

SGE International Business Overview

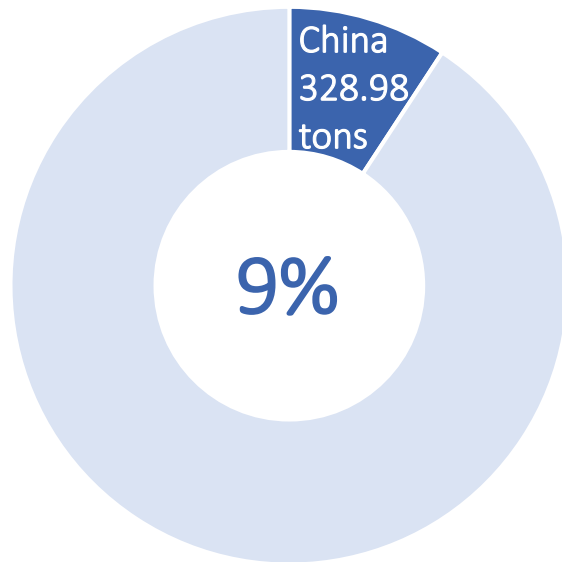
Tracy Yan, Market & Strategy
Shanghai Gold Exchange International
7 June, 2022



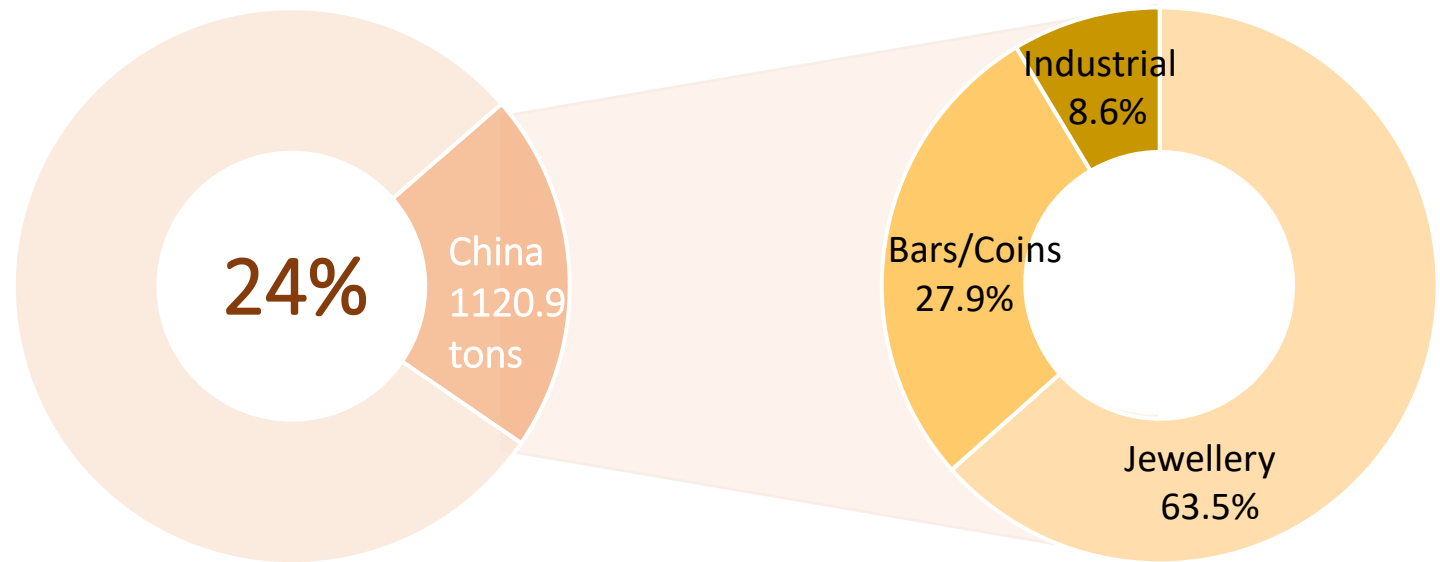
上海黄金交易所
SHANGHAI GOLD EXCHANGE

China Gold Market

World largest gold producing, consuming and importing country.



Mine Production



Gold Consumption

Jewellery 711.29 tons
Gold bars and coins 312.86 tons
Industrial use 96.75 tons

Market Performance - SGE

In 2021, total turnover across all markets on aggregate is **20.53 trillion RMB** (**3.06 trillion USD**).

Gold 34,841.11 tons

Silver 1,396,537.9 tons

Platinum 120.6 tons



284 Members



Domestic Members: **90%** of China's gold production output and consumption volume; **95%** of the country's refining capacity



The largest market in the world in terms of physical gold trading volume and delivery volume

Physical gold trading volume: 3,912.45 tons
Gold delivery volume: 8,127.86 tons

About SGEI

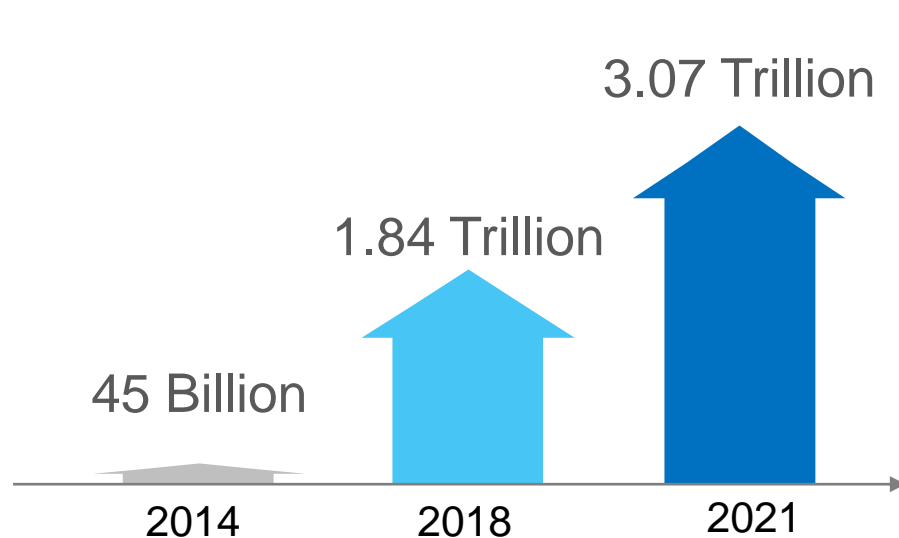
In September 2014, SGE launched the **international board** as a fast-track to connect China and international gold market, marked a milestone for the internationalization of China gold market. Overseas investors could use offshore entities to directly apply to be SGE international member or customer, and use **CNH** to trade on SGE.



Market Performance - SGEI

In 2021, total turnover of International Board reached **3.07 trillion RMB** (**0.46 trillion USD**).

Gold 3,325.33 tons
Silver 342,500 tons



95 International Members

79 International Customers

Members from **12** countries and regions globally, covering world leading financial institutions and precious metals enterprises. Financial institutions account for **60%** of all the international members.

Our Initiatives – Shanghai Price

- Launched in **2016**
- The **world's first RMB denominated** gold benchmark price
- Underlying: 1kg standard gold ingot and 999.9 fineness
- A tradable and reliable price which improves the pricing mechanism of China's gold market.

CME launched RMB and USD denominated Shanghai Gold Futures contracts, which further enhance the international influence of Shanghai Gold



Shanghai Gold Benchmark Price

Shanghai Silver Benchmark Price

- Launched in **2019**
- Underlying: 15kg standard silver ingot and 999.9 fineness
- Further enriching the "Shanghai Price" in the precious metal market.

Our Initiatives – Shanghai Price

Shanghai Gold and Shanghai Silver Benchmark Price are **RMB denominated benchmark prices** which set twice a day, through benchmark price trading on SGE trading platform.

Features



Unique trading mechanism	Trading by match of intended buy and sell volumes in response to prices announced by SGE. Coincide with the price matching market to promptly correct price differences and prevent deviation.
Central clearing and physical delivery	SGE acts as the central counterparty. Customers use the same cash and bullion accounts as for price matching and price asking market.
Wide-ranging participant base	Covering Chinese and foreign precious metal producers and consumers, commercial banks, fund management companies, securities firms, etc. Customers may directly trade through SGE's system or member's tier two system.
Executable price	A fully executable price, which makes it different from the opening price, closing price, and settlement price.

Our Initiatives – Shanghai Price

Pricing needs
of industrial
enterprises

Support the
pricing of
derivatives

Settlement of
gold import
price

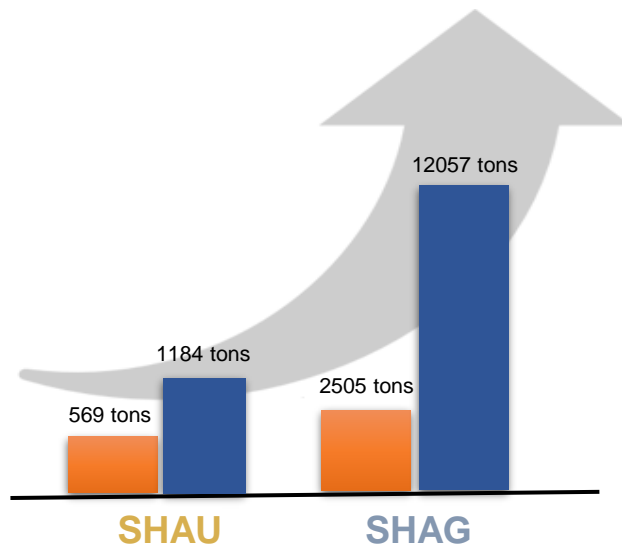
Basis for
appraising the
value of
physical gold
in gold leasing

- Commercial banks use “Shanghai Gold” benchmark price **as the benchmark of gold leasing contract.**
- Banks launch **gold deposit products and derivatives products such as gold futures** based on “Shanghai Gold” benchmark price.
- Security firms launch **financial products** based on “Shanghai Gold” benchmark price, and manage the position through SGE benchmark price trading platform. First batch of 4 **Shanghai Gold ETFs** were successfully listed for trading in 2020.

Our Initiatives – Shanghai Price

In 2021, total turnover of Benchmark Price trading reached **506.62 Billion RMB** (75.5 billion USD).

Trading Volume since Launch



Benchmark Trading

SHAU 1,184.35 tons ▲ 14.1%
SHAG 12,056.66 tons ▲ 11.61%

Gold ETF

Shanghai Gold ETF: 9
Total Trading Volume: 1,690.04 tons

Our Initiatives – Gold Road

In 2019, SGE and SGEI launched “ Gold Road “ project, together with SGE’s international members. This project aimed to facilitate China’s qualified jewelry manufacturers to do business with the jewelry retailers alongside “The Belt and Road” countries and areas, using SGE/SGEI platform.

Business Mode:

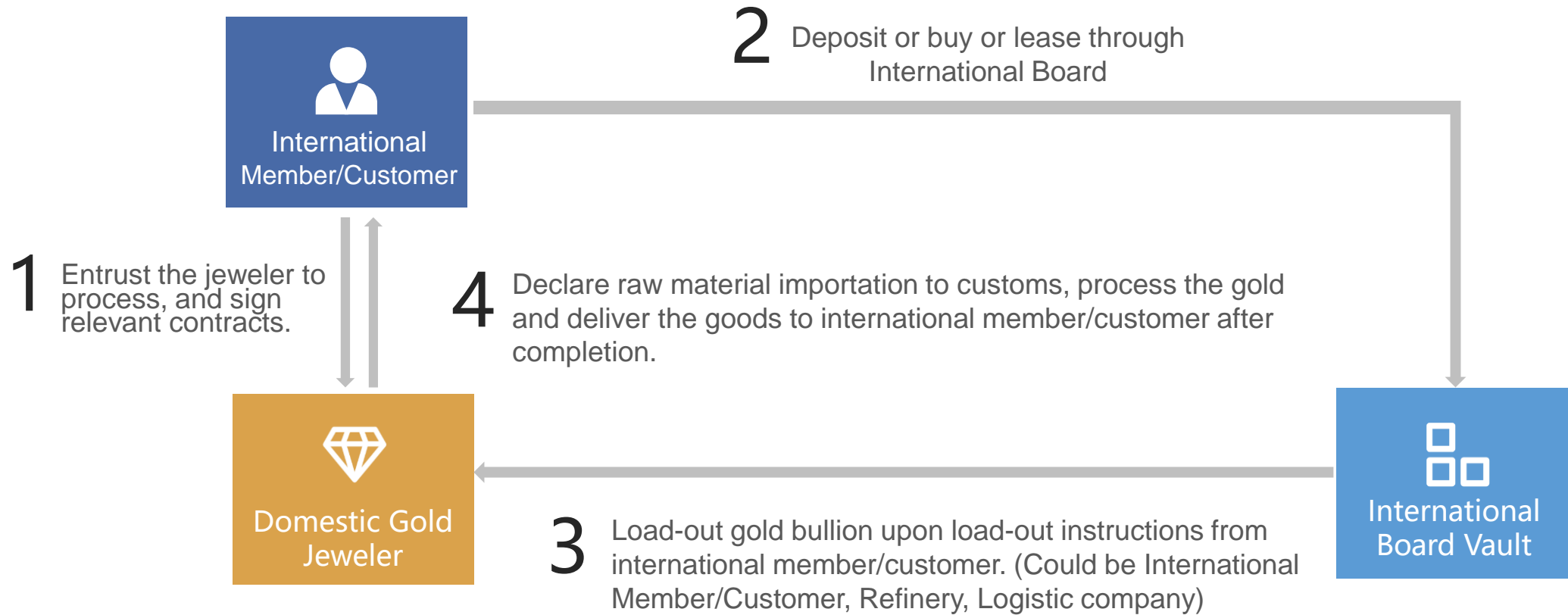
- Gold Leasing + Jewelry Manufacturing
- Re-export after Processing
- Re-export business



Our Initiatives – Gold Road

Mode 1: Gold Leasing + Jewelry Manufacturing

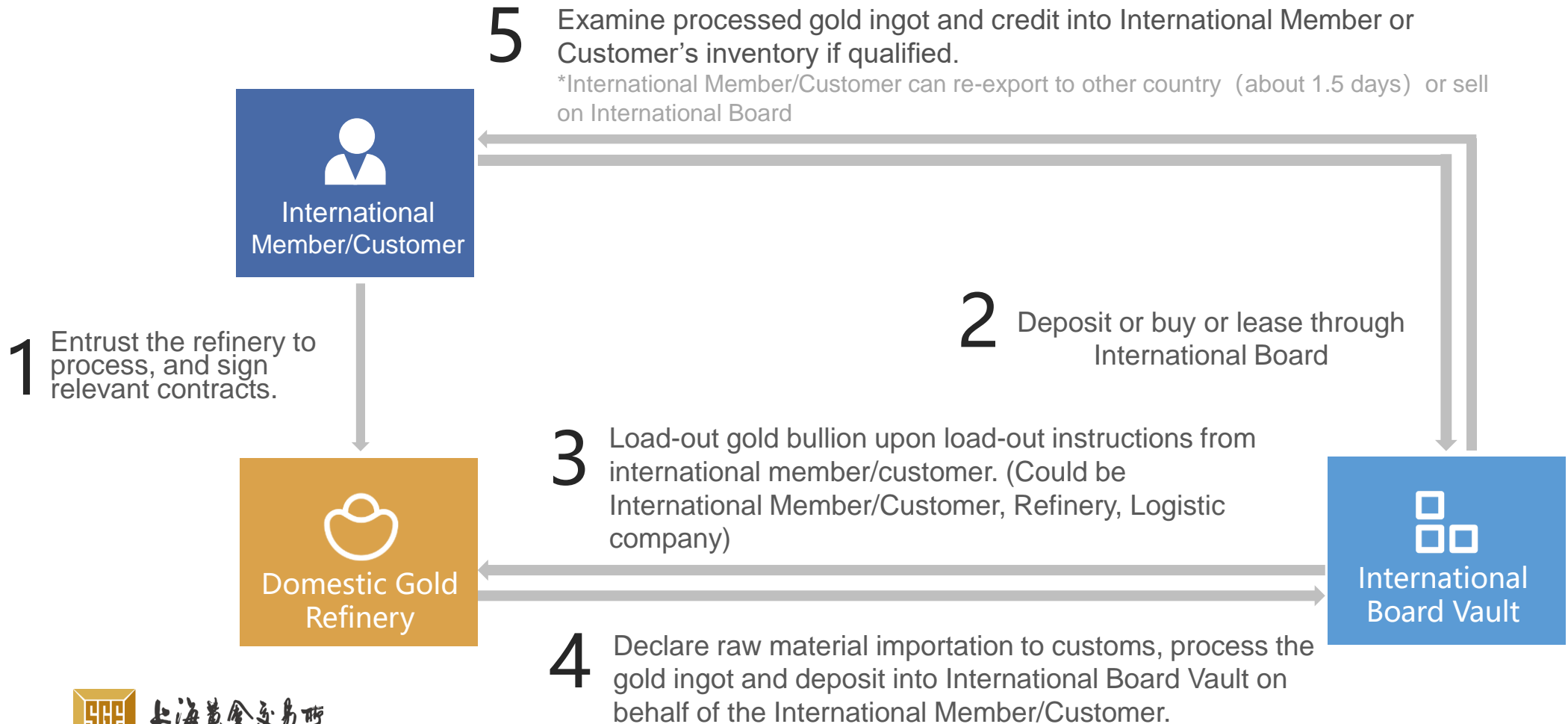
Entrust Chinese domestic gold manufacturers to process physical gold buy or deposit or lease through SGEI, export the goods after completion, and sell it worldwide.



Our Initiatives – Gold Road

Mode 2: Re-export after processing

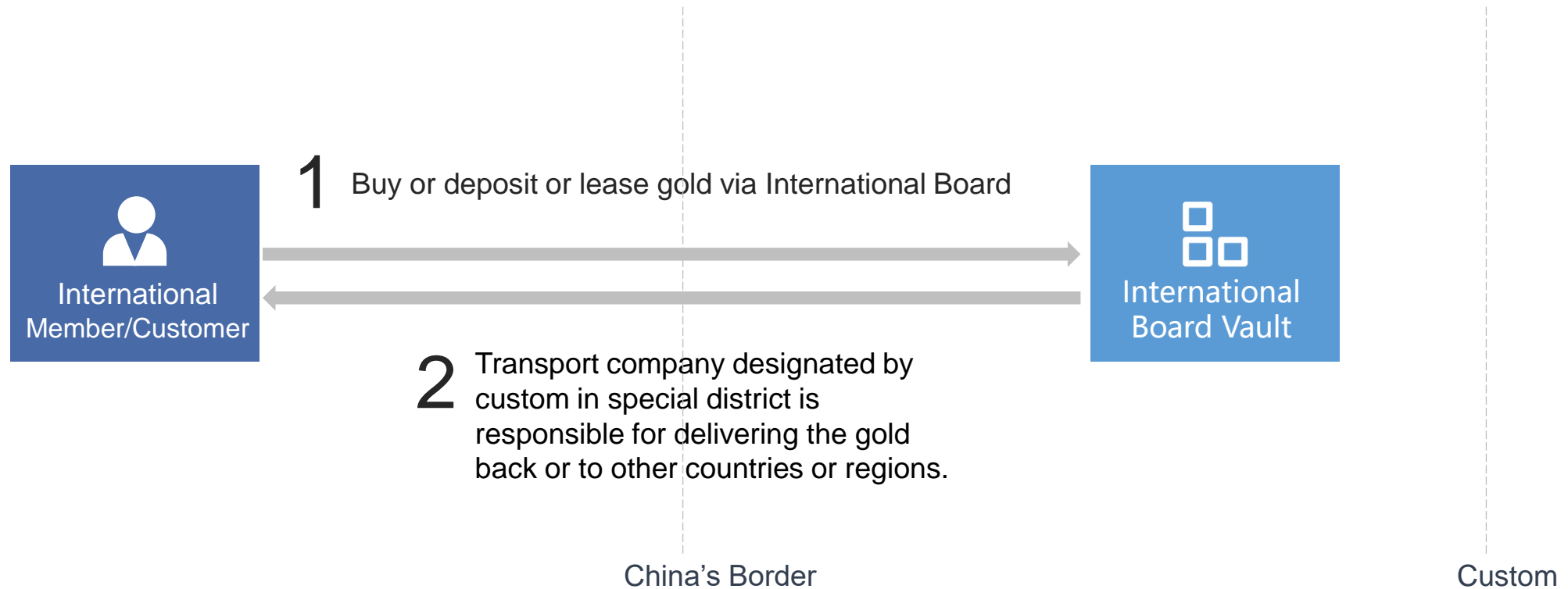
Entrust domestic gold refineries to process physical gold buy or deposit or lease through SGEI, into gold ingot, and re-export processed gold ingot or sell on international board after completion.



Our Initiatives – Gold Road

Mode 3: Re-export Business

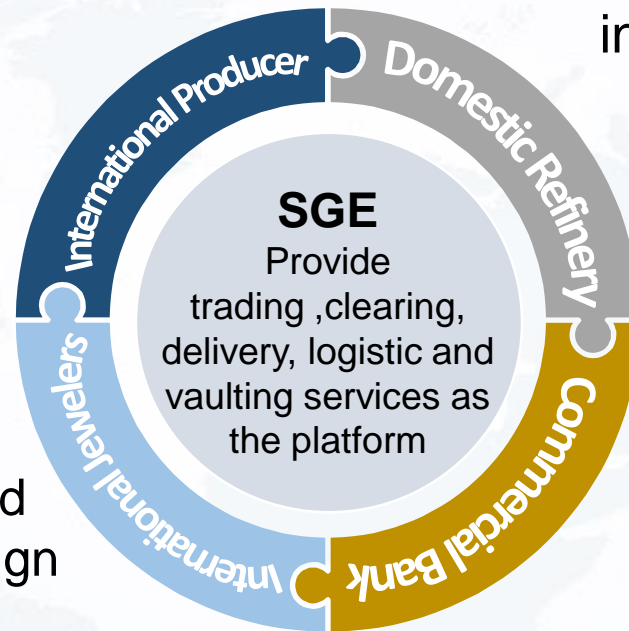
Buy or deposit or lease gold from the international board, and delivery the gold back or to other countries or regions. SGE reduced the transit processing to 1.5-2 days through innovation, process reengineering, and problems resolving. After time reduction, the whole process time keep pace with that of the major international gold markets.



Our Initiatives – Gold Road

Sell physical gold with international market accreditation to markets participants of international board.

- Buy physical gold through international board and re-export to other country or region
- Buy, deposit or lease physical gold through international board, consign Chinese company to process and re-export the products after processed and sell worldwide.



Provide gold processing for international jewelers.

- Gold leasing business with international jewelers.
- Become agent bank for international jewelers and gold producers.
- Become broker of international jewelers and gold producers.
- Vaulting service to International Board (designated banks)

Thanks !

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