclosed herewith. The proxy form is also published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website (<http://www.sdhjgf.com.cn>).

Any shareholder(s) of the Company (the “Shareholders”) entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. If you intend to appoint a proxy to attend the EGM and vote on your behalf, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it by hand, by post or by facsimile to the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders only) as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on Wednesday, 27 December 2023) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment hereof should you so wish.

11 December 2023

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## DEFINITIONS

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*In this circular, 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 RMB1.00 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;
“associate(s)”	has the meaning as ascribed to it under the Hong Kong Listing Rules;
“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 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;
“connected person(s)”	has the meaning as ascribed to it under the Hong Kong Listing Rules;
“connected transactions”	has the meaning as ascribed to it under the Hong Kong Listing Rules;
“controlling shareholder(s)”	has the meaning as ascribed to it under the Hong Kong Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the 2023 sixth extraordinary general meeting of the Company to be held at 10:00 a.m. on Thursday, 28 December 2023 at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC;
“Existing Comprehensive Service Framework Agreement”	the comprehensive service framework agreement dated 3 December 2020 between the Company and SDG Group Co.;
“Group”	the Company and its subsidiaries;

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## DEFINITIONS

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“H Share(s)”	the overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
“Hong Kong”	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;
“Independent Board Committee”	an independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising the Independent Shareholders, on the Non-exempt Continuing Connected Transaction;
“Independent Shareholder(s)”	the Shareholders other than SDG Group Co. and its associates;
“Independent Third Party(ies)”	the third party(ies) independent from the Company and its connected person(s) (as defined in the Hong Kong Listing Rules);
“Latest Practicable Date”	6 December 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Lego” or “Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transaction;
“New Comprehensive Service Framework Agreement”	the comprehensive service framework agreement dated 4 December 2023 between the Company and SDG Group Co.;
“Non-exempt Continuing Connected Transaction”	the transaction of Procurement of Products and Services from SDG Group under the New Comprehensive Service Framework Agreement;

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## DEFINITIONS

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“Penglai Mining”	Shandong Gold Group Penglai Mining Co., Ltd. (山東黃金集團蓬萊礦業有限公司), a limited liability company established in the PRC on 1 August 2003, and a wholly-owned subsidiary of the Company;
“PRC” or “China”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Prospectus”	the prospectus issued by the Company in connection with the Hong Kong public offering dated 14 September 2018;
“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 of the Company; as of the Latest Practicable Date, SDG Group Co. is held as to 70%, 20% and 10% by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government (山東省人民政府國有資產監督管理委員會), Shandong Guohui Investment Holding Group Co., Ltd. (山東國惠投資控股集團有限公司) and Shandong Caixin Asset Management Co., Ltd. (山東省財欣資產運營有限公司), respectively. Shandong Guohui Investment Holding Group Co., Ltd. is a limited liability company established in the PRC and is held as to 100% by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shanghai Stock Exchange” or “SSE”	the Shanghai Stock Exchange (上海證券交易所);
“Share(s)”	shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares;
“Shareholder(s)”	holder(s) of the Share(s);

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## DEFINITIONS

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“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;
“Supervisor(s)”	the supervisor(s) of the Company;
“Supervisory Committee”	the supervisory committee of the Company; and
“%”	percent.

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## LETTER FROM THE BOARD

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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)**

***Executive Directors:***

Mr. Liu Qin (*Vice-chairman*)

Mr. Wang Shuhai

Mr. Tang Qi

***Non-executive Directors:***

Mr. Li Hang (*Chairman*)

Mr. Wang Lijun

Ms. Wang Xiaoling

***Independent Non-executive Directors:***

Mr. Wang Yunmin

Mr. Liew Fui Kiang

Ms. Zhao Feng

***Registered office and headquarters  
in the PRC:***

No. 2503, Jingshi Road

Licheng District, Jinan

Shandong Province

The PRC

***Principal place of business in Hong Kong:***

Rooms 4003-06

China Resources Building

No. 26 Harbour Road

Wanchai

Hong Kong

11 December 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) RESOLUTION ON THE ENTERING INTO OF THE NEW  
COMPREHENSIVE SERVICE FRAMEWORK AGREEMENT AND  
CONFIRMATION OF THE CAPS OF CONTINUING CONNECTED  
TRANSACTIONS OF THE COMPANY FOR THE YEARS 2024 TO 2026  
AND  
(2) NOTICE OF 2023 SIXTH EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

On behalf of the Board, I invite you to attend the EGM to be held at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC at 10:00 a.m. on Thursday, 28 December 2023. The purpose of this circular is to issue the notice of EGM and provide you with all reasonably necessary information to enable you to make an informed decision as to the resolution to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### II. BACKGROUND

Reference is made to the announcement of the Company dated 3 December 2020 in relation to the Existing Comprehensive Service Framework Agreement entered into between the Company and SDG Group Co. Considering that the Existing Comprehensive Service Framework Agreement will expire on 31 December 2023, the Company entered into the New Comprehensive Service Framework Agreement with SDG Group Co. on 4 December 2023 (after trading hours) to renew the continuing connected transactions, and set the annual caps for 2024, 2025 and 2026 thereunder. The New Comprehensive Service Framework Agreement shall be effective from 1 January 2024 to 31 December 2026 for a term of three years. The principal terms of the New Comprehensive Service Framework Agreement are set out below:

### III. NEW COMPREHENSIVE SERVICE FRAMEWORK AGREEMENT

**Date:**

4 December 2023

**Parties:**

The Company and SDG Group Co.

**Subject matter:**

The Company has entered into a framework agreement for the following:

- (1) procurement of supplies, products and services by the Group from SDG Group, pursuant to which, the Group may from time to time purchase from SDG Group various types of supplies, products and services, including but not limited to products such as materials, equipment, petrol and gold and services such as supply of water and electricity, exploration, design, supervision, engineering labour training, conference affairs, accommodation, property services, publicity, decoration and commissioned processing (the “**Procurement of Products and Services from SDG Group**”);
- (2) sales of supplies, products and services by the Group to SDG Group, pursuant to which, the Group may from time to time sell to SDG Group various types of supplies, products and services, including but not limited to products such as materials, equipment, chlorine slag, gold, gold concentrate, silver concentrate, silver, leadzinc, sulphide ore and workwear and services such as water and electricity (the “**Sales of Products and Services to SDG Group**”);
- (3) granting by SDG Group to the Group the rights to use certain trademarks/logos and certain equipment, vehicles, buildings and landed properties (the “**Trademark Licensing and Property Leasing from SDG Group**”);



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## LETTER FROM THE BOARD

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- (4) leasing of buildings and equipment by the Group to SDG Group (the “**Property Leasing to SDG Group**”); and
- (5) equity entrustment services provided by the Group to SDG Group whereby SDG Group Co. will entrust the Group 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 (the “**Equity Entrustment Services**”).

### **Term:**

The New Comprehensive Service Framework Agreement will be valid from 1 January 2024 to 31 December 2026 for a term of three years.

Members of the Group and members of SDG Group will enter into separate agreements which will set out the specific terms and conditions according to the principles and conditions provided in the New Comprehensive Service Framework Agreement.

## **IV. PRICING POLICIES**

Both parties agree that when one party to the agreement provides services, purchases and sells products to the other party, it will determine the pricing of each product and service in the following sequence:

Government pricing and government’s guiding price: if government pricing is applicable to any particular supplies, products or services, such supplies, products or services shall be supplied at the applicable government pricing. If the government has guiding charging standards, the price shall be agreed within the range of the government’s guiding price.

Bidding price: if laws and regulations require that bidding procedures must be applied, the price will be determined according to the final price determined based on the bidding procedures. The bidding process will be organized in accordance with the requirements of the Bidding Law of China, including issuing a bidding announcement, conducting qualification review, forming a bid evaluation committee, bid opening, bid evaluation, making announcement and bid determination. Generally, the tenderer will issue an invitation to bid to not less than three enterprises. At the bid evaluation stage, the tenderer’s bid evaluation committee will normally consider, among other things, the tenderer’s qualifications, experience, quotation, financial position and business track record in providing the same or similar services. Members of the bid evaluation committee will evaluate and score the tenderers, with the one with the highest comprehensive score being the winning tenderer, and will determine the final price based on the results of the public bidding process. After close of the announcement period, the tenderer will sign a transaction agreement with the winning tenderer.

Market price: the price will be determined on the normal commercial terms and based on the market price at which the Independent Third Parties provide the same or similar products or services on normal commercial terms in the ordinary course of their business operations (the “**Market Price**”). The Company will generally obtain quotations from at least two independent third parties for reference by telephone, email, webpage and other means, or will refer to market prices published on platforms such as the Shanghai Gold Exchange and the Shanghai Metals Market (上海有色網).

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## LETTER FROM THE BOARD

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Appraisal price: for properties and land leased for production and operation, the annual rent will be determined with reference to its appraisal price.

Agreed price: the price will be determined through arm's length negotiations by both parties on normal commercial transaction conditions. In determining the agreed price, the parties usually refer to the historical transaction amount and/or the cost and reasonable profit margin of the relevant products or services after arm's length negotiation.

### **Procurement of Products and Services from SDG Group and Sales of Products and Services to SDG Group**

For the Procurement of Products and Services from SDG Group and Sales of Products and Services to SDG Group, the pricing policies of government pricing and government's guiding price (applicable to procurement/sales of public products) and the Market Price (applicable to products/services for which market prices can be obtained, such as procurement/sales of mineral resources, technical services, etc.) will be mainly applied. For example, (i) for the electricity service provided by SDG Group to the Group, the electricity price will be determined in accordance with the relevant price promulgated by Shandong Development and Reform Commission, which will be updated by Shandong Development and Reform Commission from time to time and published on its official website; (ii) for the gold price of the procurement/sale of gold from/to SDG Group, the Group and SDG Group will refer to the market price of the relevant period as quoted on the Shanghai Gold Exchange; (iii) for the prices of sales of lead and zinc concentrates by the Group to SDG Group, the parties to the transaction will refer to the lead and zinc benchmark prices published by the Shanghai Metals Market (上海有色網); and (iv) for the provision of technical services by the Group to SDG Group, the transaction price will be determined with reference to the fees charged by two similar technical service enterprises for providing the same or similar technical services.

### **Trademark Licensing by SDG Group**

For the trademark licensing granted by SDG Group, as the trademarks of the SDG Group Co. are only licensed to members of SDG Group, therefore, the pricing policy of agreed price will be applied.

The annual licensing fee is charged at a fixed amount of approximately RMB2.51 million for the three years ending 31 December 2026 which is determined with reference to historical fees and expected transaction amount.

### **Property Leasing Services Provided to/from SDG Group**

For the provision of property leasing services by the Group/SDG Group, the pricing policies of appraisal price and market price will be applied.

For properties leased for production and operation, the annual rent will be determined with reference to its appraisal price. Since assets such as mineral rights and land have specific mining volumes or useful lives, a fair lease price can be arrived at by dividing the appraisal price by the useful life and giving due consideration to interest. For properties leased for office use, as market prices for adjacent properties are available, the price shall be determined based on the Market Price. Generally, the designated departments or personnel of the Group will refer to the prices of at least two Independent Third Parties through telephone, website inquiries, etc.

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## LETTER FROM THE BOARD

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### **Equity Entrustment Services Provided by the Group**

For the provision of equity entrustment services, as it only involves the provision of equity entrustment services by the Group to SDG Group, the pricing policy of agreed price will be applied.

The fee for such entrustment services will be determined based on the estimated human input considering the number and scale of the entrusted targets.

### **V. REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Group's business covers a broad range of gold exploration, mining, processing, smelting and sales. The Group therefore needs various supplies, products as well as relevant services such as supply of water and electricity, mining exploration, design, supervision, engineering labour training, conference affairs, accommodation, property leasing, trademark leasing, property services, publicity, decoration, commissioned processing to support our business, some of which are supplied by SDG Group in its ordinary and usual course of business. When the Group procures such supplies, products and services in its ordinary and usual course of business, the Group selects suppliers and determines the relevant terms of procurements through negotiations based on the categories and scales of the procurement. The Group selects the most suitable one among the suppliers available for selection, which comprise connected persons and the Independent Third Parties, taking into account their prices, quality of the supplies, payment terms, time required for provision of the products or services and other factors. The Group had selected SDG Group as its supplier in light of the suitability of the supplies, products or services it offered, clear understanding of its business management, creditworthiness and contract performance capabilities, as well as geographical convenience and reducing the costs of procurement and sales of the Company.

The Group has supplied various products and services to SDG Group during the financial years ended/ending 31 December 2021, 2022 and 2023, and the Group is familiar with the specification and quality of such products and services required by it 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.

In relation to the trademark licensing granted by SDG Group, the Group has been using certain trademarks owned by SDG Group Co. in the ordinary and usual course of business. The Group will continue to use them and maintain the consistency and continuity of the corporate image of the Group.

In relation to the Equity Entrustment Services, SDG Group Co. has retained certain gold mining businesses and related operations. As disclosed in the Prospectus, for the purpose of avoiding potential competition from SDG Group Co. and safeguarding the interests of the Group and the Shareholders, the Group has been entrusted with monitoring the operation and management of the entrusted targets as well as pre-emptive rights over certain entrusted targets. The Directors are of the view that the entrustment arrangements would provide the Group with a sound opportunity to integrate the businesses of the entrusted targets and the Group, and facilitate a smooth transfer of SDG Group Co.'s equity interests in the entrusted targets to the Group when an appropriate opportunity emerges. In determining whether to exercise its pre-emptive rights to acquire the entrusted targets, the Company would take into account, among other things, the progress of exploration, amount of reserves and resources, completeness of title certificates and profitability of the entrusted targets. The Company will apply similar considerations in determining whether to terminate the relevant entrustment agreements.

## LETTER FROM THE BOARD

In relation to property leasing to or from SDG Group, during historical acquisitions of business or assets, the relevant leased properties that the Group has been occupying were not injected into the Group and remained under the ownership of SDG Group. Since the relocation of adjacent properties of the mines to other premises would result in unnecessary costs, the Company is of the view that entering into the above transaction is more cost-effective and to the benefit of the business operation. On the other hand, SDG Group also lease from the Group on certain properties that have already been purchased or acquired by the Group for the purpose of saving cost.

### VI. HISTORICAL AMOUNTS

#### Procurement of Products and Services from SDG Group

Set out below are the historical annual caps of the Procurement of Products and Services from SDG Group by the Group for the financial years ended/ending 31 December 2021, 2022 and 2023 and the historical transaction amounts of Procurement of Products and Services from SDG Group by the Group for the two financial years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023:

	For the financial year ended/ending 31 December		
	2021	2022	2023
	(RMB million)		
Historical annual caps of the Procurement of Products and Services from SDG Group	<u>2,585.8</u>	<u>2,552.2</u>	<u>2,632.5</u>
	For the financial year ended 31 December		For the nine months ended
	2021	2022	30 September 2023
	(RMB million)		
Historical transaction amounts of the Procurement of Products and Services from SDG Group	<u>1,883</u>	<u>1,744.94</u>	<u>1,892.99</u>

For the financial years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023, the Group's purchases of gold mineral resources and purchases of electricity services accounted for approximately 65.18% and 20.38%, 58.30% and 36.31% and 64.32% and 26.40% of the historical transaction amounts of the Group's procurements from SDG Group, respectively.

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## LETTER FROM THE BOARD

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### Sales of Products and Services to SDG Group

Set out below are the historical annual caps of the Sales of Products and Services to SDG Group by the Group for the financial years ended/ending 31 December 2021, 2022 and 2023 and the historical transaction amounts of the Sales of Products and Services to SDG Group by the Group for the two financial years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023:

	For the financial year ended/ending 31 December		
	2021	2022	2023
	<i>(RMB million)</i>		
Historical annual caps of the Sales of Products and Services to SDG Group	274.13	558.73	748.03
	<u>274.13</u>	<u>558.73</u>	<u>748.03</u>
	For the financial year ended		For the nine
	31 December		months
	2021	2022	ended
	<i>(RMB million)</i>		30 September
			2023
Historical transaction amounts of the Sales of Products and Services to SDG Group	205.75	404.76	508.95
	<u>205.75</u>	<u>404.76</u>	<u>508.95</u>

For the financial years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023, the Group's sales of mineral resources such as gold and provision of technical services accounted for approximately 63.82% and 4.26%, 98.75% and 1.08% and 98.77% and 0.27% of the historical transaction amounts of the Group's sales to SDG Group, respectively. In addition, equipment sales accounted for approximately 31.19% of the historical transaction amount of the Group's sales to SDG Group for the year ended 31 December 2021.

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## LETTER FROM THE BOARD

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### Trademark Licensing and Property Leasing from SDG Group

Set out below are the historical annual caps of the Trademark Licensing and Property Leasing from SDG Group for the financial years ended/ending 31 December 2021, 2022 and 2023 and the historical transaction amounts of the Trademark Licensing and Property Leasing from SDG Group for the two financial years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023:

	For the financial year ended/ending 31 December		
	2021	2022	2023
	<i>(RMB million)</i>		
Historical annual caps of the Trademark Licensing and Property Leasing from SDG Group	32.44	87.78	56.98
	<u>32.44</u>	<u>87.78</u>	<u>56.98</u>
	For the financial year ended 31 December		For the nine months ended 30 September
	2021	2022	2023
	<i>(RMB million)</i>		
Historical transaction amounts of the Trademark Licensing and Property Leasing from SDG Group	23.86	53.04	29.58
	<u>23.86</u>	<u>53.04</u>	<u>29.58</u>

### Property Leasing to SDG Group

Set out below are the historical annual caps of the Property Leasing to SDG Group for the financial years ended/ending 31 December 2021, 2022 and 2023 and the historical transaction amounts of the Property Leasing to SDG Group for the two financial years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023:

	For the financial year ended/ending 31 December		
	2021	2022	2023
	<i>(RMB million)</i>		
Historical annual caps of the Property Leasing to SDG Group	8.68	8.68	8.68
	<u>8.68</u>	<u>8.68</u>	<u>8.68</u>

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## LETTER FROM THE BOARD

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	For the financial year ended 31 December		For the nine months ended 30 September
	2021	2022	2023
	<i>(RMB million)</i>		
Historical transaction amounts of the Property Leasing to SDG Group	1.41	1.83	0.80

### Equity Entrustment Services to SDG Group

Set out below are the historical annual caps of the Equity Entrustment Services to SDG Group for the financial years ended/ending 31 December 2021, 2022 and 2023 and the historical transaction amounts of the Equity Entrustment Services to SDG Group for the two financial years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023:

	For the financial year ended/ending 31 December		
	2021	2022	2023
	<i>(RMB million)</i>		
Historical annual caps of the Equity Entrustment Services to SDG Group	4.40	4.40	4.40

	For the financial year ended 31 December		For the nine months ended 30 September
	2021	2022	2023
	<i>(RMB million)</i>		
Historical transaction amounts of the Equity Entrustment Services to SDG Group	3.96	3.59	1.89

## LETTER FROM THE BOARD

### VII. PROPOSED ANNUAL CAPS AND BASIS FOR THE ANNUAL CAPS

The proposed annual caps for the transactions contemplated under the New Comprehensive Service Framework Agreement for the financial years ending 31 December 2024, 2025 and 2026 are as follows:

	For the financial year ending 31 December		
	2024	2025	2026
	<i>(RMB million)</i>		
Annual caps of the Procurement of Products and Services from SDG Group	3,423.8542	3,926.8405	4,172.2608
Annual caps of the Sales of Products and Services to SDG Group	1,231.9764	1,295.2483	1,413.1600
Annual caps of the Trademark Licensing and Property Leasing from SDG Group	56.6496	56.7322	56.8238
Annual caps of the Property Leasing to SDG Group	4.8018	4.8018	4.8018
Annual caps of the Equity Entrustment Services to SDG Group	5.0000	5.0000	5.0000
Interests on loans from SDG Group <sup>Note 1</sup>	<u>49.2236</u>	<u>49.2236</u>	<u>49.2236</u>

*Note 1:* According to the SSE Listing Rules, there is a new annual cap on the amount of interests on the loans to be provided by SDG Group to the Group under the New Comprehensive Service Framework Agreement. Such interests include: (i) pursuant to the Supplemental Agreement on the Transfer of the Assets Package of the Qigouyifen Mine of Shandong Jinchuang Co., Ltd. (山東金創股份有限公司齊溝一分礦) entered into between Penglai Mining and Shandong Jinchuang Co., Ltd. (山東金創股份有限公司) on 2 August 2023, Penglai Mining has taken over the liability of RMB321 million of Shandong Jinchuang Co., Ltd. (山東金創股份有限公司) to Shandong Gold Jinchuang Group Co., Ltd. (山東黃金金創集團有限公司) (“**Jinchuang Group**”), which has a contractual term of five years, with an annual interest rate of 3.85%. It is estimated that interest expenses of RMB12.3585 million will be incurred annually after the completion of the settlement of the relevant assets and liabilities. For details, please refer to the announcement of the Company dated 2 August 2023; and (ii) pursuant to the Tripartite Agreement on Debt Transfer dated 22 August 2023 entered into among Penglai Mining, Jinchuang Group and SDG Group Co., Penglai Mining has taken over the liabilities with aggregate principal and interest of RMB1,227 million by Jinchuang Group to SDG Group Co. The term of the liabilities ranges from 1 to 3 years, with the longest term up to 27 March 2026, and the interest rate ranges from 2.7% to 4.00% per annum, and the interest expense is expected to be approximately RMB36.8651 million per annum upon completion of the settlement of the relevant assets and liabilities. Please refer to the announcement of the Company dated 22 August 2023 for details. The above-mentioned loans constitute fully exempt connected transactions under the Hong Kong Listing Rules as they are conducted on normal commercial terms or better and are not secured by the Group’s assets.



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## LETTER FROM THE BOARD

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### **Basis for the Annual Caps**

In determining the proposed annual caps for the transactions contemplated under the New Comprehensive Service Framework Agreement, the Company has considered, among other things, the following key factors:

### **Procurement of Products and Services from SDG Group**

In determining the proposed annual caps for the transactions contemplated under this category for the period from 2024 to 2026, the Company has taken into account (i) the historical figures for the two years ended 31 December 2022 and the nine months ended 30 September 2023 of the procurement of supplies, products and services by the Group from SDG Group; (ii) the business growth of the Group, the gold production of SDG Group and the market condition of gold in the future years, in particular, taking into account the mining resources integration carried out by SDG Group (including the Shuigou mining area, Menlou mining area, Gaojiagou mining area and Wantai mining area), with an expected increase in supply of gold mineral resources from SDG Group to the Group at a CAGR of over 10% for the three years ending 31 December 2026, which will increase the amount of purchases to be made by the Group from SDG Group and bring about growth in the Group's business and revenue; furthermore, taking into account the possible fluctuation with an upward trend in the price of gold in the future, a gold price of RMB480.0 per gram (Au99.99) has been adopted in the Company's estimation of the annual caps for the period from 2024 to 2026; (iii) it is expected that both the quantity and price of the alloy gold to be procured by the Group from SDG Group will increase as compared with those of the previous year, and the amounts of relevant connected transactions for the period from 2024 to 2026 are expected to increase by approximately RMB700 million, RMB1,200 million and RMB1,400 million, respectively, as compared with those in 2023; and (iv) the procurement of electricity by the Group from SDG Group, taking into account that from 2024 to 2026, with the increase in the depth of underground mining, the electricity consumption for mining operation, dewatering operation and hoisting operation will increase annually, and as some projects of the Company come into operation successively, the electricity usage load will increase, which will also increase the amount of electricity to be purchased from SDG Electricity Co., Ltd. (山東黃金電力有限公司), a wholly-owned subsidiary of SDG Group Co.

### **Sales of Products and Services to SDG Group**

In determining the proposed annual caps for the transactions contemplated under this category for the period from 2024 to 2026, the Company has taken into account (i) the historical figures for the two years ended 31 December 2022 and the nine months ended 30 September 2023 of the sales of supplies, products and services by the Group to SDG Group; (ii) YTSH Supply Chain Management Co., Ltd. (銀泰盛鴻供應鏈管理有限公司) and Ningbo YTYH Trading Co., Ltd. (寧波銀泰永亨貿易有限公司), subsidiaries of Yintai Gold Co., Ltd. (銀泰黃金股份有限公司), a subsidiary of the Company acquired in 2023, are engaged in the sales of products such as lead and zinc concentrates, and it is estimated that the relevant sales transaction amounts to SDG Group in 2024 to 2026 will increase by approximately RMB237 million, RMB357 million and RMB447 million, respectively, as compared with those in 2023; and (iii) due to the increase in production volume, the relevant transaction amounts of sales of gold concentrates of other subsidiaries of the Group in 2024 to 2026 are expected to increase by approximately RMB150 million, RMB200 million and RMB222 million, respectively, as compared with those in 2023.

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## LETTER FROM THE BOARD

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### **Trademark Licensing by SDG Group**

In determining the proposed annual caps for the transactions contemplated under this category for the period from 2024 to 2026, the Company has taken into account the historical fees paid by the Company and the expected transaction fees in the next three years, which is charged at a fixed amount per annum.

### **Property Leasing to/from SDG Group**

In determining the proposed annual caps for the transactions contemplated under this category for the period from 2024 to 2026, the Company has taken into account the rent of the existing leases that are expected to take effect or continue and the historical fees for renting of properties and equipment to/from SDG Group.

### **Equity Entrustment Services Provided by the Group**

In determining the proposed annual caps for the transactions contemplated under this category for the period from 2024 to 2026, the Company has taken into account the historical transactions under the equity entrustment arrangements.

## **VIII. INTERNAL CONTROL**

In order to protect the Independent Shareholders' interests and ensure that the terms under the New Comprehensive Service Framework Agreement are not less favourable to the Group than those available from the 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. Prior to the entering into of the transactions under the New Comprehensive Service Framework Agreement, the designated responsible personnel and the department manager of the business department (e.g. operation management department) and/or the audit department of the Company and/or its subsidiaries that are conducting transactions with SDG Group will review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of their respective agreements, whether the prices charged for specific transactions are fair and reasonable and in accordance with the aforesaid pricing policy;
2. the designated responsible personnel and the department manager of the Company's finance department and the office of the Board are responsible for monitoring the actual transaction amount to ensure not exceeding the annual cap;
3. the designated responsible personnel and the department manager of the Company's internal audit department is responsible for conducting an annual assessment of the Group's internal control procedures, including but not limited to review on the materials relating to the management of continuing connected transactions; and
4. the Company's external auditors and the independent non-executive Directors will conduct an annual review on the continuing connected transactions.

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## LETTER FROM THE BOARD

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### IX. INFORMATION OF THE RELEVANT PARTIES

#### **The Company**

The Company was established by its promoters with approval from the Shandong Economic System Reform Committee (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 SSE 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 Uygur Autonomous Region and Fujian Province as well as Argentina in South America and Ghana in 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 Latest Practicable Date, SDG Group Co. directly and indirectly holds approximately 45.58% of the Company's issued share capital.

### X. 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 of the Company under Chapter 14A of the Hong Kong Listing Rules. As a result, the New Comprehensive Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As one or more applicable percentage ratios with respect to the Procurement of Products and Services from SDG Group under the New Comprehensive Service Framework Agreement on an annual basis are more than 5%, the Procurement of Products and Services from SDG Group is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more applicable percentage ratios with respect to each of the Sales of Products and Services to SDG Group and the Trademark Licensing and Property Leasing from SDG Group under the New Comprehensive Service Framework Agreement on an annual basis are more than 0.1% but less than 5%, each of the Sales of Products and Services to SDG Group and the Trademark Licensing and Property Leasing from SDG Group is subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD

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As all the applicable percentage ratios with respect to each of the Property Leasing to SDG Group and Equity Entrustment Services under the New Comprehensive Service Framework Agreement on an annual basis are less than 0.1%, each of the Property Leasing to SDG Group and the Equity Entrustment Services under the New Comprehensive Service Framework Agreement constitutes de minimis transaction pursuant to Rule 14A.76(1)(a) of the Hong Kong Listing Rules and is fully exempt from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the A Shares are listed on the SSE, 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, the New Comprehensive Service Framework Agreement and all the transactions contemplated thereunder shall be submitted to the general meeting for consideration and approval. An ordinary resolution will be proposed at the EGM to seek for approval of the New Comprehensive Service Framework Agreement and the transactions contemplated thereunder.

The Directors, including the independent non-executive Directors, are of the view that, the transactions contemplated under the New Comprehensive Service Framework Agreement are entered into on normal commercial terms in the ordinary and usual course of business of the Group, are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. The annual caps set out for the transactions contemplated under the New 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 Hang, 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 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.

### **XI. EGM**

The EGM is to be held at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC at 10:00 a.m. on Thursday, 28 December 2023. The notice of the EGM is set out in Appendix II to this circular.

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## LETTER FROM THE BOARD

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Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Shareholder. If you intend to appoint a proxy to attend the EGM and vote on your behalf, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it, by hand, by post or by facsimile, to the Company's H share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders only) as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be) (i.e. before 10:00 a.m. on Wednesday, 27 December 2023). Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

### **XII. CLOSURE OF REGISTER OF MEMBERS**

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the EGM, the register of members of H shares will be closed from Thursday, 21 December 2023 to Thursday, 28 December 2023 (both days inclusive), during which period no transfers of H shares will be effected. H shareholders whose names appear on the H share register of members of the Company on Thursday, 21 December 2023 are entitled to attend and vote at the EGM.

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the EGM, all transfer instruments accompanied by the relevant share certificates must be lodged by H Shareholders with the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Wednesday, 20 December 2023.

### **XIII. VOTING**

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules and Article 119 of the Articles of Association, unless the chairman makes a decision in the spirit of honesty and credibility and agrees that the resolutions on relevant procedures or administrative matters shall be voted on by show of hands, voting for a general meeting shall be held by ballot.

Pursuant to Article 111 of the Articles of Association, Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share. Pursuant to Article 120 of the Articles of Association, on a poll taken at a meeting, a Shareholder (including a proxy) entitled to two or more votes need not cast all his votes in the same way.

Any Shareholder who has a material interest in the New Comprehensive Service Framework Agreement shall abstain from voting on the relevant resolution at the EGM. As at the Latest Practicable Date, SDG Group Co., the controlling shareholder, and its subsidiaries directly or indirectly hold approximately 2,039,142,984 A Shares, representing approximately 45.58% of the Company's issued share capital and will be required to abstain from voting on the relevant resolution at the EGM. Save for SDG Group Co. and its subsidiaries, as at the Latest Practicable Date, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting thereat as no other Shareholder has any interest in the New Comprehensive Service Framework Agreement.

Save as disclosed above, none of the Shareholders was required to abstain from voting on the resolution at the EGM.

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## LETTER FROM THE BOARD

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### XIV. RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the New Comprehensive Service Framework Agreement are on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution approving the Non-exempt Continuing Connected Transactions at the EGM.

The Board is of the view that the resolution proposed at the EGM is fair and reasonable and in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders vote in favor of the resolution to be proposed at the EGM.

Yours faithfully,  
By order of the Board  
**Shandong Gold Mining Co., Ltd.**  
**Li Hang**  
*Chairman*



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)**

11 December 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION UNDER  
THE NEW COMPREHENSIVE SERVICE FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 11 December 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Non-exempt Continuing Connected Transaction, the details of which are set out in the letter from the Board contained in the Circular, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Lego has been appointed to advise the Independent Board Committee and Independent Shareholders in this regard.

Your attention is drawn to the letter from the Board set out on pages 5 to 20 of the Circular and the letter from the Independent Financial Adviser set out on pages 22 to 34 of the Circular.

Having considered the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Non-exempt Continuing Connected Transaction are entered into on normal commercial terms in the usual and ordinary course of business of the Group and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders vote in favor of the relevant resolution to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee  
**Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng**  
*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which have been prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Comprehensive Service Framework Agreement regarding the Procurements (as defined below) contemplated thereunder (including the proposed annual caps).*



11 December 2023

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs or Madams,

### **THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW COMPREHENSIVE SERVICE FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Comprehensive Service Framework Agreement regarding the procurement of supplies, products and services (the “**Procurements**”) contemplated thereunder (including the proposed annual caps), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 11 December 2023 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As disclosed in the Letter from the Board, the Existing Comprehensive Service Framework Agreement entered into between the Company and SDG Group Co. will expire on 31 December 2023, the Company entered into the New Comprehensive Service Framework Agreement with SDG Group Co. on 4 December 2023 (after trading hours) to renew the continuing connected transactions, and set the annual caps for 2024, 2025 and 2026 thereunder. The New Comprehensive Service Framework Agreement shall be effective from 1 January 2024 to 31 December 2026 for a term of three years.

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 of the Company under Chapter 14A of the Hong Kong Listing Rules. As a result, the New Comprehensive Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more applicable percentage ratios with respect to the Procurements from SDG Group under the New Comprehensive Service Framework Agreement on an annual basis are more than 5%, the Procurements from SDG Group is subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng, has been formed to advise the Independent Shareholders as to whether the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we are qualified to give independent advice in respect of the New Comprehensive Service Framework Agreement regarding the Procurements contemplated thereunder (including the proposed annual caps).

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of their respective subsidiaries or associates.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

### 1. Background information of the Company

The Company is principally engaged in (i) mining, processing and sales of gold and gold products; (ii) manufacturing and sales of building decoration materials; and (iii) investment in equity funds, trading of gold bullion and provision of futures contracts trading services. Set out below are selected financial information of the Group for the two years ended 31 December 2021 and 2022 and six months ended 30 June 2022 and 2023 as extracted from the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”):

	For the year ended 31 December		For the six months ended 30 June	
	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	33,932,646	50,305,754	29,825,146	27,424,883
(Loss)/profit for the year/period	(229,514)	1,351,463	577,086	979,834
	As at 31 December		As at 30 June	
	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(unaudited)
Total assets	79,036,550	91,216,092	99,851,743	
Total liabilities	47,075,671	54,413,924	62,619,654	
Net assets	31,960,879	36,802,168	37,232,089	

As illustrated in the table above, revenue of the Group amounted to approximately RMB50,305.8 million for the year ended 31 December 2022, representing a surge of approximately 48.3% as compared to that of approximately RMB33,932.6 million for the year ended 31 December 2021. The net profit of the Group for the year ended 31 December 2022 amounted to approximately RMB1,351.5 million, illustrated a significant improvement as compared to the net loss of approximately RMB229.5 million for the year ended 31 December 2021. According to the 2022 Annual Report, the improved operation of the Group was mainly due to the increase in sales volume and sales price of self-produced gold, externally procured alloy gold and finished gold. The increase in net profit was in line with the increase in revenue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the 2023 Interim Report, the revenue of the Group amounted to approximately RMB27,424.9 million for the six months ended 30 June 2023, representing a decrease of approximately 8.1% as compared to that of approximately RMB29,825.1 million for the six months ended 30 June 2022, mainly due to the decrease in sales volume of self-produced gold, externally procured alloy gold and trade revenue. However, the Group recorded a net profit of approximately RMB979.8 million for the six months ended 30 June 2023, representing an increase of approximately 69.8%, as compared to that of approximately RMB577.1 million for the six months ended 30 June 2022. Such increase was mainly due to the increase in gross profit of self-produced gold business as a result of the increase in the gold price for the six months ended 30 June 2023.

As at 31 December 2022, the net assets of the Group was approximately RMB36,802.2 million, representing an increase of approximately 15.2% as compared to that as at 31 December 2021. Such increase was mainly contributed by (i) the increase in property, plant and equipment; and (ii) the increase in bank balances and cash, as a result of the net profit recorded for the six months ended 30 June 2023. As at 30 June 2023, the net assets of the Group increased slightly to approximately RMB37,232.1 million.

### **2. Information on the parties involved**

#### ***The Company***

The Company was established by its promoters with approval from the Shandong Economic System Reform Committee (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 SSE 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 Uygur Autonomous Region and Fujian Province as well as Argentina in South America and Ghana in 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 specialised 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 Latest Practicable Date, SDG Group Co. directly and indirectly holds approximately 45.58% of the Company's issued share capital.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. New Comprehensive Service Framework Agreement regarding the Procurements

#### *Principal terms of the New Comprehensive Service Framework Agreement*

The principal terms of the New Comprehensive Service Framework Agreement (including the Procurements) are summarised as follows:

Date:	4 December 2023 (after trading hours)
Parties:	The Company and SDG Group Co.
Subject matter:	Among others and in respect of the Procurements, procurement of supplies, products and services by the Group from SDG Group, pursuant to which, the Group may from time to time purchase from SDG Group Co various types of supplies, products and services, including but not limited to products such as materials, equipment, petrol and gold and services such as supply of water and electricity, exploration, design, supervision, engineering labour training, conference affairs, accommodation, property services, publicity, decoration and commissioned processing.
Term:	<p>The New Comprehensive Service Framework Agreement will be valid from 1 January 2024 to 31 December 2026 for a term of three years.</p> <p>Members of the Group and members of SDG Group will enter into separate agreements which will set out the specific terms and conditions according to the principles and conditions provided in the New Comprehensive Service Framework Agreement.</p>
Pricing policies:	<p>Both parties agree that when one party to the agreement provides services, purchases and sells products to the other party, it will determine the pricing of each product and service in the following sequence:</p> <p>Government pricing and government's guiding price: if government pricing is applicable to any particular supplies, products or services, such supplies, products or services shall be supplied at the applicable government pricing. If the government has guiding charging standards, the price shall be agreed within the range of the government's guiding price.</p>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Bidding price: if laws and regulations require that bidding procedures must be applied, the price will be determined according to the final price determined based on the bidding procedures. The bidding process will be organised in accordance with the requirements of the Bidding Law of China, including issuing a bidding announcement, conducting qualification review, forming a bid evaluation committee, bid opening, bid evaluation, making announcement and bid determination. Generally, the tenderer will issue an invitation to bid to not less than three enterprises. At the bid evaluation stage, the tenderer's bid evaluation committee will normally consider, among other things, the tenderer's qualifications, experience, quotation, financial position and business track record in providing the same or similar services. Members of the bid evaluation committee will evaluate and score the tenderers, with the one with the highest comprehensive score being the winning tenderer, and will determine the final price based on the results of the public bidding process. After close of the announcement period, the tenderer will sign a transaction agreement with the winning tenderer.

Market price: the price will be determined on the normal commercial terms and based on the market price which the Independent Third Parties provide the same or similar products or services on normal commercial terms in the ordinary course of their business operations. The Company will generally obtain quotations from at least two independent third parties for reference by telephone, email, webpage and other means, or will refer to market prices published on platforms such as the Shanghai Gold Exchange and the Shanghai Metals Market (上海有色網).

Appraisal price: for properties and land leased for production and operation, the annual rent will be determined with reference to its appraisal price.

Agreed price: the price will be determined through arm's length negotiations by both parties on normal commercial transaction conditions. In determining the agreed price, the parties usually refer to the historical transaction amount and/or the cost and reasonable profit margin of the relevant products or services after arm's length negotiation.

For details of the pricing policies, please refer to the section headed "IV. Pricing Policies" in the Letter from the Board.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The terms of the New Comprehensive Service Framework Agreement regarding the Procurements are substantially the same terms as stipulated under the Existing Comprehensive Service Framework Agreement. In order to assess the fairness and reasonableness of the terms of the New Comprehensive Service Framework Agreement regarding the Procurements, in particular the pricing policies of the Procurements, we were given to understand from the Management that, the products and services contemplated under the Procurements mainly comprises of gold mineral resources and electricity, which represents approximately 60% and 20% of the proposed annual caps, respectively, and other miscellaneous services. For our due diligence purpose, on a random selection basis, we have obtained and reviewed eighteen sample Procurements for the three years (i.e. 2021 to 2023) under the Existing Comprehensive Service Framework Agreement, covering various kind of products and services, in particular, (i) nine sample invoices of gold mineral resources purchased by the Group from SDG Group, it is noted that the unit prices of gold mineral resources purchased from SDG Group were determined with reference to the market price of the relevant period as quoted on the Shanghai Gold Exchange; (ii) six sample invoices of electricity purchased by the Group from SDG Group and it is noted that the tariffs of electricity purchased from SDG Group were determined with reference to the government's guiding price of the relevant period as quoted in the notice issued by Shandong Development and Reform Commission (山東省發展和改革委員會); and (iii) three sample contracts of other miscellaneous services (including design fee, exploration services and machinery installation services) purchased by the Group from SDG Group, we understand from the Management that before entering into respective service contract, the Company had conducted market research on the market price, and the service fees contracted with SDG Group were comparable to the then market price. In addition, we noted that appropriate internal control measures of the Group are in place to govern the conduct of the Procurements (please refer to the section headed "6. Internal control measures" in this letter for details). Hence, we are of the view that, the terms of the New Comprehensive Service Framework Agreement regarding the Procurements, in particular the pricing policies, are in the interest of the Company and the Shareholders as a whole, on normal commercial terms, and fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Reasons for and benefit of entering into the New Comprehensive Service Framework Agreement regarding the Procurements**

The Group is principally engaged in, among others, mining, processing and sales of gold and gold products, which covers a broad range of gold exploration, mining, processing, smelting and sales. According to the 2022 Annual Report, revenue from gold refining and gold mining represents approximately 68.8% and 7.6% of the total revenue of the Group for the year ended 31 December 2022, respectively. As stated in the Letter from the Board, the Group needs various supplies, products as well as relevant services such as supply of water and electricity, mining exploration, design, report preparation, supervision, engineering labour training, conference affairs, accommodation, property leasing, trademark leasing, property services, publicity, decoration, commissioned processing to support the Group's business, some of which are supplied by SDG Group Co. and/or its associates in their ordinary and usual course of business. We understand from the Management that, the Group has established a long term and stable relationship with SDG Group in purchasing relevant products, utilities and services in relation to the gold refining and mining business of the Group since 2012. The continuing connected transactions mainly comprise of procurement of products (namely gold mineral resources) and utilities (namely electricity) which in aggregate represents over 80% of the proposed annual caps of the Procurements under the New Comprehensive Service Framework Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the controlling shareholder of the Company, SDG Group Co. was established in the PRC in July 1996. SDG Group principally engaged in gold mining related operations, including geological exploration and mining of gold, gold processing, gold smelting and technical services, and production and sales of specialised equipment and supplies and construction materials for gold mines. To the best knowledge, information and belief of the Directors, SDG Group being one of the major gold mining enterprises in the PRC, as at the Latest Practicable Date, it owns (i) over 30 gold mine exploration permits with an aggregate of over 650 tonnes of gold resources in the PRC; and (ii) over 10 gold mine mining permits with an aggregate of over 120 tonnes of measured gold resources in the PRC. We understand from the Management that, gold refining business of the Group, being the major operating segment of the Group, requires an extensive supply of mineral (i.e. gold mineral resources) for its production and sales of gold products. According to the Management, the Group's procurement of gold mineral resources from SDG Group amounted to approximately 2.5% of the total procurement of gold mineral resources of the Group for the year ended 31 December 2022.

Moreover, we were given to understand by the Management that, Shandong Electricity Co., Ltd. (山東黃金電力公司) (the “**SDG Electricity**”), a wholly-owned subsidiary of SDG Group Co., has been supplying electricity to the Group in Laizhou of Shandong Province, the PRC, for over 20 years in relation to the mining and refining operations of the Group. According to the Management, the Group would have to bear unnecessary costs in switching local electricity supplier due to the fact that certain electricity infrastructure and connective installations have been established with SDG Electricity. Given the electricity tariff being charged is based on the government's guiding price, and it is therefore fair and reasonable to the Company and the Shareholders as a whole.

Taking into account the long established and solid relationship between the Group and SDG Group, and the familiarity of the Group's operational and development needs, the Directors are of the view and we concur that the continuous procurements from SDG Group is necessary to ensure the stable business operation of the Group, it is believed that the renewing and entering into the New Comprehensive Service Framework Agreement is in the ordinary and usual course of business of the Group which maintains the synergies between the Group and SDG Group, ensure continuous and effective production and operations as well as steady development of the Group in long run, and is in the interest of the Company and the Shareholders as a whole.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. The existing and proposed annual caps of the New Comprehensive Service Framework Agreement regarding the Procurements

Set out below are (i) the existing annual caps of the Procurements and respective historical transaction amount under the Existing Comprehensive Service Framework Agreement for the years ended/ending 31 December 2021, 2022 and 2023; and (ii) the proposed annual caps of the Procurements under the New Comprehensive Service Framework Agreement for the years ending 31 December 2024, 2025 and 2026.

	For the year ended 31 December		For the nine months ended 30 September
	2021	2022	2023
	(RMB million)	(RMB million)	(RMB million)

Historical transaction amount	1,883.0	1,744.9	1,893.0 (Note)
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	For the year ended/ending 31 December		
	2021	2022	2023
	(RMB million)	(RMB million)	(RMB million)

Existing annual cap	2,585.8	2,552.2	2,632.5
Utilisation rate	72.8%	68.4%	71.9% (Note)

	For the year ending 31 December		
	2024	2025	2026
	(RMB million)	(RMB million)	(RMB million)

Proposed annual cap	3,423.9	3,926.8	4,172.3
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*Note:* For the nine months ended 30 September 2023, the total historical transaction amount of the Procurements under the Existing Comprehensive Service Framework Agreement amounted to approximately RMB1,893.0 million, and has utilised up to approximately 71.9% of the existing annual cap for 2023.

As shown in the above table, the historical transaction amount of the Procurements amounted to approximately RMB1,883.0 million and RMB1,744.9 million for the two years ended 31 December 2021 and 2022, with utilisation rate of approximately 72.8% and 68.4%. For the year ending 31 December 2023, on a hypothetical basis, the annualised transaction amount of the Procurements would be approximately RMB2,524.0 million, which is expected to utilise up to approximately 95.9% of the existing annual cap for 2023. The increase in the transaction amount for 2023 as compared to 2022 was mainly attributable to the increased procurement of gold mineral resources by approximately RMB606.1 million from SDG Group in 2023 to cope with the increased demand of the Group's gold products. Hence, the Directors remain optimistic about the Group's business development and demand of gold products in foreseeable future.

In order to assess the fairness and reasonableness of the proposed annual caps of the Procurements, we have obtained and reviewed the projection table prepared by the Group in



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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formulating the proposed annual caps for the three years ending 31 December 2026, and discuss with the Management on the bases and assumptions underlying the determination of the proposed annual caps as below:

- We have discussed with the Management on the projection table prepared by the Group and given to understand that the Management has projected the proposed annual caps of the Procurements for the three years ending 31 December 2026 primarily based on (i) the historical figures for the two years ended 31 December 2022 and the nine months ended 30 September 2023 of the Procurements by the Group from SDG Group; (ii) the business growth of the Group, the gold production of SDG Group and the market condition of gold for the future years; (iii) the expected quantity and price of the alloy gold to be procured by the Group from SDG Group will increase as compared with those of the previous year, and the amounts of relevant connected transactions for the period from 2024 to 2026 are expected to increase by approximately RMB700 million, RMB1,200 million and RMB1,400 million, respectively, as compared with those in 2023; and (iv) the procurement of electricity by the Group from SDG Group, taking into account that from 2024 to 2026, with the increase in the depth of underground mining, the electricity consumption for mining operation, dewatering operation and hoisting operation will increase annually, and as some projects of the Company come into operation successively, the electricity usage load will increase, which will also increase the amount of electricity to be purchased from SDG Electricity;
- During 2022, the total amount of gold traded on the Shanghai Gold Exchange recorded a year-on-year increase. According to the China Gold Association, the accumulated bilateral trading volume of all gold products on the Shanghai Gold Exchange was 38,800 tonnes, representing a year-on-year increase of 11.3%, with a bilateral turnover of RMB15.2 trillion, representing a year-on-year increase of 16.0%;
- According to the publicly available information on the Shanghai Gold Exchange, it is noted that the gold price (Au99.99) in the PRC demonstrated a strong growth trend ranging from approximately RMB398.09 per gram on 4 January 2021 (being the first trading date of 2021) to approximately RMB480.45 per gram as at the date of the New Comprehensive Service Framework Agreement, representing an increase of approximately 20.7%. In particular, the lowest point of approximately RMB260.9 per gram recorded on 28 December 2021 and the highest point of approximately RMB494.3 per gram recorded on 7 August 2023. Moreover, it is noted that over the past three months period (from 1 September 2023) there were more than one-third of the trading days which the gold price was trading at above RMB470.0 per gram on the Shanghai Gold Exchange;
- In order to capture the industry growth in gold industry with an expectation to increase the Group's revenue and profitability, it is expected that the Group's demand on gold mineral resources would increase over the three years ending 31 December 2026 accordingly. We understand from the Management that the projection on quantity of gold mineral resources to be supplied by SDG Group was estimated with reference to the expected production schedules proposed by each relevant members of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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SDG Group for the three years ending 31 December 2026. In this regard, we have obtained and reviewed the aforesaid production schedules and noted that the quantity of gold mineral resources as computed in the projection table for the three years ending 31 December 2026 are in line with that as scheduled by the SDG Group. In particular, according to the Management, due to the mining resources integration of the SDG Group, additional four gold mining operations in Shandong Province have been integrated by the SDG Group in 2023, including the Shuigou mining area, Menlou mining area, Gaojiagou mining area and Wantai mining area, with an expected increase in supply of gold mineral resources from SDG Group at CAGR over 10% for the three years ending 31 December 2026;

- With respect to the gold price (Au99.99), we noted from the projection table that, the Management has adopted the unit price of approximately RMB480.0 per gram for each of the three years ending 31 December 2026, which is within the range of unit price of the prevailing gold market in the PRC. As stated in the 2023 Interim Report, as the global geopolitical situation becomes increasingly complex and severe, the Management expects the global central banks may continue to increase their gold holdings and therefore the price of gold is expected to fluctuate with an upward trend in the near future. In addition, as aforementioned, it is noted that the prevailing gold price in the PRC has been hovering at higher levels around RMB470.0 per gram. Such that, it is justifiable for the Management to project the proposed annual caps of the Procurements in relation to the gold mineral resources by assuming a unit price at upper range over the three years ending 31 December 2026;
- We noted from the projection table of the Procurements in relation to the utilities consumption from SDG Group that the projection of electricity to be consumed from SDG Group was estimated with reference to the expected mining and refining production schedules for the three years ending 31 December 2026 proposed by each relevant members of the Group in Laizhou district. Such that, we have obtained and reviewed all productions schedules proposed by the relevant members of the Group, and noted that the expected electricity to be consumed as computed in the projection table for the three years ending 31 December 2026 are in line with that as scheduled by the relevant members of the Group;
- According to the 2023 Interim Report, the Group continuously improves the production efficiency of its gold mining and refining businesses through optimising and perfecting the production system with an aim to improve the level of mechanised and intelligent operations, upgrading the level of operation and management and other measures. Meanwhile, the Group has made precise efforts in improving the institutional system, upgrading equipment level, strengthen the foundation of safety production and comprehensively improve the intrinsic safety level. Certain new operating systems and machinery enhancements of the Group in Laizhou district (such as ventilation system, central heating system, tunnel boring machine, automated transportation and lifting system, and intelligent beneficiation technology) will be gradually successively put into operation after 2023. We understand from the Management that procurement of electricity from SDG Electricity is expected to increase and we noted from the projection table that the Management has considered the expected power consumption of the aforementioned

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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new operating system and machinery enhancements in projecting the Procurements in relation to the utilities consumption from the SDG Group for the three years ending 31 December 2026; and

- In addition, we noted from the projection table of the Procurements in relation to the utilities consumption from SDG Group that, the Management has projected the electricity tariff for the three years ending 31 December 2026 based on the average electricity tariff being charged during the nine months ended 30 September 2023, and are considered to be fair and justifiable.

Based on the above and taking into consideration, in particular (i) the promising industry development and increasing business operations as well as the revenue generated by the Group; and (ii) the anticipated increase in demand of the Procurements supplied by SDG Group, we are of the view that the proposed annual caps for the Procurements for the three years ending 31 December 2026 under the New Comprehensive Service Framework Agreement are justifiable.

### **6. Internal control measures**

As stated in the Letter from the Board, the Company has adopted the following internal control measures to ensure that the continuing connected transactions are in accordance with the terms of the New Comprehensive Service Framework Agreement and in compliance with the Listing Rules:

- (i) 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. Prior to the entering into of the transactions under the New Comprehensive Service Framework Agreement, the designated responsible personnel and department managers of the business department (e.g. operation management department) and/or the audit department of the Company and/or its subsidiaries that are conducting transactions with SDG Group will review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of their respective agreements, whether the prices charged for specific transactions are fair and reasonable and in accordance with the aforesaid pricing policy;
- (ii) the designated responsible personnel and the department managers of the Company's finance department and the office of the Board are responsible for monitoring the actual transaction amount to ensure not exceeding the annual cap;
- (iii) the designated responsible personnel and the department managers of the Company's internal audit department is responsible for conducting an annual assessment of the Group's internal control procedures, including but not limited to review on the materials relating to the management of continuing connected transactions; and
- (iv) the Company's external auditors and the independent non-executive Directors will conduct an annual review on the continuing connected transactions.

Moreover, in assessing the effectiveness of the Company's internal control measures in place, we have reviewed the followings:

- (i) the auditors' letters to the Board regarding the continuing connected transactions (including the Procurements) under the Existing Comprehensive Service Framework Agreement for the years ended 31 December 2021 and 2022, and noted that, among

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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others, (a) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board; (b) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (c) with respect to the aggregate amount of each of the disclosed continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company; and

- (ii) the confirmations from the independent non-executive Directors that they have reviewed the continuing connected transactions (including the Procurements) under the Existing Comprehensive Service Framework Agreement for the years ended 31 December 2021 and 2022 and noted that, (a) the transactions were entered into in the ordinary and usual course of business of the Group; (b) the transactions were entered into either on normal commercial terms, or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) the transactions were entered into according to the agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

Having considered the above and the Procurements contemplated under the New Comprehensive Service Framework Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company as well as the regular checks of the Group's internal audit department and the management of the Group, we are of the view that appropriate measures will be in place to govern the conduct of transactions contemplated under the New Comprehensive Service Framework Agreement in order to safeguard the interests of the Independent Shareholders.

### RECOMMENDATIONS

Having considered the principal factors and reasons as discussed above, we are of the opinion that, (i) the entering into of the New Comprehensive Service Framework Agreement regarding the Procurements is conducted in the ordinary and usual course of business of the Group; (ii) the terms of the New Comprehensive Service Framework Agreement regarding the Procurements are on normal commercial terms, and together with the proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the New Comprehensive Service Framework Agreement regarding the Procurements (including the proposed annual caps).

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Stanley Ng**  
*Managing Director*

*Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 19 years of experience in the accounting and investment banking industries.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (A) Directors', Supervisors' and Chief Executive of the Company's Interests and Short Positions in the Shares, the Underlying Shares and Debentures

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out under Appendix 10 to the Hong Kong Listing Rules, in accordance with information received by the Company:

Name	Title	Nature of interest	Class of Shares	Number of Shares	Long/ Short position	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued share capital
Mr. Tang Qi	Executive Director	Beneficial owner	A Shares	149,056	Long	0.0041%	0.0033%

**(B) Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares and Debentures**

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors, supervisors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares, which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial Shareholder	Nature of interest	Class of Shares	Number of Shares or underlying Shares interested	Long/ Short position	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total issued share capital
SDG Group Co.	Beneficial owner	A Shares	1,694,069,251	Long	46.87%	37.87%
	Interest held by controlled corporation <sup>(1)</sup>	A Shares	345,073,733	Long	9.55%	7.71%
Shandong Gold Resources Development Co., Ltd. ("SDG Resources Development")	Beneficial owner <sup>(2)</sup>	A Shares	194,872,049	Long	5.39%	4.36%
Gold Virtue Limited	Beneficial owner	H Shares	94,189,655	Long	10.97%	2.11%
			11,000,000	Short	1.28%	0.25%
Schroders PLC	Investment manager	H Shares	85,967,350	Long	10.01%	1.92%
China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司)	Beneficial owner	H Shares	76,639,270	Long	8.92%	1.71%
CEB-GFAM-China Structural Reform Fund Asset Management Account No. 1 (廣發資管－國調基金1號定向資產管理計劃)	Trustee	H Shares	76,639,270	Long	8.92%	1.71%
BlackRock, Inc. <sup>(3)</sup>	Interest held by controlled corporation	H Shares	47,043,089	Long	5.48%	1.05%
			5,164,750	Short	0.60%	0.12%

*Notes:*

- (1) These 345,073,733 A Shares comprise 194,872,049 A Shares held by SDG Resources Development, 115,477,482 A Shares held by Shandong Gold Non-ferrous Metal Mine Group Co., Ltd. (“**SDG Non-ferrous**”), 31,467,157 A Shares held by Shandong Gold Group Qingdao Gold Co., Ltd. (“**Qingdao Gold**”) and 3,257,045 A Shares held by SDG (Beijing) Industry Investment Co., Ltd. (“**Beijing Industry Investment**”). Each of SDG Resources Development, Qingdao Gold and Beijing Industry Investment is wholly-owned by SDG Group Co. SDG Group Co. holds 100% equity interest of SDG Non-ferrous. As such, SDG Group Co. is deemed to be interested in the Shares held by SDG Resources Development, SDG Non-ferrous, Qingdao Gold and Beijing Industry Investment for the purpose of the SFO.
- (2) SDG Resources Development is wholly-owned by SDG Group Co., and therefore SDG Group Co. is deemed to be interested in all the Shares held by SDG Resources Development for the purpose of the SFO.
- (3) BlackRock, Inc. is deemed to hold a total of long position of 47,043,089 H Shares and a short position of 5,164,750 H Shares due to its control rights over a number of companies. Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Lux Finco S.à r.l., BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Holdco 3, LLC, BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited, BlackRock (Singapore) Holdco Pte. Ltd., BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock (Netherlands) B.V., BlackRock Group Limited-Luxembourg Branch, BlackRock Luxembourg Holdco S.à r.l., BlackRock Investment Management Ireland Holdings Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Fund Managers Limited, BlackRock Life Limited, BlackRock (Singapore) Limited, BlackRock UK Holdco Limited, BlackRock Asset Management Schweiz AG, EG Holdings Blocker, LLC, Amethyst Intermediate, LLC, Aperio Holdings, LLC and Aperio Group, LLC, being the controlled corporations, are directly or indirectly interested in the H Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors, Supervisors and chief executive of the Company are not aware of any person (who were not Directors, Supervisors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in 5% or more of the nominal value of any class of the share capital carrying the rights to vote in all circumstances at general meetings of the Company, or had an interest or short position which would be required to be entered into the register to be kept by the Company pursuant to section 336 of the SFO.

### 3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).



**4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Hong Kong Listing Rules) had any competing interests which would fall to be disclosed under Rule 8.10 of the Hong Kong Listing Rules as if each of them was a controlling shareholder of the Company.

**5. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER**

The followings are the particulars of Directors' and Supervisors' employment with substantial Shareholders (holding interests or short positions in the Shares and underlying Shares required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO) as at the Latest Practicable Date:

Mr. Li Hang, the chairman of the Board, serves as the secretary of the CPC Committee, chairman and general manager of SDG Group Co.

Mr. Li Xiaoping, the chairman of the Supervisory Committee, serves as a standing member of the CPC Committee of SDG Group Co.

Ms. Wang Xiaoling, the Director, serves as a special advisor to SDG Group Co.

**6. INTERESTS IN CONTRACT OR ARRANGEMENTS**

As at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group, nor has any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

**7. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.



## 8. EXPERT AND CONSENT

The following is the qualification of expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Lego Corporate Finance Limited	a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity

The above expert has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its statements and/or references to its name in the form and context in which it appears.

The above expert has further confirmed that as at the Latest Practicable Date, it was not interested in the share capital of any member of the Group, nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. It was not interested in any assets which have been, since 31 December 2022 (being the date to which the Company's latest audited financial statements were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. CORPORATE INFORMATION OF THE COMPANY

<b>Registered office and headquarters in the PRC</b>	No. 2503 Jingshi Road Licheng District Jinan, Shandong Province PRC Postal Code 250107
<b>Principal place of business in Hong Kong</b>	Rooms 4003-06 China Resources Building No. 26 Harbour Road Hong Kong
<b>H share registrar</b>	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
<b>Joint company secretaries</b>	Mr. Tang Qi Ms. Ng Sau Mei (FCG, HKFCG)

**10. DOCUMENT ON DISPLAY**

The electronic file of the following document will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sdhjgf.com.cn>) for a period of 14 days from the date of this circular:

- (a) the New Comprehensive Service Framework Agreement.



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)**

**NOTICE OF 2023 SIXTH EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the 2023 sixth extraordinary general meeting (the “EGM”) of Shandong Gold Mining Co., Ltd. (the “**Company**”) will be held at the conference room of the Company, No. 2503, Jingshi Road, Licheng District, Jinan, Shandong Province, the PRC at 10:00 a.m. on Thursday, 28 December 2023 for the purpose of considering and, if thought fit, passing the following resolution. Unless otherwise indicated, capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 11 December 2023.

**ORDINARY RESOLUTION**

1. To consider and approve the resolution on the entering into of the New Comprehensive Service Framework Agreement and confirmation of the caps of the continuing connected transactions of the Company for the years 2024 to 2026.

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

Jinan, the PRC  
11 December 2023

*As at the date of this notice, 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 Hang, 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.*

*Notes:*

1. Holders of the Company's H Shares should note that the register of members of the Company will be closed from Thursday, 21 December 2023 to Thursday, 28 December 2023 (both days inclusive). All transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Wednesday, 20 December 2023. H shareholders whose names appear on the H Shares register of members of the Company on Thursday, 21 December 2023 are entitled to attend with their identity cards or passports and vote at the EGM. The record date and arrangements in respect of the holders of A Shares of the Company who are entitled to attend the EGM will be determined and announced separately in the PRC.
2. Any shareholder entitled to attend and vote at the EGM is entitled to appoint a proxy or more proxies (who need not be a shareholder of the Company) to attend the EGM and vote thereat in his stead. For Shareholder who appoints more than one proxy, the voting right can only be exercised by his/her proxies on a poll.
3. Any shareholder who intends to appoint a proxy to attend the EGM shall put it in writing, with the proxy form to be signed by the appointer or his attorney duly authorized in writing. If the appointer is a corporation, the proxy form must be affixed with its common seal, or signed by any of its directors or attorney duly authorized in writing. If the proxy form is signed by an attorney authorized by the appointer, the power of attorney or other authorization documents must be notarially certified. The notarially certified power of attorney or other authorization documents together with the proxy form must be delivered to the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H shareholders only) not later than 24 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on Wednesday, 27 December 2023). Completion and return of the proxy form will not affect the rights of the Shareholders to attend and vote at the EGM in person.
4. Proxies of holders of the Company's H shares shall bring along the proxy form, instrument(s) for appointing a proxy (if applicable) and the proxies' identity cards or passports to attend the EGM.
5. According to Article 108 of the articles of association of the Company, an ordinary resolution shall be passed by more than half of the votes cast by the shareholders (including proxies) present at the general meeting, while a special resolution shall be passed by more than two-thirds of the votes cast by the shareholders (including proxies) present at the general meeting.
6. Directors, supervisors and senior management of the Company and the witnessing lawyers and other relevant personnel employed by the Company will attend the EGM.