

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



SD-GOLD

SHANDONG GOLD MINING CO., LTD.

山東黃金礦業股份有限公司

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

(Stock Code: 1787)

CONTINUING CONNECTED TRANSACTIONS NEW COMPREHENSIVE SERVICE FRAMEWORK AGREEMENT

I. 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.

II. NEW COMPREHENSIVE SERVICE FRAMEWORK AGREEMENT

The principal terms of the New Comprehensive Service Framework Agreement are set out below:

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**”);
- (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.

III. 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.

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**").

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 and the Market Price 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, 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. For properties leased for office use, 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.

Equity Entrustment Services Provided by the Group

For the provision of equity entrustment services, 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.

IV. 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.

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.

V. 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
	<i>(RMB million)</i>		
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 30 September
	2021	2022	2023
	<i>(RMB million)</i>		
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.

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

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	<u>32.44</u>	<u>87.78</u>	<u>56.98</u>
			For the nine months ended 30 September
	For the financial year ended 31 December	2021	2022
			2023
	<i>(RMB million)</i>		
Historical transaction amounts of the Trademark Licensing and Property Leasing from SDG Group	<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	<u>8.68</u>	<u>8.68</u>	<u>8.68</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 Property Leasing to SDG Group	<u>1.41</u>	<u>1.83</u>	<u>0.80</u>

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	<u>4.40</u>	<u>4.40</u>	<u>4.40</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 Equity Entrustment Services to SDG Group	<u>3.96</u>	<u>3.59</u>	<u>1.89</u>

VI. 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 ^{Note 1}	<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.

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 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.

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.

VII. 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 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 relevant personnel of the business department of the Company and/or its subsidiaries that are conducting transactions with SDG Group is responsible to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of their respective agreements, whether the prices charged for specific transactions are fair and reasonable and in accordance with the aforesaid pricing policy;
2. 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 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 information 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.

VIII. 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 date of this announcement, SDG Group Co. directly and indirectly holds approximately 45.58% of the Company's issued share capital.

IX. 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.

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 have to 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.

Confirmation by the Directors

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.

X. GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders on the Procurement of Products and Services from SDG Group and the proposed annual caps for the transactions for each of the three years ending 31 December 2024, 2025 and 2026. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

SDG Group Co. and its associates will abstain from voting on the ordinary resolution in respect of the transactions contemplated under the New Comprehensive Service Framework Agreement and the proposed annual caps thereof for each of the three years ending 31 December 2024, 2025 and 2026 at the EGM to be convened by the Company.

Pursuant to the Hong Kong Listing Rules, a circular containing, among others, a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and details of the New Comprehensive Service Framework Agreement, will be despatched to the Shareholders on or before 22 December 2023.

XI. DEFINITIONS

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

“A Share(s)”	the domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the SSE;
“associate(s)”	has the meaning as ascribed to it under the Hong Kong Listing Rules;
“Board”	the board of Director(s);
“China” or the “PRC”	the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Company”	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company established under the laws of the PRC with limited liability on 31 January 2000, the H Shares and A Shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock Code: 1787) and the SSE (Stock Code: 600547), respectively;
“connected person(s)”	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 for the purposes of approving, among others, the New Comprehensive Service Framework Agreement and the transactions contemplated thereunder;
“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;

“H Share(s)”	the overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB0.1 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 Procurement of Products and Services from SDG Group (including the proposed annual caps);
“Independent Financial Adviser” or “Lego”	Lego Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Procurement of Products and Services from SDG Group (including the proposed annual caps), and a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity;
“Independent Shareholders”	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);
“New Comprehensive Service Framework Agreement”	the comprehensive service framework agreement dated 4 December 2023 between the Company and SDG Group Co.;
“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;

“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 date of this announcement, 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;
“Shareholder(s)”	the shareholder(s) of the Company;
“SSE”	the Shanghai Stock Exchange (上海證券交易所); and
“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.

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

Jinan, the PRC, 4 December 2023

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