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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)

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

BACKGROUND

Reference is made to the announcement of the Company dated 28 March 2022 in relation to the renewal of the financial services framework agreement entered into between the Company and SDG Finance. Having considered that the existing financial services framework agreement will expire on 31 December 2024, the Company entered into a new financial services framework agreement (the “**New Financial Services Framework Agreement**”) with SDG Finance on 20 September 2024 (after trading hours) to renew these continuing connected transactions for facilitating the Group’s operational needs of financial services. The New Financial Services Framework Agreement will be valid for three years, and will take effect from 1 January 2025 upon approval by the Company’s general meeting until 31 December 2027.

The principal terms of the New Financial Services Framework Agreement are set out below:

NEW FINANCIAL SERVICES FRAMEWORK AGREEMENT

Date:

20 September 2024

Parties:

SDG Finance and the Company

Subject matter:

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

Term:

The New Financial Services Framework Agreement will take effect from 1 January 2025 upon approval by the Company’s general meeting until 31 December 2027.

PRICING POLICY

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

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

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

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

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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

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

HISTORICAL AMOUNTS

Set out below are the historical annual caps of the relevant financial services provided by SDG Finance for the three financial years ended/ending 31 December 2024.

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

Set out below are the historical transaction amounts of the relevant financial services provided by SDG Finance for the two financial years ended 31 December 2022 and 2023 as well as the six months ended 30 June 2024.

	Historical transaction amounts		
	(RMB million)		
	For the financial year ended 31 December		For the six months ended 30 June 2024
	2022	2023	
Deposit Services			
Maximum daily balance of Deposit Services	2,999.88	3,297.84	3,298.41
Interest income from Deposit Services on an actual basis	26.43	35.99	19.73
Financing Services			
Maximum daily balance of loan and other financing services	2,392.16	3,068.80	3,276.03
Maximum daily balance of overdraft services	510.00	300.00	360.00
Total annual credit facilities	4,300.00	4,700.00	5,500.00
Interest expenses for Financing Services on an actual basis	22.07	20.09	21.06
Other Financial Services			
Handling fees and Other Financial Services	0.98	1.58	0.72

As at the date of this announcement, the Board confirms that the Company's historical transaction amounts under the existing financial services framework agreement have not exceeded the historical annual caps.

PROPOSED CAPS AND BASIS OF CAPS

The proposed caps for the transactions contemplated under the New Financial Services Framework Agreement for the three financial years ending 31 December 2027 are as follows.

	Proposed annual cap (RMB million equivalent)		
	For the financial year ending 31 December		
	2025	2026	2027
Deposit Services			
Maximum daily balance of Deposit Services	3,600	3,800	4,000
Interest income from Deposit Services on an actual basis	85	100	120
Financing Services			
Maximum daily balance of loan and other financing services	4,800	5,000	5,200
Maximum daily balance of overdraft services	1,000	1,100	1,200
Total comprehensive credit facilities	6,000	6,300	6,600
Interest expenses for Financing Services on an actual basis	130	140	150
Other Financial Services			
Handling fees and Other Financial Services	50	50	50

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

- (i) For proposed caps of the Deposit Services, the Company has considered various key factors including the daily deposit balance and the caps set in the historical financial services framework agreements entered into with SDG Finance.
 - a. The frequency of Company's deposit balance reaching close to its annual caps has caused pressure on the daily management of the deposit quota. With the accumulation of operating funds by the member units of the Company and the increase in the requirements for centralized management of the SDG Group's funds, the scale of funds collected in the fund platform of SDG Finance has been expanding. In 2023, the maximum daily deposit balance was capped at RMB3.3 billion. There were 146 days where the actual deposit balance has exceeded RMB3.2 billion and has been closed to the quota limit and 100 days where the daily deposit balance has reached between RMB2.5 billion and RMB3.2 billion. In 2024, the maximum daily deposit balance was capped at RMB3.3 billion. From January to June 2024, there were 74 days where the actual deposit balance has exceeded RMB3.2 billion and has been closed to the quota limit and 84 days where the daily deposit balance has reached between RMB2.5 billion and RMB3.2 billion. The frequency of the Company's scale of deposits reaching close to the quota limit has caused certain pressure on the daily management of the deposit quota, requiring appropriate adjustments to the existing deposit quota.

- b. Matching with the Company's business development strength. The Company has a comprehensive industrial layout with significant advantages in core resources reserves. Gold prices continue to maintain at a high level, which is favorable for the gold producers to which it belongs. While the Company grows stronger continuously, the scope and scale of its affiliated enterprises will also continue to expand, and at the same time, equity acquisitions, external financing and other businesses will also lead to significant changes in the Company's monetary funds. In addition, SDG Finance's cross-border service function has been continuously improved, and the provision of Deposit Services for the Company's overseas enterprises is also being gradually realized. Based on the development plan of the Company for the next three years, it is necessary to adjust and increase the deposit quota of the Company accordingly to satisfy the long-term cooperation needs of the deposit businesses of both parties.
 - c. The connected adjustments in the current loan quota. The current loan is based on the actual business needs of the Company to put forward proposals for quota adjustment. With the increase in the loan quota, the Company's funds deposited with SDG Finance during the disbursement of the loan funds will be increased accordingly, and the deposit limit is required to be adjusted and increased accordingly.
- (ii) For the proposed caps of the Financing Services, the Company has considered various key factors including the needs of the Company's business development and the advantages of SDG Finance's acceptance bills.
- a. Further enhancing the financial support of the Company. With the increase in the number of the Company's member units and the needs of business development, the demand for liquidity and mergers and acquisitions will increase accordingly, and the current quota for loans and acceptance bills business transactions is not sufficient to meet the business needs of both parties. The increase in the volume of loans provided by SDG Finance to the Company's member units is beneficial to the Company to obtain low-cost funding.
 - b. Fully utilizing the advantages of the acceptance bills of SDG Finance to solve the enterprises' liquidity needs. The enterprises are generally required to pay 20% to 30% deposit to open acceptance bills in banks, while SDG Finance has a higher credit rating for the Company's affiliated enterprises and is able to waive the opening deposit for most enterprises, which has the advantages of reducing capital consumption and providing convenience and efficiency for business operations. In 2022 and 2023, the amount of acceptances conducted by the Company's subsidiaries with SDG Finance was RMB1,892 million and RMB1,308 million, respectively, representing decreases of RMB473 million and RMB327 million in margin expenses as compared with acceptances conducted with banks, respectively. In addition, as a financial institution specializing in serving member companies, SDG Finance can provide timely, convenient and efficient services such as business approval processes and operating sections to fully meet the needs of business operations of the corporates.
- (iii) For Other Financial Services, the Company contemplated that the annual demand for the three financial years ending 31 December 2027 will remain unchanged.

INTERNAL CONTROL

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

INFORMATION OF THE RELEVANT PARTIES

The Company

The Company was established by its promoters with approval from the Shandong 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 Shanghai Stock Exchange and the Hong Kong Stock Exchange since 2003 and 2018, respectively and engaged in gold exploration, mining, processing, smelting and sales. It is one of the largest gold producers listed domestically and/or in Hong Kong that operates in the PRC, controlling and operating more than 10 gold mines with operation primarily located in Shandong province. The Company has gradually expanded its business into the Inner Mongolia Autonomous Region, Gansu province, Xinjiang Uygur Autonomous Region, Qinghai Province, Heilongjiang Province, Jilin Province, Yunnan Province 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 45.30% of the Company's issued share capital.

SDG Finance

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

LISTING RULES IMPLICATIONS

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

As each of the percentage ratio(s) (as defined in Rule 14.07 of the Hong Kong Listing Rules) applicable to the Deposit Services under the New Financial Services Framework Agreement is more than 0.1% but less than 5%, the Deposit Services provided by SDG Finance to the Group are subject to the reporting and announcement requirements as set out in Rule 14A.35 of the Hong Kong Listing Rules but exempt from the Independent Shareholders' approval requirement under Rules 14A.36 to 14A.39 of the Hong Kong Listing Rules. The Company will disclose the relevant details in the next annual report to be published and the accounts of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Hong Kong Listing Rules.

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

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

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

According to the SSE Listing Rules and the Articles of Association, the New Financial Services Framework Agreement and the transactions contemplated 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 Financial Services Framework Agreement and the transactions contemplated thereunder.

CONFIRMATION BY THE BOARD

The Directors, including the independent non-executive Directors, are of the view that, the above continuing connected transactions under the New Financial Services Framework Agreement 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 interest of the Company and its Shareholders as a whole.

The Directors, including the independent non-executive Directors, are also of the view that, the proposed annual caps set out for the transactions contemplated under the New Financial Services Framework Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

The Directors, Mr. Li Hang, Mr. Liu Qin and Ms. Wang Xiaoling, who also hold senior management positions in SDG Group Co., are deemed to have material interests in the continuing connected transactions contemplated under the New Financial Services Framework Agreement and have abstained from voting on the relevant resolution of the Board. Save for the Directors mentioned above, none of the other Directors has or is deemed to have a material interest in the above transactions.

DEFINITIONS

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

“A Share(s)”	the domestic share(s) issued by the Company to domestic investors with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange;
“Articles of Association”	the articles of association of the Company, as amended from time to time;
“associate(s)”	has the meaning as ascribed to it under the Hong Kong Listing Rules;
“Board”	the board of Directors of the Company;
“China” or the “PRC”	the People’s Republic of China;
“Company”	Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability on 31 January 2000, the H Shares and A Shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock Code: 1787) and the Shanghai Stock Exchange (Stock Code: 600547) respectively;
“connected person(s)”	has the meaning 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 extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the New Financial Services Framework Agreement and the transactions contemplated thereunder;
“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 RMB1.0 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 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);
“NFRA”	the National Financial Regulatory Administration, formerly known as China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會);
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“SDG Finance”	Shandong Gold Group Finance Co., Ltd. (山東黃金集團財務有限公司), a limited liability company incorporated in the PRC on 17 July 2013, which was held as to 30% by the Company and 70% by SDG Group Co.;

“SDG Group”	SDG Group Co. and all of its subsidiaries;
“SDG Group Co.”	Shandong Gold Group Co., Ltd. (山東黃金集團有限公司), a limited liability company incorporated in the PRC on 16 July 1996, the controlling shareholder of the Company; 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;
“Shanghai Stock Exchange”	Shanghai Stock Exchange (上海證券交易所);
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.0 each, comprising the A Share(s) and the H Share(s);
“Shareholder(s)”	holder(s) of the Share(s);
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則) as amended, supplemented or otherwise modified from time to time; and
“%”	per cent.

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

Jinan, the PRC, 20 September 2024

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 and Ms. Wang Xiaoling; and the independent non-executive Directors are Mr. Wang Yunmin, Mr. Liew Fui Kiang and Ms. Zhao Feng.